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Innovation and Entrepreneurship Task Force
October 29, 2010

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The Innovation and Entrepreneurship Task Force met at 9:00 a.m. on Friday, October 29, 2010, in Room 1510 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing. Senators present: Danielle Conrad, Chairperson; Galen Hadley, Vice Chairperson; Heath Mello; Rich Pahls; and Ken Schilz. Senators absent: Deb Fischer.

SENATOR CONRAD: (Recorder malfunction)...and today is really, I think, more of a working group as we move into our working strategy session as we prepare for our final report that is due to the Legislature December 1. My name is Danielle Conrad. I represent north Lincoln.

SENATOR HADLEY: Galen Hadley, I represent Kearney and the county of Kearney.

SENATOR PAHLS: Rich Pahls, I represent District 31, Millard of Omaha.

SENATOR SCHILZ: Ken Schilz, District 47, southern Panhandle.

NANCY BOWEN: Nancy Bowen, committee clerk.

DAN HOFFMAN: Dan Hoffman with Invest Nebraska.

JEFF MEESE: Jeff Meese with Invest Nebraska.

PETE KOTSIOPULOS: Pete Kotsiopoulos, President Milliken's office.

SENATOR CONRAD: And I'm sorry, and our pages, if you want to just introduce yourself.

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JULIA HOLMQUIST: Julia Holmquist. (Inaudible)

SONYA SUKUP: Sonya Sukup. I'm from District 40.

SENATOR CONRAD: Great.

AYISHA SYDNOR: Ayisha Sydnor.

SENATOR CONRAD: Great. Welcome. Thank you. Okay. The first item of business we have is we have been contacted by two additional groups who would like to share information with the task force. And since we've conducted six months' worth of public hearings at this point in time, I wanted to throw it out to committee members to judge their schedule and interest level as to whether we should have a formal briefing by these two groups, one or both or none, or if we should just accept their communication and materials to append to our final report. And I'll just throw it open. And the two groups are the University of Nebraska entrepreneurship team, there's materials at your desk about that, and the Gallup Consulting, Entrepreneurial Development and Acceleration System. I think our office has sent electronic copies of those communications to task force members. Is that right? Have we sent the electronic versions of these communications to task force members?

_____ : No, we have not.

SENATOR CONRAD: Okay, but we will.

_____ : But we will, yes.

SENATOR CONRAD: We'll be happy to follow up with that. So in the interest of time and our work and general interest, I will leave it to the committee's discretion as to whether or not we should schedule some additional hearings to accommodate these

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groups. And we don't have to decide right this minute. If you want some time to digest, we could take it up afterwards.

SENATOR HADLEY: I guess my feeling is that the both of them are, to me, important parts. To me, Gallup is an important part of it and the University of Nebraska entrepreneurship team...the University of Nebraska is one of the...has to be one of the principal players as we move along, so...

SENATOR PAHLS: Well, if we're going to be developing a park out there...

SENATOR HADLEY: Yeah.

SENATOR PAHLS: ...by the university, we ought to take (inaudible). And I've always been impressed with what I've heard from Gallup.

SENATOR HADLEY: Yeah, I just...

SENATOR CONRAD: Okay.

SENATOR PAHLS: I mean, if we can work in the time, but.

SENATOR CONRAD: Okay.

SENATOR PAHLS: Or it can be paper.

SENATOR CONRAD: Okay.

SENATOR HADLEY: I don't know, if Pete gets overtime for it I suppose (laughter) (inaudible).

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SENATOR SCHILZ: Might change your thinking. (Inaudible)

SENATOR HADLEY: Yeah. I got a lot of overtime. (Laughter) No, that's my thoughts, so...

SENATOR CONRAD: No, very good. And I think...I've read the materials that they've sent forward. They're very comprehensive. They're very interesting. I think they would be value for this task force to have some meetings, but I wanted to make sure that I didn't make those decisions solely. So we will work to accommodate schedules and accommodate those requests.

SENATOR PAHLS: Because time is becoming a crunch.

SENATOR CONRAD: It is, it is. Great. Thank you. Thank you. And with that, I will go ahead and turn it over to Dan Hoffman from Invest Nebraska, our vender on this important endeavor, and we can start to get an overview of the survey results. Please, Dan, thank you. Welcome.

DAN HOFFMAN: (Exhibit 1) Thank you, Senator. For the record, my name is Dan Hoffman with Invest Nebraska. There's three or four main points we want to cover this morning. First are the survey results from our August survey that the task force asked us to put together. Then we're going to talk a little bit about another survey we are sending out to service providers that either receive some state funding or local funding. Just kind of a brief outline of what we're looking at for the strategic plan, and then kind of circling back to where Nebraska stands compared to some of the other states and some different rankings. So first off, I wanted to talk about the survey results from the August survey which you have in front of you. This survey was open for three weeks from August 5 through August 27. We sent it out to about 3,000 individuals across the state of Nebraska. The Nebraska Economic Developers Association sent it to their list of 326. The state chamber sent it to their member list of 1,127. The Young Professionals

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Group, entrepreneurship group, with the Lincoln Chamber, was 217 members. The Omaha Chamber, Cornstalks, 120; Grow Nebraska, 330. Then the Center for Rural Affairs sent it to their list of about 200 individuals. We felt very happy about the results. You'll see from the overview that we had about 638 individuals participating, which was about a 20 percent participation rate, which is actually really high for a survey on-line. The breakdown: 27.7 percent of the responses came from the Omaha metro, including Cass, Douglas, Sarpy, Saunders, and Washington Counties; 21 percent came from the Lincoln metro area, which was Lancaster, Seward. The remaining...let's see, 5,000 or more came from...there were 24.3 respondents and in communities less than 5,000, there were 24.6 respondents. The gender breakdown: 42 percent female; 58 percent male. And then 58 percent responded working in organizations of ten or fewer employees, which was, you know, kind of the group that we're looking at. And I don't want to go into too much more detail about this, but as we asked these questions, we started, you know, to get that basic information from them. And if you remember, also, we had discussed a couple of questions we asked of all the participants. One was, what was their view of the definition of "entrepreneurship" and the definition of "innovation." The first definition of "entrepreneurship" was one who organizes, manages, assumes the risk of owning a business enterprise; that was selected by 26.9 percent of the participants. The second definition was a person who works for himself or herself; that was selected by only 3.7 percent. And then the definition that was selected by a majority of 69.4 percent was an innovator of business enterprise who recognizes opportunities to introduce a new product, new process, improved organization, and raises necessary money, assembles the factors of production, organizes an operation to exploit the opportunity. So surprisingly most of the participants chose the more narrow view of what an entrepreneur is viewed as. For the definition of "innovation," first definition was a new idea, method, or device, selected by 30 percent of the participants. Next was a process by which an idea or invention is translated into a good or service which people will pay; that was 43.5 percent, the highest. And then, a change in the thought process for doing something or new stuff that is made useful; that was selected by 26.5 percent. So the respondents were asked, are they a business owner, entrepreneur, are they an

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economic development professional, or are they an aspiring entrepreneur or a student. And so what I wanted to do was just kind of break down some of the questions for business owners and entrepreneurs. There was almost 60 percent self-identified in that category. We picked some of the different words or phrases that we have been talking about for the last six months--and that was in the legislation--including: economic gardening, SBIR grants, and then the range of risk capital for new venture, what the definition is of a high-potential or high-growth business; and then the BECA grants, which is one of the state-funded programs specifically for entrepreneurs. What was a little bit surprising in a way was...it's not surprising that most hadn't heard about economic gardening. The SBIR, that was kind of concerning that only 15 percent were familiar and only 25 percent were somewhat familiar with the SBIR programs since that actually gets to maybe the high-growth business ideas, the federal program that Ken Moreano talked about a few months ago...

