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# NEBRASKA'S BUSINESS CLIMATE AND ATTRACTIVENESS FOR INDUSTRY

Arthur D. Little, Inc.

Report to
**Nebraska Department of Economic Development**

# Nebraska's Business Climate and Attractiveness for Industry

Arthur D. Little, Inc.

*in response to*
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# AND
# ATTRACTIVENESS FOR INDUSTRY

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## ENVIRONMENTAL CONSIDERATIONS

The Nebraska Department of Economic Development is a State agency involved in the planning, promotion, and development of the Nebraska economy. The Department has contracted with a consultant, Arthur D. Little, Inc. to conduct an evaluation of the marketing programs of the Department's Industrial Development Division and to make recommendations on how those programs could be improved.

As a result of the nature of the services provided by the consultant, there are no direct effects on the environment. However, it is possible that the Industrial Development Division, acting on recommendations made by the consultant, could affect the environment by encouraging new and expanded industry in Nebraska. In such instances, the Department would adhere to its long-standing practice of promoting growth that conforms to existing environmental regulations. At no time will the Department intentionally encourage projects or activities that are in violation of Federal and State environmental standards.

NEBRASKA'S BUSINESS CLIMATE AND
ECONOMIC ATTRACTIVENESS FOR INDUSTRY

## INTRODUCTION AND BACKGROUND

The Nebraska Department of Economic Development (DED) has as its general purpose the "planning, promotion and development of the state's economy and the development of the state's human, natural and physical resources."[1] The Department's Division of Industrial Development (IDD), assisted by the Division of Research, which provides research and information support, is primarily responsible for stimulating new job opportunities and assisting with the development of new and existing industry. (The identification of target industries and target areas for industrial development programs is one of the activities undertaken by the Research Division.) With a view to expanding its industrial marketing efforts and to ensuring that the efforts would be consistent with the state's assets and potential opportunities, the Department, with assistance from a grant from the U.S. Economic Development Administration, asked Arthur D. Little to:

- Evaluate Nebraska's geographic assets and liabilities and its business climate as they affect the potential for industrial development.

- Identify types of industries and industry groups toward which industrial development efforts should be targeted.

- Evaluate IDD's marketing and assistance programs.

The results of each task are the subject of separate reports.

## OVERVIEW

Although Nebraska is made up of communities and regions having substantially different characteristics, and although each of its industries is sensitive to a different mix of factors, it is nonetheless useful to discuss the state's overall "attractiveness" to industry including its overall "business climate" in relation to other states. Before discussing these characteristics and what the State might do to improve them, a definition of terms is useful:

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[1]Nebraska, Revised Statutes, 1980 Cumulative Supplement, Chapter 81-1226.

- By "attractiveness to industry," we mean the real or perceived environment for establishing, expanding and operating a business in the State as it is affected by both key economic factors and the business climate. These factors of economic geography--i.e., those related to labor, transportation, utilities, resources, markets, and quality of life--are usually more important than business climate. These factors themselves are only moderately affected by state, community, and business actions in the State (e.g., training programs), but the perception of them can be significantly affected by marketing efforts and the reported experience of businesses in the State.

- By "business climate," we mean the real or perceived environment for establishing, expanding, and operating a business in the State as it is affected by the tax, incentive, and regulatory measures most important to business and governed by state, community, and business actions in the State.

## THE LOCATION DECISION PROCESS

Factors affecting Nebraska's business climate and/or its general attractiveness to industry enter into the location decision process at different stages and with varying degrees of importance for industries. Although not all location decisions are made in a highly systematic manner, there are several common steps which are generally included in a company's decision process. Once a company has decided to expand or build a new plant, it generally identifies a general region of the country or specific states which it feels meets its requirements. The company is then likely to screen the states or major metropolitan and non-metropolitan regions within them on the basis of specific factors most important to its operations (e.g., labor availability and cost, right-to-work). Communities within the selected states are then screened on the basis of more detailed criteria, such as site and facility availability, taxes, quality-of-life. Visits to the selected communities are likely to continue, with screening of specific sites, until the final decision is made.

Given the nature of this decision process, it is therefore important for the IDD to:

1) be aware of the general competitive climate for industrial location in different parts of Nebraska and in the state as a whole--particularly for those industries considered most important to the state's future.

2) assure the best general perception of the state's business climate and attractiveness to industry.

3) be aware of those industries and firms which are most likely to be expanding and/or relocating to new facilities in the region.

4) assure that these individual industries and firms are made aware of the relative advantages of a Nebraska location and of the particular attributes of those communities in Nebraska likely to be most suitable.

5) assure that individual communities have the capability to package and present competitive industrial development proposals to potential firms.

Selecting a State

In the first screening of the state, the emphasis is likely to be on economic factors, such as proximity to resources and markets, labor costs, and transportation accessibility and on critical business climate factors, such as right-to-work. The state's general image may also come into play here--such as Nebraska's perceived remoteness.[1] At this point, the outside companies often rely on statistical measures and on general perceptions of the state--particularly if they have no personal experience or business contacts in the state. Even if these indicators are misleading or inaccurate, they are influential and the locating company may not give the state the opportunity to change the misperception even if actual experience contradicts that perception.

Based on our interviews with prospects identified by the State of Nebraska who eventually chose other locations (the general results are summarized in Table 1) and based on our interviews with industrial developers and industry specialists, most companies and individuals are pleased with the treatment and information they receive from the State, and many are indeed quite surprised at some of Nebraska's relative strengths. Most companies who chose other states after considering Nebraska, chose these states because of market, transportation or labor factors that the State has little control over. Those who have not seriously considered Nebraska or are not familiar with the State, seem to harbor numerous misperceptions about the State and most would have to be classified as having a neutral to negative view of the state as a location for industry. This information is also strongly supported by the survey of Business Week readers conducted on behalf of the State.

[1] As reflected in a recent survey of manufacturers by Business Week as part of its service to Nebraska as an advertiser.

TABLE 1

SELECTED NEBRASKA PROSPECTS WHO CHOSE NOT TO LOCATE IN NEBRASKA

| Location Chosen Over Nebraska | Number of Companies |
|---|---|
| Kansas | 2 |
| Missouri | 4 |
| Iowa | 4 |
| South | 9 |
| Nowhere | 20 |
| | 39 |

| Industry of Firms | Number of Companies |
|---|---|
| Food | 7 |
| Metals | 4 |
| Machinery | 4 |
| High Technology | 3 |
| Paper | 1 |
| Chemicals | 2 |
| Other or not reported | 18 |
| | 39 |

Sources: Nebraska Department of Economic Development, and Arthur D. Little, Inc., survey.

Recommendation: In order to assure the best general perception of the state's business climate and attractiveness to industry, the State needs to pursue an aggressive marketing program tailored to the competitive climate in key industries (e.g., equipment manufacturing, instruments, high technology, food processing). In addition, the State needs to pursue a "defensive" strategy which assures that state-by-state comparisons treat Nebraska fairly. In this regard, documents such as the COSMA report[3] can prove particularly troublesome and the State needs to make sure that generally available statistical indicators are footnoted in important sources to avoid misleading information (e.g., the COSMA report includes in Nebraska's public debt the obligations of public power, but does not explain this inclusion, thus leading to possible erroneous perceptions about the state's creditworthiness). The State also needs to monitor regularly prepared state comparisons to assure fair and complete treatment. (The Conway Publications' comparisons of development incentives and economic development environments is one example of such a regularly prepared state-by-state comparison.)

## Selecting a Community

In selecting communities, labor-related factors--particularly the availability of sufficient numbers of people with the required skills--and transportation and utility factors usually play a large role. When the selected communities are evaluated, site-specific considerations are critical: availability of land or a building, water and sewer, etc. It is at the final stage (e.g., when a company is considering a limited number of sites in several states) that specific business climate factors are most important--such as taxes, tax abatements or financing though IRBs, burden/delay of obtaining the necessary permits, etc.

Recommendation: In order to assure that Nebraska communities get the best hearing when being compared to communities in other states, the State needs to pursue a regular monitoring program to track its competitive position in terms of key business climate factors relative to other states. Although differences in "business climate" are not great within Nebraska, companies are often considering communities in more than one state, and there are significant differences in the perceived business climate in Nebraska and states with which it most often competes for industrial location and expansion. Some of these differences, such as

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[3] Third Study of General Manufacturing Business Climates prepared by Alexander Grant & Company with the Conference of State Manufacturers Associations (COSMA), 1982.

labor/management legislation, operate in Nebraska's favor and can be exploited. Others, however (e.g., special training subsidies and tax credits), tend to operate in the favor of other states and need to be countered or offset. In part because it is not perceived as aggressively promoting industrial development (relative to neighboring states) and in part because it is operating at a disadvantage in terms of some business climate factors (particularly business taxes and special development incentives), the State needs to pursue a more aggressive program, which, on the one hand neutralizes the special industrial development efforts of other states by assuring that there is at least the structure there to provide the special development incentives and programs offered elsewhere and which, on the other hand, attempts to at least sustain an overall balance with its major competing states in terms of the mix of special business taxes and incentives in place.

