

**ANNUAL REPORT:
FISCAL YEAR 2002-2003**

NEBRASKA
possibilities...endlessSM

**NEBRASKA DEPARTMENT
OF
ECONOMIC DEVELOPMENT**

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

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I. A MESSAGE FROM THE DIRECTOR

Dear Governor Johanns,
Speaker Bromm, Members of the Legislature
and Citizens of Nebraska:



The 2002-03 fiscal year was a difficult one for both the Nebraska economy and State tax revenues; it was consequently a difficult year for the Department of Economic Development. For the State, it meant higher unemployment and slow growth in income for Nebraska residents. For the Department, it meant further reduction in State funding for programs. Nonetheless, I am pleased to report that there was minimal change in the total amount of funding from the Department to communities through grants for housing, community facilities and business development. We also were able to maintain the staffing necessary to provide crucial community and economic development services across the state.

By the end of the fiscal year, the economy appeared to improve slightly, with agriculture apparently headed toward higher incomes, employment increasing modestly and manufacturing employment declines stabilizing.

As the new Department of Economic Development director, I look forward to working with the State's economic development programs and resources to extend and increase economic growth and diversification. We will direct our resources to encourage new business locations and expansions. Another priority will be making sure we are providing outstanding customer service to the communities and businesses that we serve.

Credit for the delivery of high quality and broad-ranging programs lies with our excellent staff. Our thanks and gratitude also are extended to Al Wenstrand, my predecessor, who for nearly five years provided outstanding leadership for the Department and for the State in its economic development endeavors.

Sincerely,

A handwritten signature in black ink that reads "Richard J. Baier". The signature is written in a cursive style.

Richard J. Baier
Director

Information about the programs featured in this report may be accessed online at: www.neded.org, or by calling (800) 426-6505 or (402) 471-3111.



II. NEBRASKA'S ANNUAL ECONOMIC PERFORMANCE

ECONOMIC PERFORMANCE INDICATORS

Because the Department of Economic Development (DED) programs attempt to positively influence Nebraska's economy, it is appropriate to review recent State economic performance. Generally during economic downturns, declines in employment are not as sharp in Nebraska as in the overall U.S. Conversely, in economic upturns, increases are usually more gradual than for the overall U.S. That pattern appears to be occurring again as both the state and nation attempt to advance from a recent economic slowdown.

According to data reported by the Nebraska Department of Labor, the state's unemployment rate rose from 3.9 percent in June 2002 to 4.2 percent in June 2003. During the same period, the U.S. unemployment rate rose from 5.9 percent to 6.4 percent. The number of employed persons living in Nebraska increased by 2.2 percent, while total U.S. employment advanced by 2.7 percent.

INDUSTRY EMPLOYMENT

Despite the growing number of employed persons in Nebraska, employment by place of work, or the number of jobs, decreased. As shown in Table 1, total non-farm employment in Nebraska fell by 0.5 percent from 918,127 in June 2002 to 913,126 in June 2003.

Employment in natural resources and mining, wholesale trade, retail trade, financial, and educational and health services industries increased. But decreases were experienced in construction, manufacturing, transportation, warehousing, utilities, information, professional and business services, leisure and hospitality, other services and government.

Table 1

Non-Farm Employment by Place of Work in Nebraska				
Industry Breakdown, June 2002 and June 2003				
Industry	June 2002	June 2003	Change	Percent
Natural Resources and Mining	1,172	1,470	298	25.4%
Construction	47,435	47,308	-127	-0.3%
Manufacturing	106,795	105,257	-1,538	-1.4%
Wholesale Trade	42,184	42,231	47	0.1%
Retail Trade	108,273	109,262	989	0.9%
Transportation, Warehouse, and Utilities	45,571	45,558	-13	0.0%
Information	24,810	24,395	-415	-1.7%
Financial Activities	61,910	64,298	2,388	3.9%
Professional and Business Services	93,322	89,915	-3,407	-3.7%
Educational and Health Services	110,128	110,601	473	0.4%
Leisure and Hospitality	80,348	77,555	-2,793	-3.5%
Other Services	33,850	33,747	-103	-0.3%
Government	162,329	161,529	-800	-0.5%
TOTAL	918,127	913,126	-5,001	-0.5%



In agriculture—Nebraska's largest sector for self-employment and home-based businesses—significant recovery occurred from severe drought conditions in many parts of the State last year. Harvested acres increased, and prices received by farmers also increased for most crops and livestock. The average prices for beef cattle and hogs each rose by 20+ percent from June 2002 to June 2003.