SENATOR CONRAD: Dan, do you know...I'm sorry to interrupt.

DAN HOFFMAN: No, that's fine.

SENATOR CONRAD: But I want to encourage people to ask questions as we go along...

DAN HOFFMAN: Sure.

SENATOR CONRAD: ...since we're working here. Do you know, particularly in relation to the SBIR familiarity, did that have distinct differences across different geographical areas? Because we know that there has been, even though it's relatively small compared to other states in Nebraska, more activity in maybe Omaha or Lincoln on that front, and we can follow up and dig into that but...

DAN HOFFMAN: Yeah, we can break that down, definitely.

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SENATOR CONRAD: That number just seems really high to me.

DAN HOFFMAN: The 15 percent?

SENATOR CONRAD: The 59, yeah, percent of folks who were unfamiliar.

DAN HOFFMAN: Oh, that...not familiar. It was, but it's not surprising since we're such a low state for receiving SBIR program grant funds.

SENATOR CONRAD: Okay.

DAN HOFFMAN: So there is that direct correlation. But really, I mean, that program is specifically geared towards private businesses, you know, and companies of less than a million dollars of revenue.

SENATOR CONRAD: Okay.

DAN HOFFMAN: So, you know, really your start-up company.

SENATOR CONRAD: Okay. Great. Thank you.

DAN HOFFMAN: But we can do that...we can do that breakdown also.

SENATOR CONRAD: Okay. Thank you.

DAN HOFFMAN: Not too much else surprising. The BECA grants, that's not surprising since that's really a program geared more towards economic development professionals. You'll see then we asked, based on the whole host of different groups that we have talked to the task force about, we asked these various organizations: are

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they familiar; have they had direct dealings; the type of interaction, whether it's in person, mixed, which is in person and phone or just phone or Internet; and then rate, which is a positive, neutral, negative; and then would you recommend this to a friend or a relative. You'll see that I also included some of the numbers that are in parentheses are actually the total number of respondents. And so in some cases you'll see it might say that there's 100 percent of their participants would say, yes, we recommend, but it only happened to be four individuals. So that might not be a very good data point. You'll see...not to go into too much detail, but I break down the SCORE program. That's retired or existing executives that provide business assistance to entrepreneurs or start-up companies. The Nebraska Enterprise Fund receives some state grant funding. NEDCO is mainly a loan fund through the SBA. NebraskaEDGE is through the UNL. Nebraska Business Development Centers are through UNO and they have locations at most of the university and state colleges campuses, so a whole host of different groups. And I don't want to go into too much detail, but...

SENATOR HADLEY: I guess I...Dan, I guess the thing that surprises me is that there are so many. Is there almost overkill? I mean, if there's so many, we are, you know, in a relatively small state, are we spreading our resources pretty thin when you've got 10, 12 different agencies here?

DAN HOFFMAN: And I'll...

SENATOR HADLEY: Okay.

DAN HOFFMAN: Yes, and I'll talk about that on the next point too.

SENATOR HADLEY: If you're going to come to it...okay, good. I just...

DAN HOFFMAN: That's something else we're following up on. So next was economic development professionals. And there was 23.9 percent of the respondents identified it

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as an economic development professional. Remember, the survey was sent to the Nebraska Economic Developers Association, or NEDA. You'll see that the economic gardening they're familiar with, SBIR they are very familiar with. Not too surprising that these individuals who are on the front lines, the boots on the ground, we're, you know, fairly familiar or somewhat familiar with most of these concepts or ideas. Their ranking of the different groups, not too much surprise. And I guess I'd let you go ahead and look at those and if you have any questions. And then the last category, again, was those who identified as aspiring entrepreneurs or students. We had 16 percent of the respondents break down or identify as aspiring entrepreneurs and students. Very concerning was, you know, again, not many of them were familiar with SBIR, you know, and if...not familiar with risk capital, whether it's venture capital, Angel investors, seed capital, you know, BECA program, you know, they shouldn't know that. That's really, as I mentioned, is more for economic development as professionals. And then I...you know, probably all of these data points are really weak because it was such a small population, so you'll see, especially for those whether or not they recommend, it was a very low population. So that was...I guess, that was the survey from August and, obviously, this will be incorporated into the strategic plan as we go ahead and develop it. But this kind of gives, us I guess...you know, the task force was on...were asking for a lot of this data, you know, of what do people feel about all of these organizations, not only the business owners and entrepreneurs but economic development professionals as well. The next thing I wanted to move into was our current survey. So, Senator, as a result of that survey, we had sent out...and right now the list is 70 different service providers around the state of Nebraska, a survey...and you'll see some of these and there's some actually that I just found last night that were left off this and will follow back through. But we pulled all of these names off either the University of Nebraska's Nebraska entrepreneurship Web site that they've done a good job of putting a list together, and also the Omaha Chamber has done a good job. And so we put those two together. There's some private individuals we left off if they dealt mainly just with risk capital since we're mainly looking at state- and local-funded organizations. So that group of 70 received, last week Thursday, this survey.

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SENATOR CONRAD: And just to provide a little context for the distinction between the on-line survey that was sent out broadly and what this is, Dan, correct me if I'm wrong, but this is specific in-depth, one-on-one consultation with those that would be considered entrepreneurs, successful entrepreneurs specifically, right?

DAN HOFFMAN: Well, not this...this survey was to the service providers...

SENATOR CONRAD: No, this is a different one. To the service providers, I'm sorry.

DAN HOFFMAN: ...the 70 service providers, and...

SENATOR CONRAD: And there was an additional component, though, is that right?

DAN HOFFMAN: We're still working on that.

SENATOR CONRAD: We're still working on that, that we'll talk to you.

DAN HOFFMAN: Right, and that will be more of a one-on-one relationship.

SENATOR CONRAD: Right. Okay.