## CATEGORIES AFFECTING INDUSTRIAL LOCATIONS

This report describes Nebraska's strengths and weaknesses in each of four categories affecting industrial location in the state and then outlines a recommended strategy for the state to improve its attractiveness to industry. The four categories are:

- Labor-Related Factors (labor availability, labor management relations, labor costs, labor productivity and the work ethic, labor skills and training),
- Transportation- and Utility-Related Factors (rail and truck transportation, air transportation, utility service and power rates),
- Market- and Resource-Related Factors, and
- Business Climate Factors (taxes, incentives, regulations).

### Labor-Related Factors and Recommended Strategies

Nebraska's labor environment is generally perceived by business leaders within the state as being one of Nebraska's greatest industrial development strengths, and the state appears to have an excellent reputation in terms of work ethic and productivity. However, most business leaders who have opened new plants in the state were originally quite concerned about the availability, potential turnover and skills of the labor force when they first investigated the State as a location. Given this frequently mentioned concern, these three factors would have to be considered a relative weakness--at least as they are perceived by companies from outside the state who might like to consider Nebraska. Despite these perceived weaknesses, almost all of the business leaders in the state now maintain that they have had little, if any, difficulty finding skilled or trainable labor and that labor is extremely productive (the Midwestern farm "ethic"), quality conscious, and dependable. The challenge will, therefore, be to convince potential industries that, despite the state's low unemployment rate and implicitly tight labor market and despite its relatively limited industrial base and skilled labor force, a skilled or trainable and highly productive labor force can be obtained and retained.

In terms of other specific indicators of the labor environment, Nebraska also represents a somewhat mixed picture. For example, Nebraska's high historical unionization levels in a couple of industries (e.g., railroads and meat packing) somewhat offset its strengths of being a "right-to-work" state. In addition, Nebraska has relatively high labor costs compared to some of its competition; however, its labor force has a strong reputation for high productivity, which somewhat offsets its moderate costs.

Labor Availability. Labor availability is a function of a large number of factors including labor force participation rates, the number of high school and college graduates available to work, other new labor force entrants, net migration, and unemployment. Table 2 profiles some of these factors for the entire state in relation to other nearby states. Since these statewide statistics indicate a relatively high labor force participation rate (which implies a relatively small "untapped" labor force), relatively low unemployment (which implies a relatively smaller share of the labor force looking for work), and relatively low net inmigration (which implies relatively greater difficulty in attracting labor from outside the State), it is understandable why industries without experience in the State would be concerned about the availability of labor. Figure 1 profiles unemployment in different parts of Nebraska--showing pockets of high unemployment in the eastern part of the State. Previous studies have also found lower labor force participation rates in the more rural counties. While such data must be used with caution, it clearly demonstrates that there are some areas of the state where companies would probably be less alarmed by potential labor shortage issues.

> Recommendation: For the State to present a convincing argument on general labor force availability, we recommend that statewide data be assembled and that the statistical data be complemented by a good mix of anecdotes on the recent successful experience of firms in recruiting a work force (e.g., 3M's experience in Valley; Monfort's experience in Grand Island; or Control Data's experience in Lincoln and Omaha) and in maintaining that work force (e.g., Rockwell in Kearney and Valmont in Valley). Labor availability is clearly a major issue in Nebraska that requires more than the conventional tables available in the literature. Since labor availability (by skill) varies so much from community

TABLE 2

LABOR AVAILABILITY FACTORS IN NEBRASKA AND COMPETING STATES

| | Civilian Labor Force Participation Rates | | | 1981: Unemployment |
|---|---|---|---|---|
| | Total | Adult Male | Adult Female | Rate |
| United States | 63.7% | 78.4% | 51.1% | 8.4% |
| Nebraska | 67.1 | 81.4 | 53.2 | 3.8 |
| Iowa | 66.5 | 82.9 | 51.2 | 6.1 |
| Kansas | 68.4 | 82.6 | 56.0 | 4.2 |
| Missouri | 63.1 | 78.3 | 50.1 | 6.6 |
| South Dakota | 68.1 | 83.0 | 54.4 | 4.2 |
| Colorado | 69.1 | 84.2 | 55.5 | 5.1 |
| Oklahoma/Texas | 61/66 | 76/83 | 47/52 | 3.4/4.6 |
| Minnesota/Wisconsin | 69/68 | 83/83 | 56/54 | 5.0/7.5 |
| Michigan/Indiana/ Illinois/Ohio | 63-66 | 80-82 | 48-52 | 8.1-11.5 |
| Pennsylvania/New York/ New Jersey | 60-64 | 77-81 | 46-52 | 6.4-8.5 |
| Alabama/Mississippi/ Arkansas | 59-60 | 73-78 | 46-50 | 8.2-10.7 |

Source: Geographic Profile of Employment and Unemployment, 1979 U.S. Department of Labor, Bureau of Statistics Employment and Earnings, 1981.

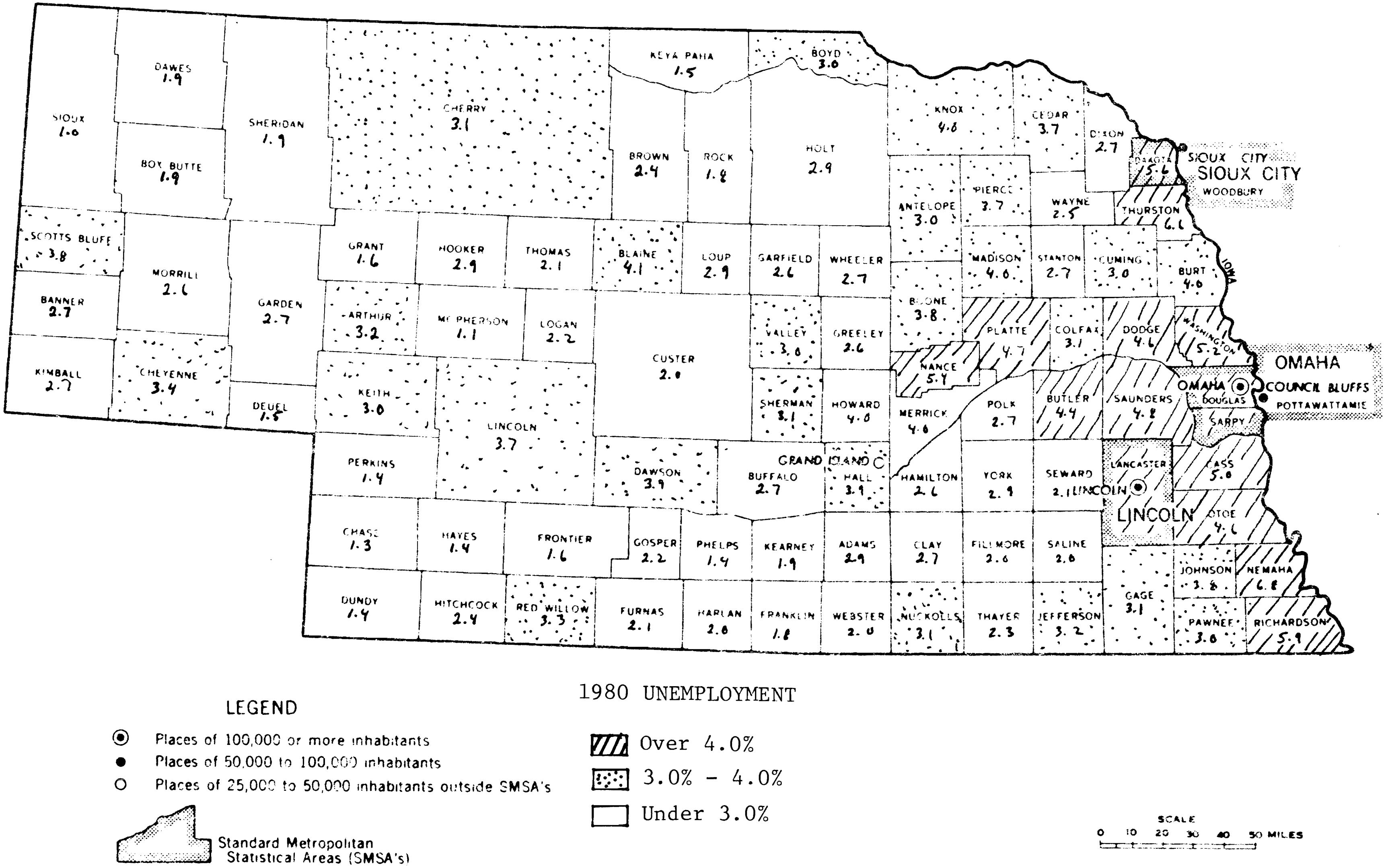



FIGURE 1. 1980 UNEMPLOYMENT RATES BY COUNTY IN NEBRASKA

to community, the State also needs to work with the communities to assure that adequate data are readily available on individual communities so that potential prospects have a good sense of the skills, trainability and source of a potentially available labor force (both those currently employed and those who are not currently in the labor force). Blind advertisements may be necessary in some cases, for it is clear that potential employers could be given a clearer idea of their potential work force at an earlier date than is now possible.

