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Innovation and Entrepreneurship Task Force
July 22, 2010

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The Innovation and Entrepreneurship Task Force met at 10:00 a.m. on Thursday, July 22, 2010, in Room 1510 of the State Capitol, Lincoln, Nebraska. Senators present: Danielle Conrad, Chairperson; Deb Fischer; Galen Hadley; Heath Mello; Rich Pahls; and Ken Schilz. Senators absent: None.

SENATOR CONRAD: (Recorder malfunction)...all of the task force members presents, so I think we'll go ahead and get started so that we can be respectful of everybody's time. Welcome. Welcome, this morning to everybody. My name is Senator Danielle Conrad. I represent north Lincoln. I think we'll begin with self-introductions of task force members as we go around. And then since we have a manageable group of attendees with us this morning, I'll just ask that people stand and identify themselves as well. And then we'll jump right into the meat of the agenda. I do want to note that we also have a page with us today, and her name is Sarah McCallister and she's here to help serve the needs and be supportive of the work today. So I think we've officially made it now that we have a page of the day, so welcome to Sarah. But we'll start down here on the right.

SENATOR MELLO: Senator Heath Mello, District 5, south Omaha and Bellevue.

SENATOR FISCHER: Deb Fischer, District 43, Valentine, 13 counties in central and north central Nebraska.

SENATOR HADLEY: Galen Hadley, Kearney, Nebraska, and Kearney County.

SENATOR CONRAD: Danielle Conrad.

SENATOR PAHLS: Rich Pahls from Millard, city of Omaha.

SENATOR SCHILZ: Ken Schilz, southern Panhandle is what I represent. I'm from

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Ogallala.

NANCY BOWEN: Nancy Bowen from Senator Conrad's office.

DAN HOFFMAN: Dan Hoffman with Invest Nebraska.

DAVID CONRAD: David Conrad from NUtech Ventures.

JEFF MEESE: Jeff Meese, Invest Nebraska.

JULIA HOLMQUIST: Julia Holmquist, Senator Conrad's office.

GARY HAMER: Gary Hamer, Department of Economic Development, State of Nebraska.

JOSEPH YOUNG: Joseph Young, Department of Economic Development.

SHEILA PAGE: Sheila Page, Senator Coash's office.

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

SENATOR CONRAD: I think we know Joanne. (Laugh)

ROCHELLE MALLET: Rochelle Mallett from Senator Fischer's office.

SENATOR CONRAD: Okay, great. Great. Thank you. Again, welcome to everybody. Just a quick recap on what we covered at our first meeting last month. It was pretty intensive overview of the work of the task force as per our statutory objectives, and I think a good and wide-ranging discussion about planning our efforts for the future as we move forward over the next couple of months to prepare our strategic plan to present to

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the full Legislature. One thing that became apparent at that meeting was a need for developing a tool to construct a baseline of information in terms of what programs that exist are currently working or could be improved within Nebraska's public policy framework as it currently exists. So as you'll see on your agenda and the materials that we've forwarded to task force members previously, that is one of the main areas that we'll need to provide some finality to today in terms of ensuring that the survey tool has the substantive and procedural issues that the task force would like to see it and talking a little bit more about distribution and the target audience for collecting that information. Then I will go ahead and turn it over to our partners with Invest Nebraska and Dan Hoffman to get us started here today.

DAN HOFFMAN: Thank you, Senator. For the record, my name is Dan Hoffman, executive director of Invest Nebraska. If you remember from our last meeting, we did maybe the 40,000-foot view of Nebraska and how we compare in some different studies and a little bit about Invest Nebraska prior to us signing the contract with the Legislature. Today what we'd like to do is maybe lower that down to a 10,000-foot survey. And today we're going to hear from two individuals, the first one is David Conrad who's on my board, is on the board of Invest Nebraska, but he's also with NUtech Ventures, which is the tech transfer arm of UNL, however, he's not speaking on that behalf today. What he's...you know, and what I like about David is David has a good overview of what other states have been doing because he's actually lived in those other states like California, North Carolina, and Iowa. So he brings a lot of relevant experience to the discussion today. And he has experience at UNL now and his travels across Nebraska to see what else is going on and I think he has some great insight. In your books, you have his background and his education experience so I won't go into that. The second speaker is Gary Hamer who is the deputy director of the Department of Economic Development. And Gary, it goes without saying that also having worked at the department but also being out as an entrepreneur in small communities across Nebraska and having a good understanding of entrepreneurs. The department earlier this year entered into an agreement with the Battelle Institute to do this study over