DAN HOFFMAN: This was just, hey, since we have all these service providers based on the two data lists, we said: Okay. Well, let's dive into that a little bit more, as Senator Hadley referred to, find out, you know, the name, the Web site. Is your organization local, regional, state? What is your service area? What's the percent out of your organizational support comes from governmental sources, local, state, and federal? Which type of economic development services do you provide? You know, do you provide just funding? Do you provide support? Do you provide both? And then if they answered funding or funding and support, then we said: Okay. Do you do loans? Do

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you do grants? Do you do equity investments? What's the maximum? What's the minimum? And then for 2008 and 2009, you know, tell us a little bit about your activities. And then we also, obviously, want to know since we're also looking at high-growth or high-wage paying jobs, how many jobs did you create and approximately what was the average wage of those jobs? And then we asked based on the top three industry receiving your services or awards, we threw in there retail and home-based business because it's just based on our experience that a lot of service providers provide mainly support to those two industries specific. But then we also included the other ten clusters that just came out in the Battelle study, which is really what I think the Battelle study is trying to say, is: These are the things Nebraska is strong at, and these are what we need to concentrate on. If they answered support or if they answered funding and support, then we said, you know, what kind of support do you provide? Do you provide networking business plan development, tax law compliance? List up to five areas. How many entrepreneurs, businesses did you provide support to in '08 and '09. And then again, you know, what are the type of industries that you service? So we're hoping to have that done by next week, Wednesday.

SENATOR CORNAD: Great.

DAN HOFFMAN: And so I think for our next meeting we'll be able to have that...those data points as well to incorporate in the strategic plan, which I guess goes back to what Senator Hadley said...

SENATOR HADLEY: And who is this then?

DAN HOFFMAN: Who was it sent to?

SENATOR HADLEY: Again, who received this? Was it that entire list of that...

DAN HOFFMAN: Yup, and so some of them...

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SENATOR HADLEY: Okay, okay. That's okay. Good.

DAN HOFFMAN: And the other thing we'll probably do is we'll probably do a Google map also to start, you know, just some data layering to show, you know, where are all of these different service providers.

SENATOR HADLEY: And I would...yeah, I'm really glad you're doing that because I'm interested in overlap and...

SENATOR SCHILZ: Where did you get the list from?

DAN HOFFMAN: The list? We combined two different lists. One was from the University of Nebraska. They have a Web site called Nebraska Entrepreneur that, you know, they've successfully gone out and said, you know, here's everybody who's doing anything with regards to entrepreneurship. And then the Omaha Chamber had put together a list as well. And so we looked at those two lists. You know, we threw out...there's a venture capital fund in Omaha that's gotten started, we threw them out. And so some of those we just didn't think would be a good fit for what we were trying to do because we were really looking at federal, state, local funded organizations.

SENATOR SCHILZ: Okay.

SENATOR CONRAD: And that list does have, just by a quick glance, looks like a great deal of geographic diversity. There's folks from it looks like every corner...

DAN HOFFMAN: Yes.

SENATOR CONRAD: ...of the state.

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DAN HOFFMAN: But as I mentioned, I mean, last night I found there's probably six or seven loan funds in local areas that did not make this list and we'll send something out to them as well.

SENATOR CONRAD: Okay, okay.

SENATOR SCHILZ: I was going to say, there may be...yeah, it's...but yeah.

DAN HOFFMAN: Well, and then we'll also cross list with the NEDA, again, the NEDA list because while, say, Scottsbluff has a chamber office, they also...there is a twin...I think it's called Twin Counties Development Corporation, which deals with Scottsbluff and Gering. And so a lot of little communities or a lot of communities have development, economic development corporations set up as well. And then you have the development districts on top of that and...

SENATOR SCHILZ: And, you know, those districts would be able to tell you which communities had those economic development groups.

DAN HOFFMAN: Yeah. So are there any other questions?

SENATOR CONRAD: Just thinking that this information and data and mapping and inventory of existing programs and players not only will be important for our strategic plan, but hopefully would be a comprehensive resource for the future for people who are going on-line to start their research or economic development professionals or otherwise.

SENATOR SCHILZ: Well, and it's going to show us where the holes are too.

SENATOR CONRAD: That's right, that's right. I think it looks great, Dan.

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DAN HOFFMAN: Yeah, I mean, based on that, and I think which we'll go through here in a minute, is some of the rankings where you'll see, you know, some of these organizations who have been around for a long period of time, but we still have these gapping holes, and I guess it goes back to developing the strategic plan of what do we need to be doing in this state. So if there aren't any other questions, here's kind of an outline that we've come up with for the strategic plan. Obviously, there's going to be two parts. One is the report itself. And then there will be a prepackaged kind of presentation probably 30 or so PowerPoint slides to back this up if anybody ever wants to take it on the road or use it; the executive summary and an introduction; the objectives; the Nebraska entrepreneurial environment and programs, which will be a lot of these data points that we're touching on; comparative analysis, where do we stand currently? So really we're looking at saying the Nebraska environment and programs, that's kind of the history of where Nebraska has been. The comparative analysis is really, you know, where do we stand right now? I mean, what's the lay of the land? And then the recommendations is the future...you know, what's the direction, the task force, and the strategic plan should focus on? And then the action plan is mainly...you know, there's going to be probably short-term, medium-term, and long-term goals. And then just really I think the key point is monitoring, which is...you know, obviously as we go through all of these organizations, it's always who's monitoring, what's going on, and what...you know, is it high-wage jobs? Is it...you know, what are those important measurements? So...

SENATOR CONRAD: And, Dan, in the...will it be in the action plan component when we put forward our specific legislative solutions or strategies or ideas regarding how Nebraska can improve its entrepreneurial ecosystem and...

DAN HOFFMAN: Yes. Right.

SENATOR CONRAD: So we'll delve into those specifics shortly in our work over the next month.

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DAN HOFFMAN: Yes. And I think for six what we'll do is that will be where also the best practices that we'll pull from other states that we're starting to work on right now.

SENATOR CORNAD: Okay. Okay. Yeah, I wasn't clear about which section would include that, so. And we're, of course, open to your input and feedback as to structuring not only the logistics and the technical aspects of the report, but, of course, the substantive nature as well.

DAN HOFFMAN: Okay.

SENATOR CONRAD: And, Dan, just to kind of start that conversation, every item that may be action-oriented or a recommendation may not require legislative change, but could recommend or suggest administrative changes or alterations or reforms, is that something that we'll be anticipating as well?

DAN HOFFMAN: I believe so.

SENATOR CONRAD: Okay.

DAN HOFFMAN: I mean, I think that will be...you know, because it's not only about legislation, it's also, you know, what are some strong suggestions that the task force might have for current state agencies?

SENATOR CONRAD: Great. Yes. And, of course, we've been working with the Nebraska Department of Economic Development on the work of the task force and as it relates to the Battelle study and beyond, and so we'll continue to do that.

DAN HOFFMAN: And both surveys that we've sent out, I mean, we ran those by the Department of Economic Development, got their okay, make sure we haven't missed anybody. The first survey that was sent out in August we did miss a couple of

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individuals, which I heard about it (laughter). And so...but we will include their information in our strategic plan as well.

SENATOR CONRAD: Great. Others? Okay.