Labor-Management Relations. Nebraska's "right-to-work" law and its "anti-secondary boycott" law are heavily promoted by the State and are well known to most, if not all, potential prospects. This legislation has clearly been a major factor positively influencing plant location in Nebraska. Most employers we interviewed mentioned it as an important factor, if not a mandatory requirement, for their location decision. However, there are 19 other states with "right-to-work" laws (Figure 2), and most surrounding states with which Nebraska competes are among these 19. One of these states--Kansas--is Nebraska's major competitor for many prospects. In contrast to Nebraska, Kansas was ranked ninth lowest of all the states in percentage of unionized nonagricultural workers (Nebraska was twentieth) and second lowest of all the states in percentage change in unionization (Nebraska was thirty-third) in the recent COSMA study.

Recommendation: Being a right-to-work state does not guarantee a state a top reputation for labor climate. Nebraska will need to better profile its unionization and work stoppage situation with both statistics and company experiences if it is to present a favorable labor-management climate relative to surrounding states. We recommend that the State use work stoppage and unionization data (including the special situation with railroad workers) to make a stronger case for what employers report and for what we believe to be a very favorable labor-management situation and certainly one that is better than reflected by the COSMA ranking. For example, not only is Nebraska a "right-to-work" state, but it also had about one-half the average percentage of non-agricultural working time lost to work stoppages in the 20 right-to-work states (1979) and less than one-third the average percentage of working time lost in all states (Table 3). It may also be helpful to profile unionization and work stoppage experience by region, and it will be essential to incorporate company experience about the positive role of labor-management relations in Nebraska (quality circles, etc.).

Labor Costs. Although labor rates in Nebraska are relatively low (Table 4), they are not cheap. (The State ranks twenty-eighth in annual average hourly manufacturing wages). There is not much point

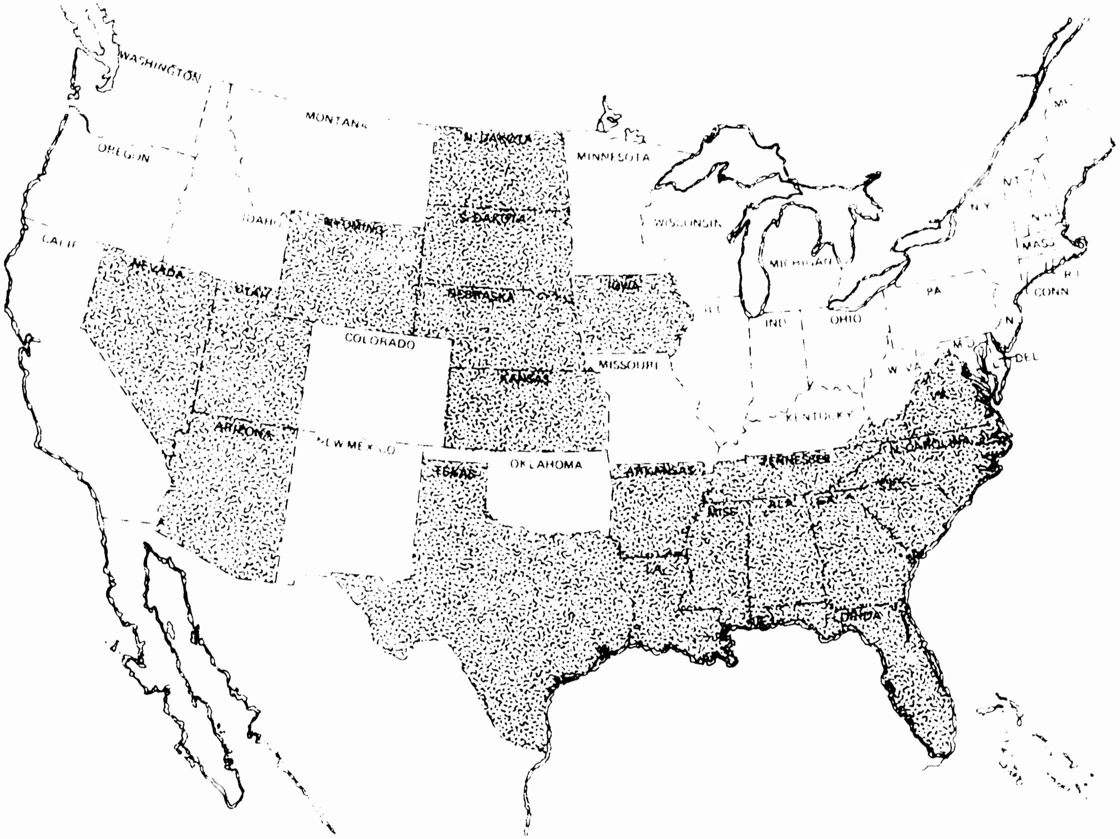



**FIGURE 2. RIGHT-TO-WORK STATES**

TABLE 3

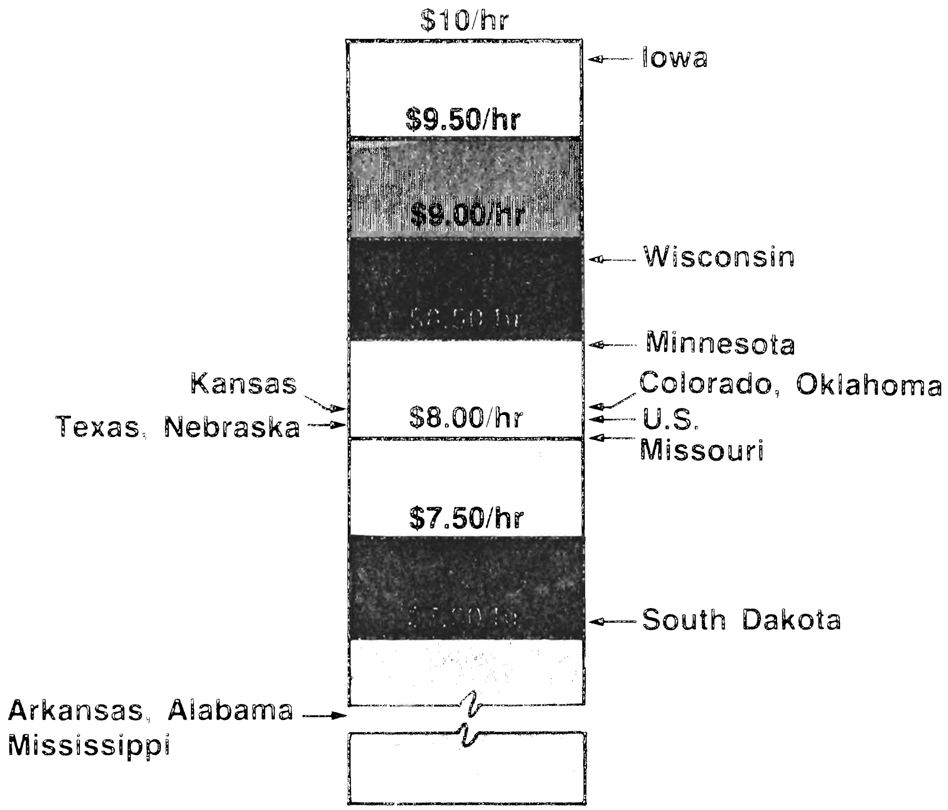
LABOR RELATIONS CLIMATE

| | Percent of Time Lost Due to Work Stoppages (1978) | 1980: Quits Per 100 Employees | Labor Force Unionized (1978) |
|---|---|---|---|
| United States | 0.15% | 2.0 | 20% |
| Nebraska | 0.05 | 1.1 | 12 |
| Iowa | 0.26 | 0.6 | 15 |
| Kansas | 0.04 | 1.5 | 10 |
| Missouri | 0.20 | 0.9 | 26 |
| South Dakota | 0.09 | n.a. | 7 |
| Colorado | 0.08 | 1.5 | 13 |
| Oklahoma/Texas | 0.06-0.07 | 1.9-2.6 | 10-11 |
| Minnesota/Wisconsin | 0.13-0.20 | 0.5-1.1 | 21-23 |
| Michigan/Indiana/ Illinois/Ohio | 0.17-0.35 | 0.3-0.7 | 25-29 |
| Pennsylvania/New York/ New Jersey | 0.11-0.23 | 0.6-2.5 | 20-35 |
| Alabama/Mississippi/ Arkansas | 0.08-0.19 | 0.9-2.0 | 11-16 |

Source: U.S. Department of Labor, Bureau of Labor Statistics: 1980 Handbook of Labor Statistics; Analysis of Work Stoppages, 1978; Employment and Earnings.