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Nebraska's assessment of economic development, but a piece of that deals with innovation. And so we've asked Gary to come talk so far about the preliminary findings of that study to kind of give all of you an idea of what they're seeing. I believe that study will be finalized some time this fall. And then towards the end of the morning, what we'll do is talk about the survey which you all have the kind of...this is almost the Word version of it, and we've put it into a form that we can show you what it will look like when the surveyor takes the survey. But we'd also like any feedback you might have on those questions or there's other groups to go along with this survey. And so if you have any questions for me, otherwise I'll turn it over to David to get started.

SENATOR CONRAD: Yes, please, Senator.

SENATOR PAHLS: I have one question. I notice on the recent survey how Nebraska was ranked 13th on dealing with business climate, the whole bit. And I notice that one of the things that we were not weighed as heavily was in the area of technology, because they gave weights to the different sections that they evaluated us on. Can you address that or will that be addressed why we are not...

DAN HOFFMAN: I'm not sure what survey but maybe Gary has an idea.

SENATOR PAHLS: Okay. I'm just...

DAN HOFFMAN: If not, I can...we can talk afterwards...

SENATOR PAHLS: Yeah, thank...

DAN HOFFMAN: ...and I could find out what study that is and then I could dive into it.

SENATOR PAHLS: It was just in the paper this last week.

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DAN HOFFMAN: Yeah.

SENATOR PAHLS: And the reason I'm saying it, I'm not necessarily expecting you to have the answer.

DAN HOFFMAN: Right.

SENATOR PAHLS: But if anybody out there in the audience can address why we...because we did score but that was a significant weighted factor.

DAN HOFFMAN: Um-hum.

SENATOR PAHLS: And if we could get that weight up higher, we would move up the range.

DAN HOFFMAN: Right.

SENATOR PAHLS: Because I'm always hearing from the chamber that we need to be moving up the rate or up the level and maybe we could by just moving a couple.

DAN HOFFMAN: Yeah.

SENATOR PAHLS: Okay.

DAN HOFFMAN: We'll figure out what study that was and then maybe...

SENATOR PAHLS: Okay. I'll talk to you later.

DAN HOFFMAN: ...find out what those weighted averages were...

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SENATOR PAHLS: Okay.

DAN HOFFMAN: ...and polices that...and I'll find that out for you.

SENATOR PAHLS: Okay. Okay, thank you.

DAN HOFFMAN: Sure.

SENATOR CONRAD: Great. Great. Thanks, Dan. I see Gary nodding his head, so I'm hoping that when he comes forward that we'll be able to address that.

GARY HAMER: Yeah, I'll talk about that. Remind me when I get there.

SENATOR CONRAD: Yes, great. Welcome, David.

DAVID CONRAD: Thank you, welcome to you guys. Thanks for having me. My name is David Conrad. I'm the executive director of NUtech Ventures. As Dan said, we handle commercialization of technologies that come out of the university.

SENATOR CONRAD: David, if you don't mind just a quick point of information. Senator Pahls asked if we were of any relations because we share a last name. We're not for the record but, nonetheless, we do appreciate you being here. I wanted to clarify for that for folks. And I think Senator Fischer and Senator Pahls, you weren't there with us during the Executive Committee (sic) hearing on this...the legislation that brought forward this task force. May have already heard some of this information from Mr. Conrad, but he provided a more general sense at the Executive Committee (sic) hearing that day and I think we'll be a little bit more specific today so it's not a complete reiteration of information that's already in the record. I did want to point that out. And also as a point of information for Senator Fischer since she couldn't join us last time is that the committee did focus in on potential partnerships and overlap in terms of policy

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and practices that can exist with our institutions of higher education. And we will have a specific task force segment on that in the future but, nonetheless, that is another reason why David is here to join us today. So that's a little bit more context as we jump forward but, again, thank you, David, for joining us.