DAN HOFFMAN: Okay. Why don't we go ahead then and move on into where do we stack up. If you remember on our very first meeting we talked about...a little bit about the Kauffman Foundation and the new economy index. You know, and we pulled out some different measurements which, you know, we'll work on getting everybody a copy of that. But also there's a few other indices out there that people oftentimes look at for entrepreneurship, innovation, new economy-type stuff. One is the...I guess, and it's a more recent, is the Bureau of Business Research at the University of Nebraska-Lincoln. There's two professors over in the Department of Economics, Dr. Walstad and Dr. Thompson, and they have put together an entrepreneurship index. The first year was in 2005, and they ranked all the different states and they used five different components: the percent growth in employer establishments, the percent growth in nonfarm proprietorships per capita, the business formation rate, patents per thousand residents, and real income per nonfarm proprietorships. Based on those components, you'll see that for 2005 and 2008, Nebraska was kind of in the third tier; 2005 we ranked 35th; 2008 we ranked 36th. Also, when they came up with their ranking for 2008, as sometimes happens, indices are often revised. And I think what Dr. Walstad and Dr. Thompson would say is, looking at it they realized that maybe two of the different components needed to be changed due to possibly including in contractors under the prior 2005 component index. And so they wanted to make sure contractors were excluded because they were really focused on entrepreneurs and innovators, and so they revised the index to include two new components. One was the percent growth in employer establishments per capita, and that replaced percent growth in nonfarm proprietorships per capita. And then they included gross receipts of sole proprietorships and partnerships per capita, and replace that of the real income per nonfarm proprietorships. Using those new components in their index, Nebraska increased from

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36th to 24th for 2008. Now you'll see for the other states as well--and I'll make sure that you receive a copy of this index--they did not go back and look at those new components for 2005. And so in some ways we're kind of comparing apples to oranges. I always worry a little bit about an index, especially a brand new index, jumping us from 36th to all of a sudden now we're in the middle of the pack compared to the rest of the country. That's not to say that couldn't actually be the case, but we don't have the data sets for 2005, and so it's very hard to compare where we were in 2005 to 2008. So that's one index that's out there and I think it's their intent to go ahead and do this index every year or every two years.

SENATOR CONRAD: It would be interesting to see how that would match up with the original data set because it's...without knowing if there's been major changes in the other categories that jumped us forward versus just changing the methodology.

DAN HOFFMAN: Right.

SENATOR HADLEY: I guess I'd...you should never ask a question if you don't know the answer, but (laugh) this is such a large part of our economy is ag, and if you pull all of that out, it might be interesting to look at other ag states to see how we compare versus states where ag is not a significant part of their...you know, look at Iowa, Missouri, maybe Kansas, you know, because ag is such a significant part of ours.

DAN HOFFMAN: It is, and I'm not sure based on the census data.

SENATOR HADLEY: Because they've pulled the ag out, right? Didn't they?

DAN HOFFMAN: Well, it was already pulled out to begin with. It was percent growth in nonfarm proprietorships.

SENATOR HADLEY: Yeah. Right.

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DAN HOFFMAN: Yes.

SENATOR MELLO: Dan, what's the difference? I mean, what's your analysis of the difference between the percent of growth in nonfarm proprietorships per capita and the new index they replaced it with? What's the difference between that percent growth in employer establishment?

DAN HOFFMAN: I think actually in employer establishments probably increased. And I think by looking at real income or not looking at real income and focusing on gross receipts it tended to be more favorable. And as they mentioned in the study, they do...by taking out that contractor portion significantly increased our ranking. But in their view, you know, contractors aren't necessarily; the entrepreneurs are what they're trying to get at. And, you know, they make that comment in their study that, you know, this is a work in progress. And as some of these data points change, they will go at it and include new components as well. So that's one index. Another index, which isn't that one, was the Kauffman Index. And the Kauffman Index on entrepreneurship has been put together since 1995, and they do it a little bit different. What they do is they look at current population survey data that's compiled by the U.S. Bureau of Census and the Bureau of Labor Statistics. And what this current population survey data looks at is individuals who own a business as their main job with 15 or more hours worked. And so what they ended up doing was comparing, I think, over a six-month time period, has that number increased? I mean, are there more people starting their own businesses? Now one of the...probably the biggest criticism of this is, if an individual said, you know what? I'm going to go ahead and operate a hot dog stand on the corner of 13th and O and I work down there 15 or more hours, they're considered, you know, an entrepreneur. So this index takes into account everything, so not only full time, but also, you know, part time people that are just there for even 15 hours a week working. But not...well, so what was surprising and it received some play, in their statistical analysis using a 95 percent confidence and interval, you'll see here, you know, just where the confidence intervals

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were for the different states. But in table nine, you'll see that Oklahoma, Montana, Arizona, Texas, Idaho, Georgia, Florida, Louisiana, they rank among the top. You know, in Nebraska we tied...we're 49th compared to Mississippi.

SENATOR HADLEY: Thank God for Mississippi. (Laughter) Really, isn't that right? I mean, teachers salaries, everything in the world, right? In South Dakota, I lived there for 20 years, we loved Mississippi because we were always 49th in teacher salary and they were always 50th, so thank God for Mississippi.

SENATOR CONRAD: I don't know if our rally point needs to be, we're not the worst. (Laughter)

SENATOR HADLEY: Yeah, I know. We're not Mississippi. How about that for a state slogan?

SENATOR CONRAD: But, Senator Hadley, we always appreciate your sunny perspective.

DAN HOFFMAN: And it was estimated that for a population, I think there was...under this, for 2008, I think there were 200 new business starts for every 100,000 population.

SENATOR CONRAD: And, Dan, could you provide just a little bit of context for what this Kauffman report is, who they are? I mean, it's my understanding that this is really...I don't know if gold standard is an exaggeration but... (laugh)

DAN HOFFMAN: No.

SENATOR CONRAD: But about who they are, the work they kind of do, and how objective and economic professionals and experts look at this report?

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DAN HOFFMAN: Yeah, I mean, the Ewing Marion Kauffman Foundation down in Kansas City, they are the gold standard. I mean, everybody looks to them for entrepreneurship. They do a whole host of different things, but really their focus is on entrepreneurship and then starting to be more in innovation. They're starting to do more studies on innovation, looking at transfer from universities and just a whole host of different things. And so people do look at these surveys, so they are important, in my opinion. Could you have flaws with this? Definitely. But, you know, when, you know, there's an Omaha World-Herald article, when this came out, interviewed the author of this who is an economics professor from California who said, you know, for all the data out there, this seems to be the best manner in combining. And his comment to the Omaha World-Herald was, you know, yes, Nebraska was ranked 49th. But he said only taking it one year, he goes, that's just a one-year snapshot. But he goes, more concerning to him was since they had started this index in '95, Nebraska has continually gotten worse. And actually...what did he say, let's see, over the past ten years, Nebraska's entrepreneurial activity rate had the fourth largest decline above only North Dakota, Alaska, and New Mexico, but not Mississippi. So that is kind of...

SENATOR PAHLS: But in today's paper, though, it said that people are coming back to Nebraska because of the job opportunities. And, I mean, they're seeing...we see...probably seem to flow with the wind. I mean, if things are bad on the outside, they want to come here apparently.

