

Encouraging Entrepreneurs in Nebraska

Issue Statement: Nebraska has a disproportionate (positive) share of wealth, however, it is not invested in Nebraska-based entrepreneurial businesses.

A primary reason Nebraska is lagging in entrepreneurial development is the lack of an understanding of the benefit of local investment (i.e., the resulting economic stimulation of growing new businesses; new economy business generation and job growth). As a result, the state does not have a strong support environment or funding network to form a breeding ground for entrepreneurs. The state has the assets and potential to create an entrepreneurial environment to promote economic growth and increase the average wage in the state; now the tools need to be put in place to foster its development.

Background: Nebraska residents' wealth is not being invested in Nebraska-based business start-ups. Venture capital investment in the state is significantly less than in most states. The disparity to some other surrounding states is notable:

1999 Venture Capital Dollars by State

State	Venture Capital
Nebraska	\$6 million
Colorado	\$1.3 billion
Kansas	\$26 million

Source: Cybernation, American Electronics Association 2000

- Nebraska does not have adequate funding mechanisms to support the innovative business ideas generated by its population. When available, venture capital funds in the state tend to be conservative and the funding that is available is not enough to meet the demand in Nebraska.
- The State needs a stronger statewide venture capital network to support local venture capital investments.
- The limited number of entrepreneurial start-ups is significant to Nebraska's future economic development. Today's start-ups are likely to become the growth businesses of the future. Ceding the growth of new businesses to other states will likely result in future business growth within the state to be dominated by branch support facilities (with lower paying jobs), rather than headquarters and primary facilities housing decision-making executives.
- The lack of an entrepreneurial environment becomes self fulfilling -- people don't know how to bring ideas to fruition and no place exists in which to invest capital.

Encouraging Entrepreneurs in Nebraska (cont.)

Action steps: Other states and communities are being proactive in creating an entrepreneurial culture. Tools being utilized to foster entrepreneurial development include:

- Online support tools and systems for entrepreneurs;
- Creation of a statewide venture capital network for local start-up funding;
- Seminars, workshops and focus groups with local, established entrepreneurs to help foster a venture seeking community (such as an Entrepreneur's Forum organization);
- Entrepreneurship competition sponsored through universities, colleges, and other technology companies where students can win capital toward the start-up of their business (e.g., the University of Nebraska currently has a small program which could be enhanced and several universities are starting this type of competition to support students' business ideas);
- Alumni venture capital networks to back early stage high-tech projects and provide workshops for entrants on basic business skills;
- Area-specific venture capital funds to encourage growth (e.g., a rural venture capital fund to encourage investment in early-stage businesses in rural and agricultural communities).

To foster entrepreneurial growth, the necessary infrastructure needs to be provided. Key statewide activities include providing assistance with:

- Venture capital (seed, angel, first- and second-round financing);
- Revolving loan funds and other financing modes;
- Support services networks (i.e., mentorship programs, education);
- Business/industry incubators;
- Shared services;
- Small business assistance centers;
- Entrepreneurial training;
- Technical assistance;
- Marketing assistance;
- Management assistance;
- Tax abatement and other incentives;
- Fiber infrastructure to enhance technological development in some rural areas.

Crisis Nebraska: Loss of Youth

- *Issue statement:* Nebraska needs to retain a higher proportion of its youth (ages of 18-25) who typically leave the state upon completion of their education.
- Currently a substantial number of young people leave the state upon completion of high school and post secondary education. Nebraska's position has been to recapture some percentage of the lost youth when they begin to raise their own families and wish to strengthen their family-values by returning 'home'. There are devastating implications to this complacency:
 - The rate of those returning is not sufficient to offset the losses. Thus the population will continue to decline.
 - Ceding the youth population to destinations outside the state represents possibly losing the most creative and energetic segment of the workforce.
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- The consequences of Nebraska's youth leaving the state include the loss of:
 - Future workforce;
 - Best and brightest;
 - Creative risk takers;
 - Parents of the next generation.
- Background: It is critical that Nebraska holds on to its youth – the wealth generator of the future. Across the nation, supporting the aging population is likely to cause a greater burden on the future workforce (today's youth). Currently, Nebraska's percent of population over 65 years is 13.9% and is projected to increase to 21% in 2025; the national average is 12.7% and is projected to increase to 18.5% in 2025.
- Nebraska's dependency ratio, the number of youth (< 20 years) and the number of elderly (> 65 years) per 100 working people could rise from 78.3 in 1995 to 90.3 in 2025. Nebraska currently has the seventh highest ratio in the U.S., and in 2025 is projected to have the ninth largest. States with the highest dependency ratios tend to have slightly more than half of their populations in working age groups, with the remainder in elderly and dependency categories. The high percentage of elderly in the population will cause a burden on today's youth to support the demographic shift.
- More people moved out of the state than into it creating a net outmigration of approximately 4,000 people in 1998.
- Much of the youth who remain in the state tend to move from rural communities to the metro regions to attend college and then from there many move outside of the state. The result:
 - A population decline in the rural areas; and
 - A 'brain drain' in the urban areas to destinations offering more opportunities.

Crisis Nebraska: Loss of Youth (cont.)

- Reasons for the state's declining youth population include:
 - Lack of professional job opportunities, particularly in rural areas;
 - Livelier economies in cities such as Omaha, Denver, Minneapolis, St. Louis, and on both coasts attract young people from the rural areas;
 - Incomes that are 7.9% lower than the national average;
 - Median household income in Nebraska: \$35,823
 - Median household income in the United States: \$38,885
 - Average housing prices tend to be high for the region, as illustrated in the following chart:

Metro Area	3 Bedroom	4 Bedroom
Lincoln, NE	\$151,971	\$167,513
Omaha, NE	200,673	244,598
Des Moines, IA	158,343	177,262
Kansas City, KS-MO	137,648	157,555
Minneapolis-St Paul, MN	211,450	236,905

Source: Relocator, August, 2000

- Risks associated with the loss of the youth population:
 - Without the demographics to support growth, decision makers will invest elsewhere. This trend will feed on itself causing a downward spiral which will damage the state's economy.
 - A brain drain is occurring. The best and brightest are leaving to pursue careers in other cities and states perceived to offer greater opportunities.
 - Companies will have increasing difficulty filling positions because the talent is not available.
 - With the aging population, fewer working individuals will be available to support the state economy.
 - People who return to, or remain in Nebraska tend to be individuals who are more risk averse. They are looking to take care of existing business and maintain their existing standards of living, and are not necessarily interested in aggressively growing/creating businesses – both of which are underpinnings of the new economy.
 - Family-run businesses will have fewer members to continue operations in the next generation, particularly in rural communities.
 - As rural populations decline and age, there is a fear that smaller towns will not be able to support another generation.
- What do these individuals want? How can Nebraska retain this group? If Nebraska wants to retain its best youth, the state needs to:
 - Facilitate the creation of professional career opportunities for young adults, especially in rural communities.
 - Involve local universities in retention programs to assist with retaining their students.
 - Expose the youth to the diversity of job opportunities through initiatives such as mentoring and school-to-career programs linking students and businesses.
 - Create young professional networks.
 - Create a sense of entrepreneurship in the youth.
 - Promote an image of the state as having a sense of 'future, happening'.