DAVID CONRAD: Thank you. So I didn't bring a PowerPoint presentation with me today because I don't have a lot of data regarding what I'm going to talk about. Most of it's based on, as Dan said, what I've observed in places that I've lived, what I've seen, and what I've seen fail despite best attempts. And I don't mean to pretend for a second that I have the answers. These are really tough problems that you're dealing with, that every state is dealing with in terms of innovation and setting a strategy and moving up the value chain in terms of products and services. And I think the best minds in the world are working on these problems and it's a very challenging situation. But I'll just tell you, share a few of my experiences in anecdote-type form, and if you have questions, I think we'll get the most value out of this is you just interrupt me. At any time, jump in and ask questions, roll your eyes, disagree. I think if we have a good discussion, that's part of what you'll come to see in my conclusion. That's part of the answer to the problem, and that is engaging and working together. So you can probably tell from my accent I didn't grow up in Nebraska. I grew up in North Carolina. And although I lived in Chapel Hill for a while, I wasn't born in Chapel Hill. I was born in Thomasville which is...you're going to know that name because you've heard of the furniture. And that furniture industry when I was a kid hired, at least half the people in the town work for TFI. A town of about 20,000, 10,000 people worked at the plant. It was wildly successful. They made furniture for exporting all over the world. There was a big market that was held in High Point. But over the last I'd say 15 years, at least half of those people have lost their jobs, almost all the plants have closed. And it's been a result of outsourcing manufacturing, primarily to Asia, for the most part to China. And if you ask the CEO there, you know, what caused that and what can be done about bringing those jobs back to a town like that that was so heavily dependent on that industry, he'll tell you that most Americans have the wrong idea about what goes on in China now. They picture that there is

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factories there with very low-cost labor, with dirt floors, child labor, or very bad conditions, and it's a cost advantage that's made it so that manufacturing of furniture should be done there and not in North Carolina. But he says that's not true anymore. Right now, their factories are more modern than anything you'd find in the U.S. Their equipment comes from Germany and Italy. They have modern facilities. As a matter of fact, he would tell you that one of the reasons we couldn't compete is we would have to destroy all of our existing infrastructure and rebuild and modernize all our plants. So even if we could match them in terms of cost, we probably still couldn't compete in terms of modernizing the factories. And so when I've asked him, do you think that manufacturing will ever return, he said maybe, but what will drive it will simply be the price of energy rising so...if we run out of oil and you simply can't ship those goods from Asia back to the U.S., then the cost of that may rise so far that it may have to be that things have to be produced or manufactured where they're sold to cut transportation costs. And that may drive a change in that industry. I promise these stories will have a point and I'll try not to ramble, but. I'll go onto the...so that's the story of what happened in my hometown. What else happened was that we manufactured with cotton almost every piece of apparel you could imagine. There's nothing but mills everywhere because we grew cotton and we made it into textiles of every type and we sold it. All those mills closed as well. So I grew up in a time where everybody you knew was losing their jobs in those industries. And tobacco was the other main crop, and we all know what happened with that. So what happened in that state was that he looked around and they saw what we've been doing is going away and there's nothing we really can do to stop some of those things from ending. It doesn't mean that they had all the answers, but I'll talk a little bit about what they did to respond to that. And this was before I was born. The people that decided to set up RTP had this vision, and division that you hear about RTP...

SENATOR CONRAD: David, just...RTP is the research triangle?

DAVID CONRAD: I'm sorry. Research triangle part.

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SENATOR CONRAD: Okay.