DAN HOFFMAN: Well, and that's another portion. And individuals have made reference. I mean, one of the things, when people are unemployed, they go out and they start their own business; when they're employed, they tend not to. And with us having a very low unemployment rate, individuals aren't necessarily willing to take risk. And for Nebraska the last ten years when we've had a low unemployment rate, which has always been a good thing, but it also causes, in my view, I mean, it prohibits or contracts entrepreneurial activity.

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SENATOR PAHLS: Well, and here's another thing. I was just looking at the broader picture, is it not, maybe, our background? We brag about how conservative we are. I mean, does this lend some to the opposite?

SENATOR CONRAD: To not wanting to take risk?

SENATOR PAHLS: Right. I mean, is that part of our nature or am I just...I mean, because we always stand up and say, hey, we're in Midwest, you know...

SENATOR MELLO: Work hard, great work ethic.

SENATOR PAHLS: Yeah, work hard, motherhood, apple pie, which I'm not saying (laugh) it's bad, but is it our psyche?

DAN HOFFMAN: No, I think that's part of it. I mean, it goes back, again, that whole entire culture. But we are all, you know, our children, our parents, I mean, we raise everybody to believe that people don't go out and take risk. We aren't very risk-loving. I mean, we're fairly risk adverse in how we conduct our daily lives. And especially when you talk about start-up businesses, you know, we also tend, I think, in Nebraska when somebody fails, that become a scarlet letter, and they can never get above that or beyond that. And I think we need to...you know, as somebody else had mentioned, we need to celebrate our failures. It's not bad when somebody fails because sometimes when they fail, they're going to learn from those mistakes and move forward. What I worry about, you know, and not covering this today, but going forward for Nebraska, is, you know, we have very minimal population increase year after year and we're losing population from all of our rural areas. As somebody else had mentioned to me, what's happening is all the...you know, as David Conrad had mentioned before, our creative class, I mean, our kids that are in high school, very creative in our rural areas, are leaving those areas to go to the university whether it's UNK or UNL or UNO or somewhere else, but they aren't going back. And, you know, we have the right

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individuals also. I mean we have the great creative individuals. We just, I don't think, are...we aren't grabbing hold of them and getting them the resources that they need and celebrating the successes that we do have in Nebraska. And, you know, as in our next meeting we'll talk about this, but other states are doing some very, very progressive things when it comes to innovation. And for Nebraska, you know, you look at the service providers for us, we do things on a very incremental approach, aside from Nebraska Advantage. I mean, that's a very progressive tax incentive program from a few years ago. LB775 from the eighties, that was, you know, first in the country. So we have done it in tax incentives. But when it comes to this, this is a lot harder because it takes a lot more time, the results won't happen in two years or three years, and, you know, there's not going to be a ribbon cutting for any of these. I mean, these are businesses that will take a long period of time to develop.

SENATOR CONRAD: And, Dan...oh, I'm sorry. Yes, please, go ahead, Senator Mello.

SENATOR MELLO: Dan, and maybe it's...I had a meeting this week with someone, a young entrepreneur in Omaha, who kind of shared a perspective that I hadn't heard, which is...and maybe it's just I'm seeking kind of your thoughts on it. Part of the entrepreneurial climate that some of us might have a tendency to look at is that we're only looking towards young 20-somethings, early 30-somethings to create the next Google. Where in fact, Nebraska has some very successful corporations that have middle management or long-serving, I'd say, employees, employees who have been employed there 15 to 20 years that if more of a climate was created that allowed them to leave those positions to start some kind of business that would help that corporation do better, or that industry do better. That seems to be a big...his point was, that seems to be a big void because similar to what I think Senator Pahls was saying is that you'd get kind of a scarlet letter approach or people just don't look at you right if you leave a good-paying job at, for an example, Union Pacific or First National or ConAgra while you've been there 20 years to go start an offshoot business that would create some kind of technology to help that company do even better and/or its competitors to be more

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efficient, more effective with technology. He raised that question in the sense that I just hadn't heard that opinion because most of what we talk about is keeping the educated, creative class here, providing that opportunity where his thought was that the real opportunity might be in that 40- to 50-year-old age range that currently works for a company that could start an offshoot that would actually help grow more businesses around some of Nebraska's more large staple corporations.

SENATOR CONRAD: And those age demographics, though, are confirmed in a lot of the study and research surrounding who a successful entrepreneur is in Nebraska and beyond, right?

DAN HOFFMAN: Yes. The Kauffman, one of their indices on human capital or studies on human capital speaks to exactly that point, and it says, you know, the average age of a founder of a tech company is 39 years old. Well, you know, we...K-12, university system, when we talk so much about entrepreneurship at those levels, but somebody reminded me of what happens when a 22-year-old gets done at the university or at a college, they want to get out because they have to get a full-time job because they have student loans. And that's a huge risk for them to go out and even think about starting their own business because they've got bills to pay. So, you know, I think it's both. I think it is a creative cost but it goes back again to...there's a great number of examples, I think, across Nebraska of individuals who have gone to work for...maybe it's Fiserv here in Lincoln or, you know, companies that you mentioned, Senator, who, you know, after 10 years or 15 years, they see something that they realize, hey, I could go ahead and start my own business and do something a little bit different, and they spin out and do that. But they have that basic work experience to proceed forward.

SENATOR MELLO: I just hadn't heard someone lay it out in such a, I guess, kind of thoughtful perspective in that way of walking me through every step as they did this week.

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SENATOR CONRAD: Dan, and I want to go back to Senator Pahls's point for a moment about employment, unemployment, and what we see here in Nebraska. And this is an issue that comes up so frequently in my travels in my district and beyond. And I think Nebraska can be very proud that we have a low unemployment rate in comparison to the strife experience by many of our sister states and other communities in regards to those issues. But I think that's more of a starting place for the dialogue rather than where it ends. And what concerns me as people flock back and as people who are currently displaced are looking for work or otherwise is what kinds of jobs they're being employed in, and the underemployment factor that comes into play versus the kinds of jobs that I think this task force is focused on in terms of high-wage, good benefits, high-growth potential. And I think that's a very different analysis and I don't know...I don't think there's a silver bullet for some of those answers, but I think that's something that we really need to keep in mind as we think about this and talk about this.

DAN HOFFMAN: Yeah, and I...you know, I think there's a whole host of different things. Somebody had told me yesterday that he was contacted by an actual firm here in town. It's a technology company, but the majority owner is getting old, is planning on retiring, wants to take his equity out of the company. And this minority shareholder said: Look, either I've got to find somebody or he's going to find somebody, and if it's somebody outside the state, some BC fund or somebody else, there's 22 high-paying jobs that are just going to leave the state because somebody else is going to come in and...what, you know, it goes back to what Chris Gibbons said last time, I think, we do a great job of economic hunting through our tax incentive programs. In Nebraska, we do a terrible job of economic gathering or economic gardening. We don't take those companies that need help and help them grow because those are...there's high-tech jobs. But, you know, those other states around us, they are doing the economic hunting, and not only the states but, you know, there's a fair amount of money out there that will say, hey, we'll pay you a lot of money to buy your company or invest a lot of money into it and, by the way, we're going to take those jobs to Ohio or some other state because we want to see those people on a daily basis.