GEOGRAPHIC DISTRIBUTION

A growing majority of Nebraska's population and employment is in the Omaha and Lincoln metropolitan areas. Of a total State population of 1,729,180 estimated in 2002 by the U.S. Bureau of the Census, 940,185, or 54.4 percent, resided in metropolitan Omaha and Lincoln. The median ages of populations in the metropolitan areas are also slightly younger than for the state as a whole. In 2000, the median age of the overall Nebraska population was 35, compared to 33 in 1990. It was 34 in metropolitan Omaha (up from 32 in 1990) and 32 in metropolitan Lincoln (up from 31 in 1990). In June 2003, the combined metropolitan areas comprised 62.2 percent of the state's non-farm jobs, an increase from 62.0 percent a year earlier. As shown in Table 2, in both metropolitan Lincoln (Lancaster and Seward counties) and Nebraska's portion of the Omaha metropolitan area (Cass, Douglas, Sarpy, Saunders, and Washington counties), total non-farm employment decreased slightly from June 2002 to June 2003. It fell by 1.1 percent in non-metropolitan Nebraska.

Table 2

Non-Farm Employment by Place of Work in Nebraska				
Regional Breakdown, June 2002 and June 2003				
<u>Region</u>	<u>June 2002</u>	<u>June 2003</u>	<u>Change</u>	<u>Percent</u>
Metropolitan Lincoln	166,276	165,546	-730	-0.4%
Metropolitan Omaha	403,120	402,529	-591	-0.1%
Rest of State	348,731	345,051	-3,680	-1.1%
TOTAL	918,127	913,126	-5,001	-0.5%

Source: Nebraska Department of Labor

WAGES AND INCOME

The average income of Nebraskans (including wages, interest, dividends, transfer payments, etc.) has historically been below the national average. The U.S. Bureau of Economic Analysis reports that per capita personal income in Nebraska in 2002 was \$29,544, or 95.8 percent, of the U.S. average of \$30,832. This difference is offset by a cost of living that also is below the national average. According to the second quarter 2003 cost of living survey by the American Chamber of Commerce Researchers Association, the average of general living costs in Nebraska communities surveyed was 92.6 percent of the national average.

Rising worker productivity in manufacturing helped boost wages in that industry in Nebraska in FY 2002-2003. The average hourly earnings of manufacturing workers reported by the Nebraska Department of Labor rose from \$14.08 in June 2002 to \$14.62 in June 2003. But in the professional and business services sector, there was a decrease from \$16.77 to \$16.38 per hour.



NEBRASKA DATABOOK

Much of the above information and other data on Nebraska can be accessed in the *Nebraska Databook*, via the Department of Economic Development's web site at: <http://www.neded.org>

III. DED DEPARTMENT OVERVIEW

Department of Economic Development programs and services are covered in detail at the Department's web site at www.neded.org

WHAT DO WE DO?

The major responsibility of the Department of Economic Development is to use the tools and resources provided by the Nebraska Legislature, under the leadership of the Governor, to diversify and develop the capability of Nebraska's economy to grow at a pace that enhances the lives of its residents. More specifically: *the mission of the Nebraska Department of Economic Development is to develop economic opportunities by keeping Nebraska businesses, communities and people competitive.* The Department also is committed to providing customers with services that meet or exceed their needs and to continually improve the quality of these services.

WHAT IS OUR APPROACH?

From its creation by the Legislature in 1967, the Department's emphasis has been on growing and diversifying the state's "economic base", which is economic activity that brings new dollars into the State. These new dollars are re-spent by Nebraska's businesses and residents in a multiplying fashion, thereby creating additional income for Nebraskans. The focus is, therefore, on manufacturers (processors of raw materials and crops, producers of other material goods), certain types of service providers (such as call centers, software producers, insurance companies, etc.), and travelers and tourists. In each case, the market for these industries is regional, national or international. Much less emphasis is placed on the development of businesses with an in-state market (such as retail and many local services).

WHAT DO WE FOCUS ON?

DED primarily focuses on five pillars supporting the economic development process:

1. Product development: In the case of economic development, the "product" is Nebraska and the competitive advantages that its communities offer for business locations and expansions. The requirements are educated, flexible and trainable workforces; land and facilities prepared for the acceptance and growth of industry; state and local tax climates conducive to business and tourism development; fair and equitable tax structure; other flexible business incentives to meet the competitive environment for business development; and a superior quality of life.
2. Support for business startup and growth: The requirements for a successful small business development environment include attention to many factors—a range of financing needs, support for business plan development, business counseling and marketing services, and a variety of technical assistance unique to each small business.
3. Recruitment of new industry: The dynamics of industry growth continually provide



communities and states with numerous opportunities for attracting businesses that are planning new and expanded activity. In this circumstance businesses seek locations that are most profitable. Community preparation is extremely important, as is the state's readiness to compete with other states for these projects.