## TABLE 4

## 1981 AVERAGE MANUFACTURING WAGES



in trying to develop a case for being a center of low-cost labor. The State's most persuasive argument in attracting industries is that labor costs are competitive, and employers get more for their money. Furthermore, the State may not wish to encourage low-wage job creation except in those parts of the state where employment opportunities may be limited (particularly for women) and where the availability of lower-cost labor may be a major attraction for industries.

> Recommendation: It would be worthwhile to develop better substate profiles of labor costs to use in marketing the State to different types of industries. It would also be useful to incorporate as a labor cost workers' unemployment compensation insurance for which Nebraska is fourth lowest of all the states and significantly lower than Kansas and some of the states with which it competes most directly.

Labor Productivity and the Work Ethic. Almost everyone we interviewed in Nebraska was extremely positive about the Nebraska work ethic and about how productive the labor force is. However, this tends to be claimed by industrial developers in almost every state, and better substantiation is needed to demonstrate this strength.

> Recommendation: It will be extremely important to demonstrate, either through existing employer experience (e.g., Sperry-Vickers, Rockwell, Becton-Dickinson) or through specific data (e.g., low turnover, low absenteeism, or higher productivity) that, in fact, the Nebraska labor force, at least for certain types of activities, is extremely hard working and dependable.

Another way to present the Nebraska work ethic may be to stress the quality of Nebraska's labor force and products. Current economic conditions, the impact of foreign competition, and the high cost of products and services have combined to require corporations to place greater emphasis on quality. National manufacturers are increasingly stressing this factor in their advertisements; many have increased the size and extent of their warranties. Computer integrated manufacturing is playing an increasing role, not only to increase output per operating hour, but also to ensure quality.

> Recommendation: The IDD should consider a state marketing campaign that stresses quality of product and labor force in Nebraska. Testimony from representatives of companies who have had successful experience in Nebraska can be part of this effort. IDD might work with various companies in the state to develop indicators of quality--percentages of rejects or returns, days lost due to strikes and weather, specific product examples of high quality workmanship or service.

Labor Skills and Training. Because of Nebraska's rather limited industrial base (only 16% of Nebraska's non-farm employment is in manufacturing compared to 30% in the United States and 22%-26% in states such as Missouri, Illinois, Iowa, and Minnesota), there is often a concern about the availability of a skilled labor force in Nebraska. Since it is usually difficult to demonstrate an available, trained labor force, the emphasis often shifts to both a trainable labor force and the availability of specific training programs. Once the availability of a trainable labor force is demonstrated (as discussed earlier) state and local training programs often come under scrutiny. Although the state's vocational education programs appear well organized and targeted, and although most business leaders we interviewed did not offer specific criticism, they do not appear to be heavily utilized by industry.

In addition to general vocational education programs, more and more companies have come to expect assistance from state governments in pre-employment training of local residents in skills specific to the companies' needs. Working with and through community colleges and vocational education institutions, states such as North Carolina, South Carolina, and Michigan work with employers to develop special training for personnel prior to any hiring by the company. Table 5 briefly describes the special training programs reported to exist in some of the states with which Nebraska competes. Nebraska, using funds provided by the Old West Regional Commission, gained some experience with this type of program, but has not been in a position recently to conduct further programs of this kind due to a lack of funds. The authorization of $50,000 for special pre-employment training in the fiscal year 1983 budget will help, but one medium-sized company training effort will use up all these funds. Some competing states have budgets in excess of $1 million for these programs.

> Recommendation: In order to stay competitive with other states and in order to offset disadvantages related to Nebraska's limited industrial and labor skills base, efforts should be made to acquire larger appropriations for special training programs that can be targeted to individual industries and companies. Given the types of industries which represent the major opportunities for Nebraska (particularly instruments and higher technology machinery), pre-employment training is the most important special incentive to have backed by substantial state resources.

Transportation and Utility-Related Factors and Recommended Strategies

Although the State perceives itself as having a relative strength in the area of transportation- and utility-related factors, companies outside the State and industry specialists are not generally aware of this strength. Company representatives do not appear to be generally

TABLE 5

REPORTED SPECIAL EMPLOYMENT TRAINING PROGRAMS
IN NEBRASKA AND SELECTED COMPETING STATES

| State | Special In-Plant or Pre-Employment Training Programs |
|---|---|
| Alabama | Free training on industrial equipment, usually for one month or less, pre- and post-employment training, as well as re-training assistance. |
| Arkansas | About $900,000 devoted to training. No pay to employees during training program, but payment at pre-set level of productivity. |
| Colorado | Support for start-up training negotiated with individual companies; salaries of employee in training sometimes paid. |
| Georgia | Extensive training programs but no on-the-job training and no payment to those in training. |
| Illinois | Pre-employment training for new or expanded operations funded at $200,000 level. Expanding industry program. Sixty grants to date through DCCA, others through HITS program of Department of Education. |
| Indiana | Department will fund varying percentage of training expenses; programs done with Board of Vocational and Technical Education. |
| Iowa | $21 million for employment training through community colleges, plus $300,000 for start-up training for new or expanded businesses. |
| Kansas | Pre-employment and on-the-job training supported from partially to fully by state. |
| Kentucky | State supports and is increasing broad program for screening, testing and training, pre- and post-employment, for start-ups, upgrading and expansion. |
| Michigan | Full state funding for pre-employment and on-the-job training; custom designed for companies. |
| Minnesota | Previous in-plant program no longer funded; excellent state-subsidized vocational system. |
| Mississippi | State provides start-up training at no cost to company for an average of six weeks for new and expanding industry. |
| Missouri | State finances 70% to 100% of cost of pre-employment training. |
| Nebraska | Previously through Old West Regional Commission, now on very limited demonstration basis. |
| New York | High priority for state, although no central source. State-subsidized training for new and expanding firms, but basic skills training excluded from subsidies. |
| North Carolina | One of the first states to provide pre-employment training customized to individual companies. Funded at high level. |

TABLE 5 (continued)

| State | Special In-Plant or Pre-Employment Training Programs |
|---|---|
| Ohio | State funds training for an average of four weeks; a high priority program. |
| Pennsylvania | State funds for start-up and expansion training on a customized basis. |
| South Carolina | Pre-employment, pre-screening, pre-training almost 100% state funded using industry machinery. Funded at $3.3 million annually. |
| South Dakota | Pre-employment training programs individualized by Department of Labor, Private Industry Council, and vocational/technical schools. |
| Tennessee | Pre- and post-training provided for new and expanding firms for average of 14-28 hours. Attitude training included. |
| Texas | State pays instructors' salaries, books, consumables in start-up training programs. |
| Wisconsin | Not now, but currently proposing to legislature. |
| Wyoming | Previously through Old West Regional Commission; almost none now. |

Source: Arthur D. Little, Inc. survey.

aware of the dependable service and relatively low power rates; and even within the state, many plant managers are not immediately aware of their relatively advantageous power rates. Despite its central location, most companies consider the state relatively remote from most major industrial and metropolitan markets. In addition, the state lacks a true hub airport; and this accentuates the remoteness as perceived by business travelers.