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SENATOR CONRAD: Right. And in terms of that very same point, when we had the initial public hearing on this enabling legislation for this task force before the Executive Board, I believe Caleb Pollard came in from Ord to talk about the significant challenges in relation to wealth transfer issues amongst generations, particularly in rural Nebraska for existing businesses or agricultural operations or otherwise, that because of changing demographics and population is an area where we need some additional support and education and ideas. And that seems to kind of play into that gathering or gardening concept.

DAN HOFFMAN: It does.

SENATOR CONRAD: Yes, please.

SENATOR HADLEY: It's just too bad that somehow it seems like in economic development, you know, across the entire United States it's always this idea that economic development is getting some other business from some other state to move to your state, and that's the gold standard, rather than taking a business that employs 20 people in your town and helping them grow to employ 40 people. And that's why I really am excited about this economic gardening because I've heard the presentation. This is the third time I've heard it and I really think we need to...I hope that we can get the university, chamber, DED, involved so that we can really try and make some strides in helping the existing businesses to grow and prosper and these better jobs and such as that.

DAN HOFFMAN: Well, and you'll see in difficult economic times like we're going through right now or prior, I mean, whether it's Nelnet or Union Pacific, I mean, these are corporations, companies that were founded in Nebraska, major corporations, had operations in other states and decided, you know what? We're going to close in those other states and bring them back here. And, you know, that...you know, we need more

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of those.

SENATOR CONRAD: Yeah.

SENATOR HADLEY: I hope one of the things that this task force when we're done and we can talk about how we could help in the economic gardening area because I was kind of appalled when I looked at the number of people that had no idea kind of what it meant and what the concept is and...

DAN HOFFMAN: Well, and I've heard...yeah. I mean, when you look at the aspiring entrepreneurs, I think in that survey it struck me when they said we don't have any idea where to turn. You know, and I thought, you know, all you have to do...if some of them, if they don't know how to go to Google and put in "Nebraska entrepreneur resources," I mean, the first page is just from the University of Nebraska. I mean, everything that's out there, and then you get into some of the other service providers. And so I think there's enough resources on-line for somebody. If they don't know how to, in this day and age, get to the Internet and find those resources, that's one thing. But, I mean, I...based on this survey and the next one we'll talk about, I am concerned that we are, as a state, taking incremental approach to a lot of what we do. And unlike the Nebraska Advantage and even the Battelle study, we don't do...you know, the entrepreneurs are the little guys, you know, and they always...they fall by the wayside.

SENATOR HADLEY: I got a kick the other night walking back from the Nebraska-Texas game I passed a guy that was selling hot dogs down on 12th and O Street, 13th and O, yeah, 12th and O, and it was a guy with a hot dog stand. You know, something you would expect to see in Chicago or something like that. It was on 12th and O Street.

SENATOR MELLO: Dan, I guess just a...I mean, since we're kind of in an Exec Session for...kind of, I mean, not really but we kind of are. (Laughter) I think Senator Hadley's point, it's dawned on me the more from our last hearing with the webinar with Chris

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Gibbons I suppose, and some further meetings I've been at in Omaha, the economic gardening versus economic hunting, I mean, that's a fairly big paradigm shift, don't you think, compared to where we're at as a state in regards to the way our Department of Economic Development operates, in all practicality, the way a majority of our chamber of commerce and development organizations and associations across the state operate. That shift is a fairly big dynamic shift from currently how we operate because even the more and more I've dug in, most folks kind of equate...those who have heard of it, surprisingly, equate it to operational assistance, more of what some of the other organizations that have come testified do providing tax assistance and, you know, operations assistance on the back end, where economic gardening is completely different in that sense. And it's tough to...even some of the conversations I've had with folks trying to get them to see beyond what they understand that to be, that it's not the back end operational system's mentality that a lot of organizations do provide. But that's not what this is and it still kind of goes over some folks level of understanding of what it means.

SENATOR CONRAD: It seems to me that there's a huge distinction between approach and perspective, whereas I see the economic gardening and while the facts and the numbers and the examples from Littleton and beyond speak for themselves in terms of their success. But it really feels much more proactive to me versus an operational assistance, which is kind of like, okay, I've got this business. I'm having tax problems, which is more of a reactive kind of posture, I think.

DAN HOFFMAN: Senator, you're exactly right. And one of the reasons why we had the tax incentive programs is because we're a high-tax state, whether it's corporate or individual income. But, you know, there are some best practices out there, and whether it's Littleton or Chris Gibbons, I mean, I think the economic gardening concept, there's a lot of other best practices. And the one I like is out in Ohio where they have...you know, they provide kind of technical assistance to everybody, but they're always looking for those high-growth opportunities and when they find them, you know, they have state

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resources, they provide them. They go ahead and do grants to help them. They connect them to venture capital...I mean, it's more of an intensive relationship, not just a, "call us when you need help," but it's a, you know, very intense...and also finding out where those great ideas are and working with the university system. And that's why I think having Gallup, maybe, come in in a couple weeks would be a good thing because of their new project they have going on called GEDAS and what they're planning to do with that here in Nebraska. I think it would be good for the customers to hear about that.

SENATOR HADLEY: To me, it's interesting that, you know, it finally dawned on me that as we're talking about it today that even when you're talking about economic gardening, you know, planting one seed and getting it to grow is gardening. And so economic gardening doesn't have to be an existing company that we're helping to grow. It could be helping an entrepreneur here in Nebraska get started. That could come under the economic gardening concept.

DAN HOFFMAN: As well as, you know, under the Battelle study, I mean, they're concerned about innovation but one of the pieces is that there's a lot of manufacturers out there that are reaching the maturity of their product cycle.

SENATOR HADLEY: Um-hum. Sure.

DAN HOFFMAN: And it's, what's the next thing they need to do? And maybe they haven't had time to deal with that, but we need to find that out because otherwise, you know, we don't need anymore...

SENATOR HADLEY: Right, vise grips, right.

DAN HOFFMAN: Yeah, vise grips out of DeWitt. I mean, we need to go ahead and make sure those companies have an active product cycle. Just...the other survey that I just wanted to touch on was...is released by the Milken Institute out in California. And it's

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a state technology and science index, and the reason why I...we look at this one also is because you're really talking about high growth here. They use about 77 different unique indicators and combine those and five major components being: human capital, research and development inputs, risk capital, technology and science, technology concentration and dynamism. You'll see that for Nebraska, I think we rank 34th. But, you know, you'll see here the...I don't know I can pull all the way...I mean, in the top ten are the green; the second tier the yellow; the third tier, which Nebraska is located in, is kind of the brown; and then the bottom is the red.