4. Support for retention and expansion of existing industry: Perhaps the most important pillar of development is attention to and support for the continued existence and potential expansion of businesses already located in communities throughout Nebraska. The tools mentioned in (2) and (3) are important here.
5. Tourism Development: Promoting the State's tourism assets and increasing the tourism industry base represent the fifth important pillar of economic development.

WHO ARE WE?

Staff

During fiscal year 2002-2003, DED had 70 full-time staff assigned to responsibilities in four areas: Business Development, Community and Rural Development, Travel and Tourism, and Administration. The nine-member Economic Development Commission (with equal representation from each of the three congressional districts) advises the Department. The Department's program areas each maintain several teams. Some Department teams cross program boundaries to better respond to customer need or development opportunities.

To more efficiently respond to customer need, 16 staff are assigned to field service delivery regions. The staff is trained to deliver the full range of services offered by the department, whether by mail, telephone, e-mail, or personal meetings.

With quality customer service as a top priority, the department started an initiative in FY 2001-02 to become ISO certified under the most recent ISO requirements. The ISO certification program has established quality management and operation standards widely accepted in 70 nations. Following a lengthy independent evaluation of program customer service procedures, plus management processes, DED received ISO certification in 2002. To our knowledge, DED is the first economic development agency nationwide to be ISO certified.

Budget

The budget appropriated to DED in fiscal year 2002-03 was approximately \$42.8 million (not including carry-over spending authority from the previous year) and is shown in the accompanying chart. About 60% of DED's appropriated funds were from federal sources—primarily the Community Development Block Grant (CDBG) program, HOME housing funds and Manufacturing Extension Partnership (MEP) funding.

The next largest funding source was state-appropriated cash funds. The largest of these were the Nebraska Affordable Housing Trust Fund (from a portion of the real estate transfer fee), the Travel and Tourism program fund (the 1% state lodging tax as the revenue source) and the customized training cash fund.

Only 11% of the Department's budget was provided by the state general fund. Reflective of the tax revenue problems faced by the State during the last two years, the \$4.8 million



DED ANNUAL BUDGET, 2002-03
SOURCES AND MAJOR USES

<u>Sources of Funds</u>	
General Fund	\$ 4,844,400
Cash Funds	12,399,300
Federal Funds	<u>25,565,400</u>
Total	\$42,809,100
<u>Use of Funds</u>	
Staff	\$ 4,056,000
Operations	5,786,600
Aid/Grants	<u>32,966,500</u>
Total	\$42,809,100

<u>Major Aid/Grant Programs and Service Contracts</u>	
Community Development	\$17,716,200
Block Grants (CDBG)	
Nebraska Affordable Housing	7,488,300
Trust Fund Grants (AHTF)	
HOME housing Grants	5,318,000
Customized Job Training Contracts	708,250
Mfg. Extension Partnership (MEP, 90% to service contracts)	919,450
Microenterprise Program Contract	250,000
Venture Capital Forum Contract	200,000
Surety Bond Program Contract	200,000
Tourism Marketing Grants	151,500
Mainstreet Program Grant	115,000
Scenic Byways Grants	113,480

appropriation for 2002-2003 was about 25% lower than the general funds appropriated for DED during the previous 2001-2002 fiscal year. From a program standpoint, reductions were greatest in customized training and microenterprise programs. Strong efforts were made to maintain program services at previous levels.

IV. DIVISION AND PROGRAM REPORTS

DED's broad range of programs serve multiple functions and constituencies: to support communities with development efforts; to assist with starting, retaining and expanding businesses; to promote the state for business locations and expansions; and to encourage increased visitations by travelers. The Department, alone, could not possibly offer the full array of services or full expanse of programs required for effective state-wide economic development. The Department would be much less effective without the cooperation and partnership of Nebraska's utility companies, regional development entities, higher education institutions and, most importantly, communities.



The remainder of this report contains a summary of fiscal year activities under the Department's three program divisions: Community and Rural Development, Business Development, and Travel and Tourism. A program review will follow each division outline.