Rail and Truck Transportation. Nebraska has excellent rail and truck accessibility to distant markets and is centrally located. (See Figure 3.) Brochures produced by the State say Nebraska is centrally located. The development of a large number of industries along Interstate 80 is proof of the state's good accessibility to national markets. However, a location in Nebraska is a considerable distance from major consumer and industrial markets and for those firms with average hauls of less than 300 miles (i.e., firms serving major metropolitan areas and needing to be close to them) Nebraska is probably not a very attractive potential location. Most of the newer businesses we interviewed along Interstate 80 (e.g., in Ogallala, York, Kearney, Grand Island, Lincoln) were there because of Interstate 80 and the favorable access and trucking rates provided to dispersed or national markets.

Air Transportation. Air service, in contrast to truck and rail service, was a frequent complaint among employers we visited; it is also an increasing demand by highly mobile industries, such as those in the high-technology industries. Clearly, the reduction of air service in Nebraska and the increasing cost of air service following deregulation have hurt the smaller airports, but it is also hurting service into both Omaha and Lincoln. This situation has also been exacerbated by flight reductions following the controllers strike which has limited flights to and from major cities. From February 1978 to February 1982, the number of scheduled flights declined at all Nebraska airports except Columbus, and the number of seats declined at all airports except Grand Island. The declines at all Nebraska airports through February 1982 are shown in Table 6. Air service has improved substantially since that time, and the total number of departures at Nebraska airports in September 1982 had returned to close to their February 1978 level--although still lagging behind the national average. While this relative decline in air service may be more of an inconvenience than a critical deterrent to conducting business, the perception of the problem is still something that must be overcome, because it is clearly in the mind of those who are making decisions about future plant locations.

> Recommendation: Competitive rates and services for truck, rail, and air transport are essential to maintaining or improving the state's overall competitive position for industrial location and expansion. As deregulation of these three transportation modes continues, there may be little that the State can do to influence rates or service.

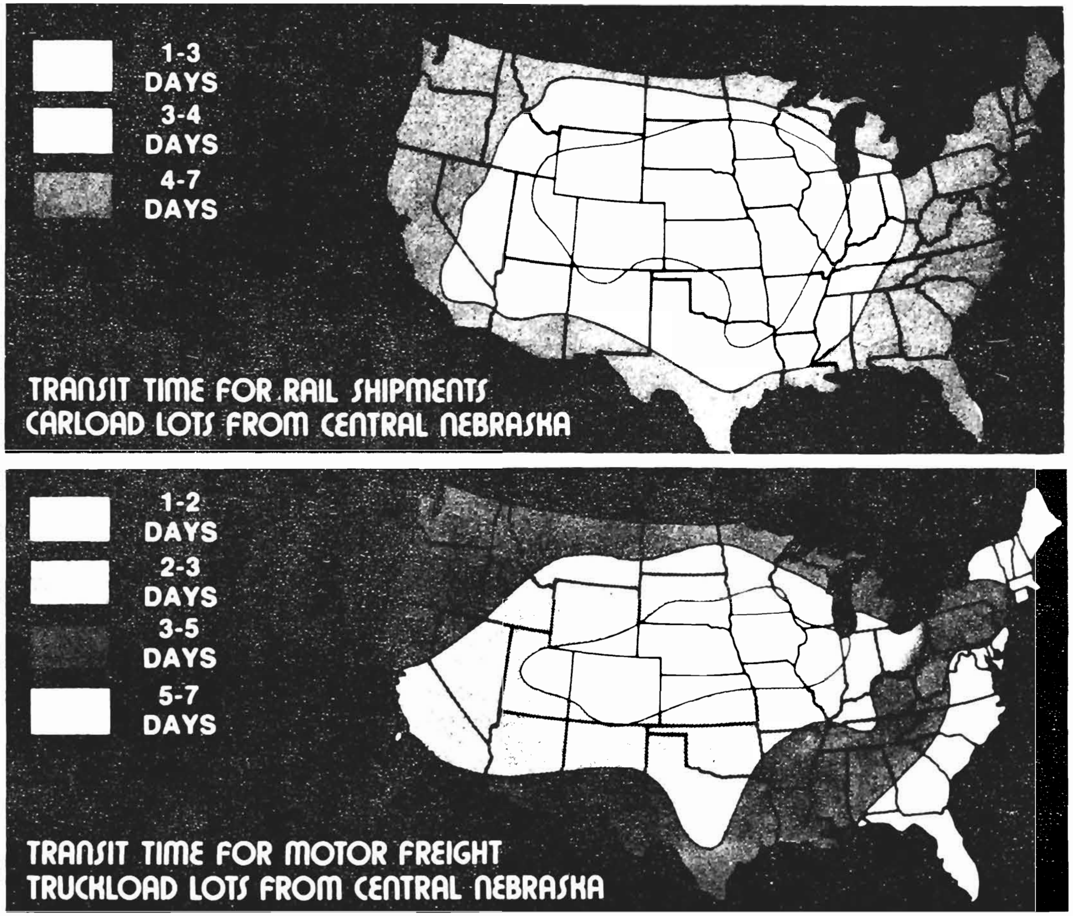



**FIGURE 3. RAIL AND TRUCK SERVICE IN NEBRASKA**

**Source: NPPD Industrial Development brochure.**

TABLE 6

NEBRASKA'S DECLINE IN SCHEDULED AIR SERVICE
February 1978 to February 1982

| | Number of Departures | Number of Seats |
|---|---|---|
| Omaha | -22.1% | -22.5% |
| Lincoln | -35.7% | -52.5% |
| Kearney | -42.8% | -47.8% |
| Scottsbluff | -49.1% | -20.6% |
| Nebraska (13 airports) | -26.6% | -27.4% |
| U.S. | +5.3% | +3.5% |

Note: Although complete data are not available for September/October 1982, the number of departures at Nebraska's airports (particularly at Omaha and Lincoln) has increased to close to the February 1978 level.

Source: Federal Aviation Administration.

However, since many competing areas will find themselves in similar positions, it may be useful for the State and/or individual communities to initiate a special program with local businesses to cooperatively work to assure access to the best service and rates achievable in the market. For example, it may be possible for local economic development groups to cooperate to improve regional service (e.g., Hastings/Grand Island/Kearney) or to encourage businesses to cooperate to sponsor service. These efforts could at least assure potential industries that there is the environment to support joint public/private action in this area.

Utilities and Power Rates. Nebraska has power rates that are very favorable. Although they may not be favorable enough to attract the most energy-intensive industries, they are clearly favorable enough to attract industries for whom purchased power is an important cost consideration. (See Table 7.)

Recommendation: The utilities in Nebraska have done an excellent job marketing their competitive rates and service and of providing extensive data on the implications of these lower rates for different industries. Since purchased power is becoming an increasingly important cost element to many industries (because of higher energy costs and reduced labor requirements), this is one of the few areas in which Nebraska has a major competitive advantage over the states with which it most often compete. These arguments need to be presented more forcefully in state and local industrial marketing efforts, rather than being buried in miscellaneous statistics as they now frequently are.

Market and Resource-Related Factors and Recommended Strategies

Market Factors. Nebraska is located in the center of the Plains agricultural market area (a major market area for a wide variety of farm equipment and agricultural chemicals) and on the periphery of both the emerging energy belt (Colorado, Wyoming, Montana) and a major traditional manufacturing market (Chicago/St. Louis/Kansas City). The particular advantages it offers to companies wishing to serve these regional market areas (e.g., lower cost, higher quality, and/or nonunion labor, lower power costs) are frequently cited, but the State has not generally emphasized Nebraska's particular advantages for companies serving these regional multi-state markets. These advantages are often more important than those pertaining to state or national markets. For example:

- Several firms in Nebraska (e.g., Perfect Circle) provide components to the automobile and other industries to the east. Nebraska communities can often demonstrate lower labor and energy costs than other competing communities to

TABLE 7

ELECTRIC POWER RATES IN NEBRASKA AND COMPETING STATES
INDUSTRIAL ENERGY RATES

| | Natural Gas ($/MMBtu, 1980) | Electricity, Weighted Average Bills (1981) | | | |
|---|---|---|---|---|---|
| | | 150 kW-30,000 kWh | 300 kW-60,000 kWh | 1,000 kW-200,000 kWh | 5,000 kW-1,500,000 kWh |
| Nebraska | 2.07 | $1,209 | $2,342 | $ 7,911 | $50,228 |
| Colorado | 2.60 | 1,577 | 3,051 | 9,997 | 60,777 |
| Iowa | 2.51 | 1,811 | 3,489 | 10,136 | 63,269 |
| Kansas | 2.24 | 1,722 | 3,275 | 10,161 | 63,626 |
| Minnesota | 2.40 | 1,500 | 2,955 | 9,618 | 59,323 |
| Missouri | 2.51 | 1,784 | 3,348 | 10,109 | 61,719 |
| South Dakota | 2.34 | 1,481 | 2,890 | 9,399 | 57,995 |

Source: Energy Information Administration, U.S. Department of Energy Typical Electric Bills, 1981.
American Gas Association, Gas Facts, 1980.

the east, and they can usually demonstrate a more dependable and higher-quality labor force.