SENATOR HADLEY: Thank God for Mississippi. (Laughter)

DAN HOFFMAN: What I wanted to do was just break this down a little bit just to kind of, again, go back to, you know, this index and the different components. So the first part of the index...and you'll see that actually from 2004 to 2008, we dropped from 28th to 34th. The first part, the first component is human capital investment composite index. And 2008, and I think they approximately do this every four years now, but here are all of the different subcomponents: all recent degrees in science and engineering, average ACT, average math, average verbal SAT, number of doctoral engineers. So, I mean, you're talking you're really high-tech, your sciences. But then it ranks it compared to where we stand with other states as well. Unfortunately, I can't get all that up on the screen. But what I ended up doing was going back and looking at, okay, from 2004 to 2008, if we fell approximately six places, why was that? And for this human capital index, not surprising was state spending on student aid. We changed where in 2004 we were 39th, and in 2008 we were ranked 9th. And keep in mind, some of these are...they lag, I mean, they use whatever data is available. Households with computers: In 2008, we ranked 13th; in 2004, we ranked 30th in the nation. So we've increased there. We've also increased by the percentage of households with Internet access, we were 39th in 2004 and now we're 23rd. And then the last is a recent Ph.D.'s in science and engineering per 1,000, which is this category right here. We increased from 33rd to 3rd. So we're doing a really...but keep in mind, these are recent graduates having a Ph.D. in

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science or engineering. And if you remember the Battelle study and Richard, the last time I talked about the Department of Labor statistics, and the problem is we are educating the right type of majors, but the problem is there's no jobs for them when they leave the university. And as they go ahead and project out from 2008 to 2018, that gap for a lot of these different fields starts to widen. So the university, we're getting the people to take the right courses; they're in the high sciences. The problem is, you know, there's no jobs for them here. If...now, they might want to go ahead and, obviously, with a Ph.D., maybe they want to teach at a university. But we hope also that a lot of them would like to start their own company and those don't exist. The next is the research and development inputs. And research and development are academic...R&D, number of...let's see, science, technology, and transfer research awards through the federal government, which is similar to an SBIR. Just a whole host of data points dealing directly with research and development and SBIR. You'll see that for Nebraska in 2008, some changes actually here. I mean, we went from 42nd in 2004, we declined 47th, which we know we have a problem with STTR and SBIR grants. Federal research and development dollars per capita, we stayed at 45th. We haven't changed that at all. Research...R and D expenditures on environmental sciences, 43rd; we were at 25th in 2004. And then just lastly, again, I mean, the SBIR we just...which are these last four, we're just...do a terrible job in receiving SBIRs in Nebraska, and actually it's gotten worse since 2004.

SENATOR HADLEY: I'd be very surprised if we didn't improve, though, in the next...if they do it in 2012 again because I think at least the university systems seems to be putting much more emphasis on these areas. Is that a...

DAN HOFFMAN: It appears that they're putting a lot more emphasis, obviously, on research...

SENATOR HADLEY: Right.

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DAN HOFFMAN: ...at the federal level. Still, though, keep in mind that these SBIRs, you have to be a private company to apply. And so that becomes the rub. I mean, in my opinion, you have a lot of researchers at the university who are doing research, but this requires them to go out, start up a private company and, you know, besides doing their full-time job at working at the university, then they're creating a private company at the same time. And so I think there's...so it's not only for the university, though, but also in the private sector. And that, you know, in this data points from the survey earlier, you know, business people, people don't know about these opportunities. And we do a terrible job in Nebraska.

SENATOR CONRAD: I was just going to say, and I'd imagine that same dynamic would hold true for researchers and academics in other states, but they're doing better on the SBIR front, so is it because they have networks or partnerships or a general awareness with the private sector about how to leverage that research into business development or...

DAN HOFFMAN: Right, so...yeah, so for phase one, what happens is the federal government, whether it's the Department of Defense or USDA, they say, here's...for our SBIR, here's what we're looking for. We want somebody to come up with an idea to address this problem, and maybe it's water irrigation in climate change, due to climate change. And so they go through all of those and the winners receive...it's usually \$100,000 or \$150,000 in grant from the federal government to that business to kind of like proof of concept. The hope, then, is that they're able to take that and go on to phase two, which is around a quarter of a million dollars to get them to the next level. And then after phase two is when, you know, they're able to get BC funding, Angel funding. I mean, you know, as you can see, I mean, phase two we don't even do a good job. But a lot of states, what we found is they have either phase zero programs where, you know, some amount of help to the business to actually apply for an SBIR or they also come in and say: look, if, you know, if you receive a \$100,000 for an SBIR award, the state will automatically give you \$50,000 as a match. And, you know, these are businesses that

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are just trying...you know, they try to thrive and they try to strive to just prove what they're coming up with. You know, and capital is really important to do that and, plus, they have to go out and have somebody in a way independently test what they have. I mean, it's just not necessarily them. And so oftentimes for SBIRs, they'll partner with a university or they'll partner with a federal laboratory to test out what they might have as their produce or service. So some states do grants, some states do phase zero. But, you know, one of the companies in our portfolio that we applied for in USDA grant, which...and I think I've mentioned this before, I mean, it was a real pain because we had to do a four-page literature review on the technology that they have, so we had to go into academic literature and do this literature review. Thank goodness I had Jeff to do that. And then...but then it was a whole, you know, host of, you know, how are you going to use the money, what you're going to...but it turned out to be 25, 30 page. But I think there's an intimidation factor for a lot of existing businesses where they look at that and you look at all the requirements and you say, I don't have time to do this, and businesses just don't proceed forward. So that's on SBIR and STTR. The next component is risk capital and entrepreneurial infrastructure. So these are the different subcomponents: SBIC funds; increase the number of companies receiving venture capital; initial public offering proceeds; number of business incubators; number of business starts; companies receiving BC investment; patents issued per 100,000; total venture capital investment growth; BC for clean tech, nano, and capital investment. Again, I mean, we just...you'll see we do a terrible job in most all of these categories. And the BC funding is not a surprise, you know, because the data just shows that over time we haven't done a very good job of receiving that. What I wanted to do, though, so the patent idea...and that's only a portion, so if somebody has a great idea out there...and we found this Web site called "Free Patents Online" where you're able to go into any part of the United States and find out the patents that have been filed in a geographic area and it'll tell you what the patent is for. And you can narrow it down, so...I was hoping Senator Fischer would be here, (laugh) but in Valentine, Nebraska, there's two patents, one for a Truing tool advancer jig and one for a sandbox. Now these are all existing patents.

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SENATOR HADLEY: I'm not going to say a word. (Laughter)

DAN HOFFMAN: But you'll see that...I mean, oftentimes we think about patents only being in more of the urban areas but, you know, patents exist all across Nebraska.

SENATOR CONRAD: Let's take a look at Kearney quick.

SENATOR HADLEY: Yeah. We got a lot of them, 161.

DAN HOFFMAN: And, you know, probably by reading this, Senator, you probably would recognize maybe some of the companies.

SENATOR PAHLS: A lot of filters, there's a lot of stuff should be filtered out of there I think. (Laughter)

SENATOR HADLEY: Oh, Baldwin.

SENATOR CONRAD: It continued, Senator Pahls.

SENATOR PAHLS: What's that?

SENATOR CONRAD: It continued.

SENATOR PAHLS: Just didn't stop.

DAN HOFFMAN: But, obviously, most of their patents are, you know, in the Omaha/Lincoln areas. But patents do exist all around the state of Nebraska.