COMMUNITY AND RURAL DEVELOPMENT DIVISION

The Community and Rural Development (CRD) Division provides technical and financial services through community-targeted programs and regional service delivery. These include grant programs for housing, community infrastructure, planning and business development; the Nebraska Community Improvement Program; the Nebraska Microenterprise Development Program; Community Development Assistance Act (CDAA) tax incentive program; and assistance to the Microenterprise Development Program.

Grant Program

The grant program supporting housing and community and economic development is based on a planning process undertaken by DED staff that results in an annually updated five-year plan. Funding sources are the U.S. Department of Housing and Urban Development and the Nebraska Affordable Housing Trust Fund. Altogether during FY 2002-03, nearly \$27.8 million in the form of 141 grants were approved for Nebraska communities. The funding categories, number of grants and grant totals for each category are listed as follows:

2002-2003 Community, Housing & Economic Development Grants		
<u>Program</u>	<u>Grants</u>	<u>\$ Total</u>
Affordable Housing	66	\$13,840,139
CDBG Planning	27	439,150
Public Works	19	3,667,400
Water/Wastewater	5	1,138,000
Tourism Dev. Initiative	1	150,000
Economic Development	23	8,542,118
Grand Total	141	\$27,776,807

Noteworthy about the grant program, from a staffing point of view, is that these grants remain active for up to 10 years, during which time DED staff are required to monitor each one. At any time, the number of active, monitored grants is approximately 600.

As seen in the table, the largest grants were awarded in the affordable housing category, with 66 grants going to communities and housing development/assistance programs. Through the program, 650 homes were rehabilitated; 290 homebuyers received assistance in purchasing homes; and 308 families received rental assistance. Additional assistance was provided through numerous local and regional housing and development programs that received housing grants.

The second highest number of grant awards went for business assistance in the form of financial packages in the economic development category. These grants made to communities are subsequently loaned to qualifying businesses. The business projects receiving financial



assistance would not have occurred without such support. The businesses assisted were manufacturers, food processors and service entities, all with well-established multiple state markets or a high potential for establishing such markets. Specifically, 23 businesses received loans during the year. The private dollars invested in these financial packages involving grants from DED totaled \$178,810,000 – a leverage ratio of 20:1. These projects resulted in 843 retained or created jobs, with multiplier impacts expected to nearly triple the total jobs created.

An award of 19 public works grants during 2002-03 totaled nearly \$3.7 million and addressed communities' needs ranging from storm water drainage to street surfacing to library and community center construction. Another 27 planning grants were used for comprehensive plans, project planning and region-wide planning to build the capacity for addressing community and economic development needs.

Water/wastewater needs are large and growing problems for communities across the State. Four federal and state agencies in Nebraska coordinate the grant application and approval process to more efficiently use funds to address these problems. In all, 37 projects were reviewed through this cooperative process and five projects were funded from the DED grants program.

Nebraska Community Improvement Program (NCIP)

Since 1963, this community betterment program has worked to build a tradition of strong community support. While making changes to meet the challenges of modern communities, NCIP rests on three pillars of community success: community planning with citizen input; volunteer and leadership development; and community and economic development. NCIP helps communities organize, set goals, prioritize projects, plan for action, and recruit volunteers. Nine investor-owned utilities provide financial support and oversight for the program.

During FY 2002-03, DED staff conducted 32 regional workshops and videoconferences on how to best use the program for community improvement. Volunteer Ambassadors assisted with the program during the year, recruiting 10 new communities in the process. Altogether, 82 communities participated, and 67 communities and multi-communities submitted entries for award consideration and recognition during the annual Community Quest celebration, held this fiscal year in North Platte.

Community Development Assistance Act (CDAA)

Approved by the Nebraska Legislature in 1985, this act empowers DED to approve 40% tax credits for businesses that make eligible contributions of cash, services or materials to approved community betterment projects. Nonprofit community betterment organizations apply to DED for designation of "chronic economic distressed areas," within which certain projects become eligible for tax credits. Projects may include employment training; human and medical services; physical facility and neighborhood development services; recreational and educational activities; and crime prevention.

In the 2002-03 fiscal year, \$240,520 of the \$250,000 available tax credits was awarded in 11-implemented projects.

Nebraska Microenterprise Development Program

The Microenterprise Partnership Act, which became law in 1997, appropriates money to DED (\$250,000 during the 2002-03 fiscal year), which the Department then contracts with the



Nebraska Microenterprise Partnership Fund (NMPF) to manage and implement the program. The program's purpose is three-fold: To help microenterprises (defined as businesses with five or fewer employees) realize full potential; to facilitate the development of a statewide microlending infrastructure; and to leverage non-state funds to support microenterprise development.