- Several firms in Nebraska (e.g., Rockwell International) are supplying the northward-moving energy industry. Although this industry is depressed at the present time, some Nebraska communities may have more available and dependable labor than some competing communities in the midst of the energy belt.

- Several major farm and irrigation equipment manufacturers (e.g., Valmont, Lindsay, Lockwood, Sperry New Holland) are in Nebraska because it is the center of the Plains farm belt and several veterinary pharmaceutical companies have located facilities in Nebraska. Although the farm equipment industry is depressed at this time and although the Plains market may be relatively saturated, Nebraska's central location and labor force characteristics continue to give it major competitive advantages in serving this market.

Recommendation: In order to promote industries in regional markets where Nebraska has strong locational advantages, the State should prepare regional market profiles (Midwest industry, agriculture, energy) and brochures geared to the companies serving these markets outlining the specific advantages Nebraska offers to serve these regional markets, and the experiences of Nebraska companies in competitively serving these markets.

Resources. There are substantial concentrations of agricultural crop production both within Nebraska and close to its boundaries. In addition, Nebraska has a much larger supply of underground water in the Ogallala Aquifer than most of the states in the southern High Plains. As a result of relatively abundant recoverable ground water supplies, Nebraska is projected to have much greater increases than surrounding states in both irrigated agriculture and total agricultural production in the next decades. Consequently, the production of relatively water-intensive crops (e.g., corn) is projected to shift back towards Nebraska and other areas with more abundant water. As these shifts occur, there will be greater opportunities for direct food processing. More importantly, these shifts are likely to encourage further shifts in the cattle feeding, and hence meat packing industry, toward Nebraska with resulting opportunities for further ancillary processing activities. In contrast to these positive developments, poultry production is likely to continue to shift back toward major consumer market areas, and Nebraska's poultry processing industry is likely to face substantial decreases in available resource production.

Recommendation: Agricultural and energy resources represent a major competitive advantage for the region in general and for Nebraska in particular. These advantages need to be given more play in the state's marketing efforts as well as their industrial targeting strategies. (See Reports II and III.)

## Nebraska's Business Climate and Recommended Strategies

Nebraska's "business climate," as perceived by business leaders both inside and outside of the State, can best be described as mixed. Most objective indicators of the state's business climate also present a mixed picture with Nebraska being at a slight disadvantage compared to most states to the north and south but at a slight advantage compared to states to the east and west.

Both inside and outside of the state, Nebraska is perceived by business leaders as being generally pro-business (e.g., the "right-to-work" law), but primarily pro-agricultural. Most specific legislation and policy is slanted to agricultural development: the active promotion of agricultural exports; the existence of a property tax on industrial machinery with an exemption for agriculture; the lack of substantial industrial development incentives; and the recent increases in the corporate income tax.

During our interviews, particularly within, but also outside the state, respondents frequently questioned how much the State wanted to attract industrial growth and new manufacturing firms. Nebraska has consistently had one of the lowest unemployment rates in the country and its economy has been affected less adversely by general recessions than other, more heavily industrialized states. It is, however, highly vulnerable to changing agricultural conditions. Consequently, there are some who feel that there is substantial political sentiment to maintain conditions as they are, or alternatively, that industrial development is not a priority item. The state's growth has lagged substantially behind that of some of its neighbors (e.g., Kansas, Colorado). Consequently, there are others who feel that there is growing political sentiment to stimulate job creation within the State so as to stem or reverse recent outmigration trends and to diversify the economy from its traditional agricultural base.

In addition to this mixed view of the political environment for industrial development, the three main components of the "business climate" as we have defined it (tax climate indicators, industrial development incentives, the regulatory environment), also present a mixed picture.

General Tax Climate Indicators. In terms of the tax climate Nebraska's state and local tax burden per $1,000 of personal income is about equal to the national average ($111 per $1,000 of personal income in Nebraska in 1980 compared to $112 per $1,000 of personal income in the United States in 1980). As shown in Table 8, all taxes except property taxes are below the U.S. average on a per capita

TABLE 8

PER CAPITA STATE TAX COLLECTIONS

| | Nebraska | U.S. Average |
|---|---|---|
| State (FY 1980) | $ 518.91 | $ 623.91 |
| Personal Income | 149.82 | 169.02 |
| Corporate Income | 36.58 | 60.71 |
| General Sales | 175.99 | 196.71 |
| Specific Sales | 107.90 | 111.76 |
| Other | 48.62 | 85.72 |
| Local (FY 1979) | 423.88 | 367.32 |
| Property | 386.66 | 284.60 |
| Other | 37.22 | 82.72 |

Source: Census of Government Finance.

basis, but property taxes are about 35% higher than the U.S. average resulting in approximate parity with the United States. The overall level of taxes is about 10%-20% higher than that prevailing in states to the south (Kansas, Oklahoma, Texas, Missouri, and Arkansas) and about 5%-10% higher than that prevailing in the Dakotas to the north. However, it is about the same as Iowa and Illinois and about 10% lower than in Minnesota and Wisconsin. On a per capita basis, the overall state and local tax burden in Nebraska is also about equal to the national average (3% above for state and local general revenue from own sources, 4% below for state and local taxes). On a per capita basis, Nebraska's state and local tax burden is again substantially above states to the north and south with whom it is often competing for industrial development.

In terms of other general tax climate indicators most important to business (Table 9), Nebraska's corporate income tax rate is about equal to the average for all states. With the revisions recently enacted, Nebraska's corporate income tax rate will be about equal to that applicable in the neighboring states of Kansas, Missouri, and Oklahoma and will be about one-half the rates in Minnesota, Iowa, Ohio, Pennsylvania, and New York. However, several of Nebraska's important competitors (e.g., South Dakota and Texas) have no corporate income tax at all and several others--e.g., Wisconsin and Indiana--have rates about one-half that of Nebraska.

Individual personal income taxes are also important to business. Nebraska has an average rate which is slightly below the national average. However, with personal income tax collections equaling about 1.73% of state personal income in Nebraska, the state's implied rate is significantly above its competitors to the north and south, with most of these states having rates that are 10%-15% below Nebraska's and with both Texas and South Dakota having no personal income tax. Unemployment compensation tax rates in Nebraska are less than 60% of the national average--reflecting in part the state's continuing low unemployment rate. This rate (about 0.75% of total wages) is also significantly lower than for all surrounding states except Texas, South Dakota, and Colorado.

> Recommendation: General tax levels for individuals and corporations are not usually the determining locational factor although they are often contributing ones--particularly when differentials are large (e.g., Texas versus Nebraska). However, the direction and speed at which tax levels are changing are very important factors affecting the perception of a state's tax or business climate. Consequently, any changes in the State tax structure or relative burden should be considered in this light, and the State should continue to monitor tax climate indicators of Nebraska and the key states with which it competes.

TABLE 9

SELECTED 1981 TAX RATES FOR NEBRASKA AND SELECTED COMPETING STATES RELATIVE TO THE U.S. AVERAGE

| | Corporate | Personal[1] | Unemployment Compensation |
|---|---|---|---|
| U.S. | 4.8 | 1.9 | 1.4 |
| Nebraska | 4.1 | 1.7 | 0.8 |
| Kansas | 4.5 | 1.5 | 1.1 |
| Iowa | 10.0 | 2.4 | 1.5 |
| South Dakota | - | - | 0.7 |
| Colorado | 5.0 | 1.8 | 0.8 |
| Texas | - | - | 0.4 |
| Minnesota | 12.0 | 3.5 | 1.4 |
| Illinois | 6.5 | 2.5 | 1.4 |

[1] Income tax collections as a percentage of total personal income in 1980.

Source: Census of Government Finance.

In addition to these tax climate factors, more and more states and communities have adopted specific tax incentives for industrial development. These usually take the form of tax credits (per dollar of investment and/or per job created) or tax holidays (property tax abatements, etc.) Most states provide a special tax exemption or moratorium for land, capital improvements, equipment, and machinery. Included in the majority again are many of Nebraska's competitors (e.g., Kansas, Iowa, Wisconsin, Minnesota) yet excluded is Nebraska. Until recently, Nebraska was also excluded from the list of 38 states offering sales/use tax exemptions on new equipment. In addition, 16 states provide special tax incentives for job creation (including Kansas, Colorado, Missouri, and Oklahoma but excluding Nebraska), and 20 states were reported to offer special tax incentives for industrial development (including Kansas, Colorado, and Missouri, but excluding Nebraska). Table 10 tabulates the tax incentives reported in our survey of 23 states and indicates that these special tax incentives now exist in most states competing with Nebraska.