SENATOR CONRAD: That's fascinating. Very cool.

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DAN HOFFMAN: The next index on risk--let's see--is the technology and science work force. Again, this gets to the technology, the high-science type of jobs that exist within a state. For the most part, you know, we'll see that in some cases we do a pretty good job and in other cases we don't. And I know that from like hardware engineers in 2008 index it was ranked at 24th; in 2004, we were at 16th, so we've fallen there; data base and network administrators 2008, we're at 23rd; 2004 we were at 11th in the nation. Microbiologist, we were at 23rd in 2008; we were at 16th in 2004. And then physicists, 29th; in the last index, we were 19th. And then software engineers, which are very, very important to today's economy, we fell from 11th in 2004 to 25th in 2008.

SENATOR CONRAD: Thank you. Thank you very much.

SENATOR PAHLS: Was any of this information really surprising to you? I mean, it's something to stand out to me, it seemed like we've dropped mostly.

DAN HOFFMAN: I think a few of the categories were surprising. I mean, the risk capital stuff, I mean, that wasn't surprising and some of the SBIR stuff wasn't surprising. I think in some cases where we rank on some of our jobs, you know, that we do a really good job. Obviously, in agriculture and food science. I mean, it goes back, I think what the Battelle study said is, you know, really focus on what are your strengths. And, you know, when we look at this historically, I mean, there are some of these from this index that we do a really good job of time after time, and those are the clusters that we need to focus on. So, Senator, I mean, some of it wasn't surprising, but there were a few that I was caught off guard. And then the last composite index was the concentration and dynamism, which really got to average yearly growth of high-tech industries, high-tech industries growing faster. And I think, you know, we're at the middle for some of these and just we've...what I find interesting is a lot of these that deal with the NAICS code because Jeff and I also are working on another project dealing with NAICS codes where, you know...and those are the Census Bureau's different codes for different types

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of businesses. So it's a fairly accurate number, but you'll see that the number of births of high-tech firms we've had in Nebraska is just...it's also been historically low, and oftentimes those are your high-growth businesses. So I think that is it, Senator, for the indices.

SENATOR CONRAD: Great. And we'll make sure that all the data presented today and additional resources and references will be provided to task force members, included in your binders, and will make its way into the final report as appendices or research as well. Fascinating. (Laugh) Thank you. Thank you. Very comprehensive. And many thanks to you and Jeff as well who I know has been working tirelessly on this. Has he been elevated from intern status yet?

DAN HOFFMAN: No, he's still going to law school, so.

SENATOR CONRAD: Oh, okay. All right.

DAN HOFFMAN: Once he graduates in December...

SENATOR CONRAD: All right. All right. Other questions, topics, ideas, not only from the discussion of how Nebraska stacks up, but for our future work, plans, ideas, how we wish to proceed as we move forward?

SENATOR MELLO: One question, and maybe it's something that would be ideal in regards to the report is the financing. I mean, as an Appropriations Committee member is I know something we would have to consider is finding a way of how much money is being spent on entrepreneur, entrepreneurship renovation related, whether it's technical assistance programming, tax incentives, you name it. That would be, I think...I think that information would be helpful in part just for those of us who kind of I think study the issue or/and have worked on the issue. I mean, I think we know the funding is not near what it needs to be. But it would be worthwhile to see, though, how much money we're

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putting towards either different programs or general areas, so to speak, compared to other areas of economic development. I think that would be helpful.

SENATOR CONRAD: Entrepreneurial activity as a component of our overall economic development kind of equation, yeah. I think that's interesting.

SENATOR PAHLS: Could I add a little bit to that because some of that would be at the Department of Economic Development. I mean, all these things that they are. Do you realize, those are things that we are taking a look at very slash?

SENATOR MELLO: Oh, I wholeheartedly assume that everything will be looked at when the budget process begins. I mean, but...there's other...I mean, there's other funds out...there's other money being spent whether it's through the university, whether it's through community colleges, whether it's through chambers of commerce, economic development associations. Anyone who's willing to help provide information, so to speak, at least public, political subdivisions in regards to what they spend tax dollars on would be, I think, helpful in drawing, I think, a bigger picture in regards to what kind of investment are we putting right now, you know, financially into entrepreneurship.

SENATOR CONRAD: Well, in regards to Senator Pahls's point, which I think is good to inject into this conversation, I think this data will be helpful for crafting the biennial budget and taking a look at targeting existing resources or redeploying some existing resources to strategies that pay greater dividends or otherwise. It's part of that very discussion.

SENATOR PAHLS: Well, I think on the floor when...if I do have to carry some of these bills out of banking, you probably will be arguing (laugh) against me.

SENATOR CONRAD: Well. []

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SENATOR PAHLS: Don't say that. No, I understand. []

SENATOR CONRAD: I imagine that we'll be able to find consensus. (Laughter)

SENATOR PAHLS: Yes, yes.

SENATOR HADLEY: Dan, how does this...you know, I listened to the...you know, the state chamber comes out every year around the state and talks about the business climate in Nebraska and such as that. And it seems like...is it a fair statement that we seem to rank fairly good in overall business climate and such as that? Is that a contrast to the fact that we have such low rankings in a lot of these things that you just put up there? I'm trying to figure out how we could have such a relatively high ranking in overall business climate and we're in the...you know, ranked 38th, 40th, 42nd in a lot of these things. Any comments on that?

DAN HOFFMAN: Oh, I...

SENATOR CONRAD: I mean, they're looking at litigation, environment, tax climate, labor issues, right?

SENATOR MELLO: Tax incentives, labor.

SENATOR HADLEY: But those are the things that should...

SENATOR CONRAD: No, right. But you're right, Galen, and we've made good progressive. Yeah.

SENATOR HADLEY: ...would help businesses, right? I mean...

DAN HOFFMAN: Yes, and I think that, you know, again, it gets...you know, when we

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talk about our minimal population increase. And, you know, when you talk about keeping young people in the state, I mean, oftentimes they want good-paying jobs. And if you...so I think there's just...what I just have...you know, what we've noticed in other states is other states are way beyond Nebraska in the sense of really focusing on those industries that for the future are going to be more beneficial in the sense of the high-growth businesses, the technology. You know, a start-up company isn't necessarily going to be concerned about the tax structure, income taxes or sales. They aren't...they're just looking to somehow build out their team and get some equity capital and go sell their product. We just don't have a good culture for that in Nebraska, and this data shows that. It wouldn't show up in a business climate index because it's just, in my opinion, they're just two completely different situations.

SENATOR CONRAD: Great. Great. Well, thank you. Thank you, Dan. And we will be in touch in terms of scheduling our additional working groups and then the presentations that the committee would like to hear from Gallup and the university entrepreneurs group later this month, probably in the next couple of weeks...because we've got just over a month in terms of presentation of our final report. So we'll want to work through some initial drafts of that and otherwise, but yes. Yes, Dan. Closing? Well, thank you. Thank you, everyone, for input. Great results, great information. Go Big Red. (Laugh)