Although 2002-03 annual figures for the program were not available, the historic trend for the program has been for increasing participation by organizations that receive funds from the Microenterprise Partnership Fund to work with microenterprises. In 2001-02, 12 organizations received funds. NMPF and the 12 assistance-providing organizations were able to match and supplement the state appropriation through revolving loan fund resources so that a total \$2.8 million was available to support the program.

During the first five years of the program:

- 1,140 micro-loans were made, with 16% annual increase
- A total loan portfolio of \$1,181,600 was maintained
- 2,146 jobs were created or retained, with 20% annual increase
- 12,425 persons received self-employment training

Other

In addition to the above programs, DED staff annually conduct or participate in dozens of training sessions and technical assistance visits on topics such as environmental assessment, housing program administration, CDBG grant administration, land use management, local and regional planning, community clerk training, grant application workshops, lead-based paint inspection, risk assessment, and site evaluations for housing, business development and community facilities.

BUSINESS DEVELOPMENT DIVISION

The Business Development Division provides assistance to communities with business and economic development programs, offers direct assistance to businesses, and represents statewide interests in recruiting businesses to the state. The principal programs are One-Stop Business Assistance; Surety Bond Program; Business Visitation Program; Manufacturing Extension Partnership; Nebraska Works Program; Customized Job Training; International Trade and Investment; and Business Recruitment.

Business Location and Expansion Projects

DED Business Development staff work on dozens of potential business location and expansion projects during the year. Virtually all are manufacturers (fabricators, food processors, assemblers, components producers, pharmaceuticals manufacturers, etc.) and service providers (call centers, insurance centers, corporate headquarters locations, on-line or phone services centers). In most cases, the major portion of a business' market is outside Nebraska.

Projects are generated through marketing trips, partnering efforts with local development programs that identify projects, or working with existing Nebraska businesses considering an expansion and seeking the best, most profitable location for the project. At any one time, DED staff will be working with approximately 150 active projects—an active project is defined as one



that may result in activity at some time in the future, or one that will definitely invest in a facility somewhere within the next three years.

Recruitment marketing trips to other states and foreign countries totaled 12 during the fiscal year, with calls made on 96 companies and 83 location consultants. DED staff usually travel with representatives from partnering organizations, such as power and gas utilities and local/regional development organizations. In addition to these marketing trips, staff called on businesses at six industry conferences. Altogether, 46 active projects, with continuing and ongoing contact, resulted from these marketing efforts.

Business Retention and Expansion Program

For the last three years DED has worked with local and regional developers to survey businesses in selected areas across the state. The purpose is to identify favorable and unfavorable business climate factors. During fiscal year 2002-03, 363 businesses were interviewed. Of these, 98 were manufacturers, 62 retail and 50 in the agriculture sector. Total full-time employment from all businesses was 27,201. There were 8,438 jobs in manufacturing, followed by 4,223 in educational services and 2,855 in information/publishing, broadcasting and telecommunications. The most favorable business climate factors identified were public services and utilities. Ranking from good to excellent were: gas, water, wastewater, electricity, K-12 education, and solid waste. Least favorable ratings were in the area of taxes—corporate, personal, and property.

Top future challenges mentioned were: market competition/customer base; maintenance of local economies; and workforce availability/quality/retention.

More than 34% of businesses surveyed, or 125, reported expansion plans in the near future. When asked about future capital investments, approximately 49%, or 176, reported planned investments of \$252,296,000. Projected spending for capital improvements was highest for the transportation and warehousing industry, followed by manufacturing, and finally information/telecommunications/publishing.

The most frequent requests for business assistance were for (1) marketing, (2) computer updating and/or computer/telecommunications/website development, and (3) environmental and safety regulations. Approximately 25%, or 71 businesses surveyed received follow-up materials, calls, or onsite visits.

One Stop Business Assistance

This program is designed to respond to the information needs of businesses. Customers range from persons thinking about starting a business and needing to understand what is involved, to existing small businesses needing information on government regulations or programs, to businesses seeking information related to expanding. You name it and this program can (almost always) provide the answer, or offer guidance toward finding the answer. The office also provides information to business and development customers via two e-mail listservs and maintains a Business Toolkit on the DED website that provides information and references for business information.

The volume of requests flooding this office denotes its usefulness. For example, the telephone and e-mail inquiries received this past year numbered 2,815, not including the many customers who drop by the Department without appointments. In addition, the Nebraska Manufacturers Listserv (185 subscribers) received 70 announcements. The Nebraska Development listserv



(406 subscribers) received 369 announcements. The Business Toolkit website tallied more than 50,000 visits during the year.