> Recommendation: Although the impact of special tax incentives is now being hotly debated, as is their cost-effectiveness, they clearly have an effect on a state's perceived business climate and were mentioned by plant managers and company representatives on several occasions as a basis for saying that Nebraska "didn't really want industry." Since the marginal cost of well targeted tax incentives is relatively small and really represents only a decrease in potentially increased revenues, these special tax incentives are now being offered by most of Nebraska's competitors having corporate income taxes. We recommend that the State adopt specific tax credits per dollar of investment and per job created. The types of tax credits offered in competing states (e.g., the \$100 per job and \$100 per \$100,000 of investment offered in both Kansas and Colorado), if restricted to "major" investments (e.g., over \$1 million) would reduce increases in taxes from new and expanded facilities by less than \$300,000 per year (assuming \$150 million of new investment and 1,500 new jobs). Although localities are permitted to give tax abatements in several competing states, this approach should be subjected to considerable study before being adopted in Nebraska.

Regulatory Factors Affecting the "Business Climate". There are numerous specific regulations that affect individual industries, but one of the most important overall regulations is the "right-to-work" law discussed earlier. Nebraska is one of 20 right-to-work states in the country and this gives it a distinct advantage over many of its competitors. However, many of its competitors are *also* right-to-work states (e.g., Kansas, Texas, Iowa, and North and South Dakota).

Environmental regulations are also important to many industries, particularly with delegations of many of these responsibilities to the

TABLE 10

REPORTED INDUSTRIAL DEVELOPMENT TAX INCENTIVES IN NEBRASKA AND SELECTED COMPETING STATES

| Selected States | Reported Industrial Development Tax Incentive |
|---|---|
| Alabama | Tax abatements |
| Arkansas | Tax credits now being considered by legislature, some property tax abatements |
| Colorado | \$50-\$100, 10-year credit per job created, \$50-\$100, 10-year credit per \$100,000 investment, phasing-out inventory tax |
| Georgia | None (in constitution) |
| Illinois | Tax abatements |
| Indiana | Tax credits for providors of venture capital, property tax abatements in some areas |
| Iowa | 10% property tax exemption for new buildings, property tax abatements |
| Kansas | \$100-\$500 credit per job created, \$100-\$300 per \$100,000 of investment, property tax moratorium for IRB eligible companies |
| Kentucky | Property tax abatements and moratoria; special tax incentives for job creation and industrial investment |
| Michigan | 50% property tax abatement, 100% write-off of investment |
| Minnesota | Property & excise tax exemptions, R&D tax incentives |
| Mississippi | 10-year tax abatement |
| Missouri | \$75-\$100 tax credit per job created, \$75-\$100 credit per \$100,000 investment, no inventory tax |
| Nebraska | Sales/use tax exemption on some equipment; no inventory tax. |
| New York | 6% investment tax credit, job credits, property tax abatements |
| North Carolina | No special incentives |
| Ohio | Up to 20% tax abatement, tax credit on machinery and equipment |
| Pennsylvania | Job credits being considered, no property tax on machinery and equipment |
| South Carolina | Sales tax exemption, 5-year property tax moratorium, no inventory tax |
| South Dakota | no corporate or personal income tax, some property tax abatement |
| Tennessee | Abatements for IRB eligible firms |
| Texas | No corporate or personal income tax |
| Wisconsin | No special incentives |
| Wyoming | No corporate or personal income tax |

Source: Arthur D. Little, Inc., survey.

states; and although there is no one overall measure of environmental regulation, interviews inside and outside the state do not indicate serious concern with the extent of regulatory burdens in the State.

Industrial Development Incentives. In terms of specific financial assistance and special services for industrial development, Nebraska generally has fewer and less of the special development incentives offered by some of the other states with which it often competes.

A recent issue of *Industrial Development* magazine tabulated these three categories of incentives for each state and a summary of these tabulations is shown in Table 11. The results of our more detailed survey of 23 states is shown in Table 12.

In terms of financial assistance to industrial development, a majority of states have state-sponsored industrial development authorities, state revenue bonding authority, or city/county general obligation bonding authority for industrial development. Nebraska, however, does not have these incentives to the extent possessed by many of its competitors including Kansas, South Dakota, Oklahoma, Texas, Missouri and Minnesota (some assistance is now available through Nebraska's Development Finance Fund). In addition, about 20 states, not including Nebraska provide state loans for building construction, equipment, and machinery; and many of those who do not provide loans do provide guarantees (again excluding Nebraska).

> Recommendation: In order to neutralize aggressive competition from neighboring states and others with whom Nebraska often competes, Nebraska should develop and adopt special financial assistance programs for new and expanding industry. These should be narrowly targeted to minimize future cost but should be developed so as to prevent other states from being able to "outbid" Nebraska for key industries. The most important thing in this area, as in the tax incentive area, is to have the programs in place--at least on a stand-by basis and preferably on a limited funded basis. Given the relative importance of financial assistance programs as cited by industrial location experts and companies that have recently located in Nebraska and elsewhere, it is clear that these programs will remain particularly important as long as interest rates remain at high levels. Consequently, we recommend that the State establish the appropriate institutional mechanism for providing a variety of financial support for industrial development in the State (bonding authority, venture capital, machinery financing, etc.) and that initial funding, on a demonstration basis, be limited to a more highly targeted effort or focused, for example, on venture capital/financing for embryonic higher technology firms (e.g., medical instruments) where the State may wish to focus other efforts as well. For example, some states that have established venture capital or special