International Trade and Investment

The U.S. is indeed part of a growing global economy: Since 1988, export-related jobs have grown eight times faster than jobs in the U.S. as a whole, and wages paid in export-related jobs are often 13-18% higher. More than 1,300 businesses in Nebraska export products and services—up 73% since 1992, earning total revenues of more than \$5 billion. A total 56,000 jobs in the state exist because of exporting and one of every seven manufacturing jobs are directly related to exporting.

DED's International Program supports the state's businesses in efforts to either start exporting, or to expand exports and recruit foreign businesses seeking profitable locations in the U.S.

During fiscal year 2002-03, the Governor led one trade mission to Japan, and DED staff made marketing and recruiting trips to the Far East and Europe. There was a forty-member delegation, including 16 Nebraska businesses, accompanying the Governor on his trip to Japan. Nebraska companies met individually with potential Japanese business partners significantly improving the potential for increased business activity. Since the mission, two Japanese companies visited Nebraska and are pursuing investment opportunities here. An added theme during the year was the focus on medical/biotech opportunities. DED joint efforts with the University of Nebraska Medical Center resulted in activities and ongoing contact with the Japan-Midwest U.S. Association.

As a result of a staff recruitment trip to Europe in fall 2002, anticipated activity includes two expansions and a new start-up business from Germany.

Manufacturing Extension Partnership (MEP)

In 1994, DED used newly available money and with the assistance of three partners, initiated the Nebraska Manufacturing Extension Partnership under the leadership of the Nebraska Industrial Competitiveness Alliance. By 2002-03, DED—along with Central Community College, the University of Nebraska Food Processing Center and the Nebraska Business Development Centers—had established eight customer service representatives at six locations across the State, plus 14 additional designated consultants to provide technical assistance to manufacturers. The program's goal is to improve the competitiveness of Nebraska's manufacturing sector.

Assistance provided through MEP includes engineering, general business consulting, market development, and technology assessments. Funding for the program in 2002-03 totaled \$599,430 in federal funds and \$1,199,072 in state appropriated expenditures. Special designated programs, in addition to hands-on consulting assistance, includes the Lean Manufacturing Program, ISO certification assistance and Product Development Quality services.

From 1994 to 2003, there have been 1,767 total first-time manufacturing customers, with many receiving additional assistance beyond the first consultation. MEP program evaluation is performed independently by the federal sponsoring agency, whose most recent estimates of customer impacts (increased sales, capital investment and productivity) resulting from the Nebraska program were \$400,000 per client and over four new jobs per client on average.



The Edgerton Quality Award, sponsored by the MEP program in partnership with the Nebraska Diplomats and the Nebraska Section of the American Society of Quality, is modeled after the national Malcolm Baldrige Award program. It recognizes companies and organizations that achieve programs of continuous quality improvement. In 2002, the Edgerton Program recognized Airlite Plastics, Omaha; General Dynamics Armament & Technical Products, Lincoln; Hamilton Sundstrand, York; and Cloverlodge Care Center, St. Edwards.

Customized Job Training

The Customized Training Fund assists qualifying companies with training new employees who are hired as a result of a new location or expansion. This fund is a very integral source of assistance in preparing incentive proposals for companies comparing Nebraska locations with locations in other states. In 2002-03, the general appropriation for this program was reduced from \$1.6 million to \$600,000. Nonetheless, with carry-over funding still available, the program remained active.

During the 2002-03 fiscal year, DED entered into customized training contracts with 16 companies for a total \$1.19 million. These companies committed to hire and train a total of 915 new employees, with a weighted average hourly wage of \$9.79. This program has impacted every area of the state as witnessed by the contracted projects in Lincoln, Valentine, Blair, Fremont, Schuyler, McCook, Juniata, Omaha, South Sioux City, Beatrice and Ogallala.

Targeted Industry Update

In 2000, DED and several development partners in the State worked with the consulting firm Deloitte and Touche Fantus to study and identify industry targets for Nebraska's economic development focus. During the 2002-03 fiscal year, a process was initiated to update that study. Staff worked with the Nebraska Industrial Competitiveness Alliance (NICA), the Nebraska Diplomats and other development organizations and identified the following 10 industry cluster targets: Food & Kindred Products, Plastics, Heavy Machinery, Financial Services, Transportation & Logistics, Hospitality & Tourism, Information Services, Medical Devices, Business Services and Biopharmaceuticals. In addition to state-level targets, 10 sub-state regions were identified and preliminary target industries were suggested for each.

Implementation will involve additional location studies for each statewide industry (food processing and plastics industry studies have been initiated) and work with localities in each of the regions with a process to confirm or alter the preliminary regional targets.

Film Office

During 2002-03, the Film Office contracted with Economic Research Associates to study trends in the film and film-related industry and make recommendations about Nebraska's involvement in promoting the industry. The study concluded that the State has a continuing role to play in the future success of film in Nebraska and that this industry really complements the State's effort to grow technology- and information-based industries. The principal recommendations were:

- Continue marketing the state as a location for film projects
- Work with indigenous companies, promoting their growth in Nebraska
- Encourage education and training programs to improve the film-making infrastructure
- Review the use of incentives to compete with other states

Three Nebraska-made films made news in 2002-03: "Full Ride" was shown on network



television in August; “Tully” received several awards of excellence at film festivals during the year; and “About Schmidt” garnered several Golden Globe awards and Academy Award nominations.

Surety Bond Assistance Program

Beginning in 1997, DED contracted with Bonding & Technical Services to fulfill the legislative requirement to provide assistance to small businesses seeking bonding capability, which is required on many construction contracts. The program engages in outreach to small businesses needing this kind of service, exposes them to bidding opportunities, and provides support in the areas of engineering, architecture, accounting, finance, law and bond underwriting. Six other entities, in addition to the State of Nebraska through DED, provide financial support to the program.

Since the program’s beginning, 309 clients have received assistance; 647 bond placements totaling nearly \$85 million have been made; \$75 million in contracts have been awarded to clients; and a sampling survey revealed an average per business revenue increase of \$1.6 million. Recent efforts have been made to extend service to other parts of the state since services have been primarily concentrated in the Omaha area. Most recent statistics reflect 109 active participants in the Omaha area; six in the Lincoln area; 41 in the 308-telephone area code region; and 55 in the 402 area code region.

Nebraska Works Program

The Nebraska Works program assists businesses, communities and regional partnerships with identifying workforce development needs and developing plans to address issues related to recruiting and retaining employees. During fiscal year 2002-03, a methodology was developed by staff to use in conducting local labor market surveys. Labor surveys were completed in five labor shed areas. Nebraska was also promoted and marketed as a State in which to live and work through the Nebraska Works website, mailings and publications—more than 8,000 Nebraska quality of life brochures were mailed to Nebraska employers for use in promotional packets.

TRAVEL AND TOURISM DIVISION

Travel and tourism is one of the most steadily growing industries in the national and world economy. The same holds true for Nebraska. One indicator is that the 1% lodging tax, which represents the total funding for the Department’s Travel and Tourism Division, has increased every year since its inception in 1981. In 2002, travelers spent more than \$2.83 billion in Nebraska on trips with overnight stays in paid accommodations and on day trips 100 or more miles from home. Given a travel spending multiplier of 2.7, the overall spending impact was more than \$7.6 billion. This also translated into 46,000 Nebraska jobs attributed to travel spending. Major attractions visited (with more than one million visitors each) were Omaha’s Henry Doorly Zoo, Mahoney State Park, Omaha’s Old Market, and Cabela’s in Sidney. Lake McConaughy and Fremont Recreation Lakes were close behind.

The lodging tax has become recognized across the State as an important source for funds to assist in developing the travel industry and to finance activities that inform travelers about Nebraska attractions. Revenue to the State program was up during calendar year by 1.6% to \$2.64 million. In addition, 60 of the state’s 93 counties impose a local lodging tax to fund



tourism program expenditures, as do seven communities. County revenues from the tax in 2002 totaled \$6.73 million compared to \$6.57 million in 2001.

Marketing to the Potential Traveler

The major obligation of the Travel and Tourism Division is promoting the State's tourism assets to potential visitors. As a result of those activities, described below, 162,200 travel information mailings were made during the 2002-03 fiscal year.

Written Media Advertising—A significant part of marketing Nebraska to out-of-state travelers is accomplished through an annual media advertising campaign in publications with national and/or regionally targeted readership. Heading into the 2003 warm-weather travel season, 60 ads, editorials and news stories were placed in 30 magazines, directories and web sites. Total readership for the publications that included *Better Homes & Gardens*, *Golf Digest*, *Ladies Home Journal*, *Good Housekeeping*, and *Midwest Living*, exceeds 94 million. Reader service responses from ad placements resulted in 53,045 travel information packets being mailed.