TABLE 11

FINANCIAL ASSISTANCE FOR INDUSTRY

| | State Sponsored Industrial Development Authority | Privately Sponsored Development Credit Corporation | State Authority or Agency Revenue Bond Financing | State Authority or Agency General Obligation Bond Financing | City and/or County Revenue Bond Financing | City and/or County General Obligation Bond Financing | State Loans for Building Construction | State Loans for Equipment, Machinery | City and/or County Loans for Building Construction | City and/or County Loans for Equipment, Machinery | State Loan Guarantees for Building Construction | State Loan Guarantees for Equipment, Machinery | City and/or County Loan Guarantees for Building Construction | City and/or County Loan Guarantees for Equipment, Machinery | State Financing Aid for Existing Plant Expansions | State Matching Funds for City and/or County Industrial Financing Programs | State Incentive for Establishing Industrial Plants in Areas of High Unemployment | City and/or County Incentive for Establishing Industrial Plants in Areas of High Unemployment |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Alabama | ● [19] | ● | | | ● | ● [1] | | | | | | | | | ● [1] | | | |
| Alaska | ● | ● | ● | ● | ● | ● [3] | ● | ● | | | | | | | ● | | | |
| Arizona | | [4] | | | ● | | | | | | | | | | | | | |
| Arkansas | ● | ● | | | ● | ● | | | | | ● [13] | ● [13] | | | ● | | | |
| California | | ● [5] | ● [10] | ● | ● | ● | ● | ● | ● [1] | ● [1] | ● | ● | | | ● | | ● | ● |
| Colorado | | | | | ● | | | | | | | | | | | | | |
| Connecticut | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Delaware | ● | | ● | ● | ● | | ● | ● | ● | ● | ● | ● | | | ● | | | ● |
| Florida | | ● | | | ● | | | | | | | | | | | | ● [22] | |
| Georgia | | ● | | | ● | | | | | | | | | | | | | |
| Hawaii | ● | | ● | ● | ● | ● | ● | ● | | | | | | | ● | | | |
| Idaho | | ● | | | | | | | | | | | | | | | | |
| Illinois | ● | ● | ● | | ● | | ● | ● | | | | | | | ● | | | ● |
| Indiana | ● | | | | ● | ● | | | | | ● | ● | | | ● | ● | | |
| Iowa | | ● | | | ● | | | | | | | | | | | | | ● |
| Kansas | | ● | | | ● | ● | | | | | | | | | | | | |
| Kentucky | ● | ● | ● | | ● | ● | ● | | | | ● | ● | | | ● | | | |
| Louisiana | ● | [4] | ● [2] | | ● | ● | ● | ● | | | ● | ● | | | ● | | ● | |
| Maine | ● | | ● | | ● | | ● | ● | ● | ● | ● | ● | | | ● | | | |
| Maryland | ● | ● | | | ● | ● | ● | ● | ● [63] | | ● | ● | | | ● | ● [7] | ● | |
| Massachusetts | | ● | ● | | ● | ● | | | ● | ● | ● | ● | | | ● | | ● | ● |
| Michigan | ● | [4] | ● | | ● | | ● | | ● | | ● | ● | | | ● | ● | | |
| Minnesota | | ● | | | ● | ● | ● | ● | ● [9] | ● [9] | | | | | ● | ● | ● | ● |
| Mississippi | ● | ● | | | ● | ● | | | | | | | | | ● [2] | | | ● |
| Missouri | | ● | | | ● | ● | | | | | | | | | ● | | ● | |
| Montana | | ● | | | ● | | | | ● [17] | | | | | | | | | |
| Nebraska | | ● | | | ● | | | | | | | | | | ● [2] | | | |
| Nevada | | | ● | | ● | | | | | | | | | | | | | |
| New Hampshire | ● | ● | ● | | | | ● | | | | ● | ● | | | ● | | | |
| New Jersey | ● | | ● | | ● [10] | ● [10] | ● | ● | ● [10] | ● [10] | ● | ● | | | ● | ● | ● | ● |
| New Mexico | ● | [4] | | | ● | ● | | | | | | | | | | | | |
| New York | ● | ● | ● | ● | ● | | ● | ● | ● | ● | ● | ● | | | ● | | ● [12] | ● [12] |
| North Carolina | | ● | | | ● | | | | | | | | | | | | | |
| North Dakota | | ● | ● | ● | ● | ● | ● | ● | | | | ● | | | ● | | ● | ● |
| Ohio | ● | ● | ● | | ● | | ● | | | | ● | ● | | | ● | | ● | ● |
| Oklahoma | ● | ● | ● | | ● | ● | ● | ● | ● | ● | | | | | ● | | | |
| Oregon | ● | ● | ● [3] | ● | ● [10] | ● | ● | | ● | ● | ● | | ● [53] | ● [53] | ● | ● | ● | ● |
| Pennsylvania | ● | ● | ● | | ● | | ● [14] | ● [6] | ● [14] | | | | | | ● | | ● | ● |
| Rhode Island | ● | ● | ● | ● | ● | | | | | | ● | ● | | | ● | | | ● |
| South Carolina | ● | ● | ● | | ● | | | | | | | | | | | | | |
| South Dakota | ● | | ● | | ● | | | | | | | | | | | | | |
| Tennessee | | | | ● | ● | ● | | | | | | | | | ● [15] | | ● [18] | |
| Texas | ● | | | | ● | | ● | ● | | | | | | | ● | | | |
| Utah | ● | | | | ● | | | | | | | | | | | | | |
| Vermont | ● | ● | ● | | ● | ● | ● | ● | | | ● | ● | | | ● | ● | | |
| Virginia | ● | | | | ● | | | | | | | | | | | | | |
| Washington | ● | ● | | | ● [3] | ● [3] | | | | ● [3] | | | | | | ● | ● | ● |
| West Virginia | ● | ● | | ● | ● | | ● | ● | ● | | | | | | ● | ● | ● | |
| Wisconsin | | ● [4] | | | ● | ● [16] | | | | | | | | | | | | |
| Wyoming | | ● | | | ● | ● | | | | | | | | | | | | |
| STATE TOTALS | 31 | 34 | 25 | 10 | 48 | 25 | 23 | 19 | 15 | 11 | 18 | 19 | 2 | 2 | 31 | 10 | 17 | 16 |
| Puerto Rico | ● | ● | ● | ● | ● | ● | ● | ● | | | ● | ● | | | ● | ● | ● | ● |

Source: Industrial Development, January/February, 1982.

TABLE 12

STATE INDUSTRIAL DEVELOPMENT CORPORATIONS OR LOAN PROGRAMS FOR FINANCING INDUSTRIAL DEVELOPMENT AS REPORTED IN NEBRASKA AND SELECTED COMPETING STATES

| Selected States | Development Authorities or Special Funding |
|---|---|
| Alabama | - |
| Arkansas | Now creating statewide development authority |
| Colorado | Small business finance authority |
| Georgia | Business Development Corporation for high risk, private funds |
| Illinois | For small business only |
| Indiana | Loan guarantees |
| Iowa | State support for private business development corporations |
| Kansas | Local |
| Kentucky | Development Finance Authority |
| Michigan | Recently formed state authority to finance 50% of project |
| Minnesota | Direct loans for 20% of project cost |
| Mississippi | For small business |
| Missouri | Local |
| Nebraska | Primarily local, some assistance through Business Development Corporation and Development Finance Fund |
| New York | Business Development Corporation for high risk, private funds |
| North Carolina | None |
| Ohio | Special fund financed by liquor tax |
| Pennsylvania | State industrial development authority |
| South Carolina | - |
| South Dakota | Local |
| Tennessee | - |
| Texas | State funded local development authorities |
| Wisconsin | State development finance authority for distressed areas |
| Wyoming | For agricultural related manufacturing |

Source: Arthur D. Little, Inc., survey.

financing funds (e.g., Michigan) have explicitly targeted these funds to specific types of industries, while other states (due to the political difficulties of legislative targeting) have done it implicitly through other criteria.

In terms of special services for industrial development, Nebraska offers most of the other services offered by a majority of the states. A potentially important type of assistance that has been developed this year by DED is to allow block grant funds to be available to selected eligible communities to finance the construction of speculative industrial buildings. This demonstration program, which has been developed in recognition of the importance of a community having industrial space available to meet the needs of some interested prospects, will give Nebraskans a special opportunity since only a few other states provide state financing for speculative buildings. Since the program is a demonstration, it is very small, however, and will not have a significant impact unless it is expanded if it proves effective.

One special service for industrial development that has been rapidly expanding in many of Nebraska's competing states has been the state-sponsored business development and research and development corporations. These have frequently been sponsored by special state-earmarked revenues (e.g., a severance tax) and by universities and private business groups. While it is still too early to determine the effectiveness of these organizations, they have provided a clear institutional focus for new industrial development initiatives.

> Recommendation: Nebraska appears to have a reasonably strong reputation inside and outside the state in terms of the industrial development services it offers through the state, the communities, and the utilities. No major changes are recommended in these services. Many states have sponsored very active and well-funded business development corporations and research and development corporations (jointly with universities) which provide a wide range of industrial development services. Nebraska should monitor and review in more detail the experience with these development corporations to determine how it should best develop competitive models to best serve the State of Nebraska. The State should explore more specifically the use of jointly sponsored research and development entities which could help spearhead industry-specific development efforts in such areas as pharmaceuticals (animal based or veterinary drugs) and medical instruments.

Overall Strategy for Specific Industrial Development Incentives in Nebraska

> Recommendation: Based on our assessment of the relative effectiveness and impact of different types of industrial

development initiatives on the types of industries and companies of greatest importance to Nebraska, and based on our review and assessment of what Nebraska currently offers in comparison to the states with which it most often competes, we recommend that the highest priorities be assigned to the following:

(1) Substantially expanded funding (e.g., to $300,000-$400,000), at least on a stand-by basis, for the pre-employment training program so that Nebraska can stay competitive with other states and assure that a potential weakness (labor availability and skills) does not become a barrier to companies who might otherwise consider Nebraska.

(2) Enactment of specific tax incentives (we recommend tax credits) tied to "major" investments and job creation, so that Nebraska can be competitive with other nearby states which have these credits (e.g., Kansas, Colorado, Missouri), as well as those that have no corporate tax (e.g., Texas, South Carolina).

(3) Development of a joint State/University of Nebraska research and development effort geared to support targeted higher technology industries and applications so that the State can better take advantage of an important asset and compete with the many other states who have already successfully pursued this strategy (e.g., North Carolina, Texas, Massachusetts), as well as those who are now pursuing it. Rather than have this be a broad-based effort, we recommend that it be targeted on industries where Nebraska already has a good base and some natural advantages as well as where the university system has some natural strengths (e.g., engineering combined with clinical research as applied to an industry such as medical instruments or veterinary pharmaceuticals).

(4) Establishment of the institutional mechanism (e.g., a state industrial development authority) that would enable the State to provide special financing incentives or assistance to targeted industries or development opportunities. The funding issue could be deferred in the short term and multiple sources of funds could eventually be investigated to support this activity.

In our opinion, these four actions collectively would do a great deal to improve the overall image of the State as a supporter of, and competitor for, industrial development opportunities.