Travel Show Marketing—Additional contact with potential out-of-state travelers occurs at travel-related shows in numerous cities around the U.S. In 2002-03, DED staff and representatives from local and area travel programs attended trade shows in Chicago, Minneapolis, Denver, Cincinnati, Des Moines, the Quad Cities, Kansas City, Louisville, Indianapolis, and Wichita. At each, booth displays and handouts were provided to the public. The average attendance at each show ranged from 10,000 to 14,000.

Electronic Media Contacts—Internet contacts and telephone calls, in addition to response mailings from reader advertisements, represent additional components of contact from the traveling public. The division's website www.visitnebraska.org continues to grow as a tool for reaching the modern traveler. More than 650,000 user visits were made to the website during the 2002-03 fiscal year. That source, in addition to e-mail requests, resulted in 61,848 mailings of travel information. Phone calls to the travel and tourism 800 number resulted in 19,984 mailings.

Vacation Travel Guides—Approximately 40 travel guides greet travelers at visitor centers in rest stops, primarily along Interstate Highway 80. The information and cheerful assistance provided at the rest stops during the peak travel months has resulted in thousands of travelers staying just a bit longer during their visits to the State. The guides make more than 200,000 contacts each year. Not only do they influence travel decisions, they provide a very positive image for Nebraska.

Working with Group Tour Operators and Travel Writers

Group tour operators and travel writers are two travel industry groups that have a strong impact on the activities of the traveling public. The group tour industry packages and markets travel experiences to groups seeking such opportunities. DED staff works with tour operators to encourage tours to Nebraska and to plan itineraries for such package offerings. During the fiscal year, staff attended six group tour shows and marketplace events, interacting with operators about tour opportunities in Nebraska. Staff worked with 260 operators, resulting in 126 operator-sponsored tours to Nebraska.

Travel writers who write stories about Nebraska events, facilities or attractions, provide the state with additional opportunities for positive image making. Two travel writer events were attended and information provided to numerous writers. Perhaps the highlight of this effort was



three articles on Nebraska appearing in the *New York Times*. All told, the articles yielded exposure equivalent to more than \$1 million in advertising.

Marketing Grants

Nebraska communities and areas engaged in tourism promotion activities are encouraged to submit applications for funding assistance on promotion efforts. This popular annual program provides grants from \$2,000-10,000 to nonprofit organizations, governmental entities and for-profit businesses to market events, regional promotions and general marketing. During the 2003 travel season, 33 grants were issued out of 105 applications, for a total of \$131,338.

Travel Industry Development Plan

An update of the Travel Industry Development Plan was initiated in 2002-03. To insure ample opportunity for public comment and input from travel organizations in the State, 12 public meetings were held at various Nebraska locations, followed by focus group sessions at eight locations. The plan, which should be completed by spring 2004, will contain recommendations for industry development and promotion statewide, and provide sub-state regional benchmark development projects for consideration.

Lewis & Clark Bicentennial Commission

The Lewis and Clark Bicentennial Commission was created by the Nebraska Legislature in 2001 to help prepare Nebraska and its communities for events anticipated beginning in 2004. Such events are being planned particularly for the July-September, 2004 period, marking the time of the year when the Lewis and Clark Expedition journeyed up the Nebraska portion of the Missouri River in 1804. The most notable event, among many others, will be one of only 15 "signature" events being held nationwide. It will be held in Omaha and at Fort Atkinson State Park, outside Fort Calhoun, from July 31 through August 3, and will commemorate the "First Tribal Council" meeting between Lewis and Clark and American Indians. Among other notable activities are the interpretive visitor center under construction in Nebraska City and special observations planned in communities along the Missouri River.

V. FUTURE DIRECTIONS

Opportunities in the future will relate substantially to the expansion of the information economy and growing investment in technology. Our programs will remain flexible and adjust to take advantage of opportunities that arise in the changing world economy. We will also emphasize the importance of value-added agriculture. Finally, at the center of all development will be the strength of Nebraska's communities and regions. One conclusion that can be made is that the economic development challenges for Nebraska will not become easier.



Economic Development Commission

The nine-member Economic Development Commission advises the Department. Members of the Commission include:

N.P. "Sandy" Dodge Jr., Omaha

Phyllis Gardner, Max

Don Groesser, Ralston

Bill Harris, Lincoln

Richard Jeffries, Omaha

Terry Moore, Omaha

Janet Palmtag, Nebraska City

A.F. "Tony" Raimondo, Columbus

Bob Unzicker, Scottsbluff



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