DAVID CONRAD: What you read about that in the papers and the stories that people will tell you doesn't really match what we who live there and my parents necessarily said it involved. The stories changed a lot to indicate that it all came out of the university, and you had these three schools and it was driven by the university; it really wasn't, at least not according to my dad and my mom who were growing up and lived there during the time. What actually happened was there was a group of people who came from the university, the private sector, and government who saw the same kind of changes that I just described all over the state and decided that we needed to invest in something, the state needed to invest in something that would be growing in the future. And they formed a coalition and they traveled to the north to New Jersey, to New York into the "pharma" areas where drugs are being produced and brought this value proposition which was the following. I wasn't there, of course, but I have to think the conversation would have gone something like this. If you come to North Carolina, we have two major research hospitals in Duke and Carolina who can do all your clinical trials. Their churning out students, a very educated work force that you can hire. You're not going to have problems with unions that you have in the north right now in terms of labor. Carolina has if not the best pharmacy school, one of the top pharmacy schools, one of the oldest pharmacy schools in the nation. I'm sure the government folks and the economic development folks talked about tax incentives, cheap land, infrastructure. I'm sure the business community said...talked about the work force, they talked about how cheap you'd be able to live there. You'd be able to sell your home in New York and buy a mansion in the south. And that was the value proposition that convinced Burroughs Wellcome to move into the park as sort of the anchor tenet, which started everything else that came out of that. My point is that...several points, one, it really wasn't the universities alone that drove this process. As a matter of fact, I think they got involved in it much later. So after the strategy was set, the university played a major role and so did the community colleges because after that decision was made to invest in what turned

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out to be biotech, then programs were set up for community colleges that said: Look, we're going to have to train people to work in labs because we've made promises and they're moving here, so curricular was developed. All kinds of strategies in the different sector started to support that strategic investment and decision that was made, but it wasn't that the university drove all the activity; it was really the business and government and economic development folks. And the reason that is, is because if you think about universities--and I support a university and I work for a university--they're not as connected to the market as the business community and the economic development folks are. So if you ask me what roles should a university play, there are several things they can be very beneficial. First of all, after the decision is made to invest in biotech, they can tell you what it'll look like in 10 years and 20 years, where you should be moving because in their world, they're not dealing with the market now and they're not working on problems that are active now; they're always far in the future. So they can play a very valuable role there. Universities can also be the magnet that brings a lot of creative folks into the area from all over the world as faculty, for instance. So they bring a diverse mixture of people that have experiences living and experiencing other cultures, creative people. They can also, if their interests are aligned, help train graduates that can fill jobs that the strategy support, so they can be involved in pumping out just the kind of trained individuals that the industries that are being set up really need to make themselves successful. In those roles, universities are critical and that's a very important part of the strategy. So I want to turn to another story. Last week, I was in Memphis for a conference, and you can't really be in Memphis without observing two things: Elvis and FedEx. So I'm not really that fond of...I'm not that into Elvis so I focused on FedEx. It's amazing the number of planes and the size and presence in that city of that company. And I started thinking about, you know, when you go to business school, you learn about the person who wrote the business plan who thought up the idea of FedEx. He's Fred Smith. You probably know this story better than me, but he's from Memphis. He goes to Yale and he takes an economics class and decides to...has to write a paper on a business idea. And he writes that what he thinks would work is the concept of FedEx, this shipping company that should be located in Memphis. And the

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reason it should be located in Memphis is because if you look at the routes and you look at the maps and how goods are transported across the U.S., it makes sense that it should be in his hometown. So after college, he comes back to Memphis after going into the military and decides to found that company, which is incredibly successful and has 150,000 employees now. The reason I'm telling this story is I think also as you consider an innovation strategy, what I've seen work are strategies that make sense for the particular location they're implemented in. I mean, his is the perfect story. He found the industry that makes sense for his hometown. There's a reason that I've seen since research triangle every state try to do biotech, and for the most part they all fail. The reason is there are other places that it makes more sense to do biotech just like there were other places that made more sense to do furniture manufacturing than Thomasville did. Okay. And what's actually happened to RTP now is what they did to New York and New Jersey, because Asia has come to RTP and to biotech and said we have just those same advantages that once North Carolina presented to New York. We have better labor, we have less regulations, and so now biotech and CRO and contract research organizations are setting up in Asia. So even that's not sustainable forever. I think if you try to craft a strategy, it should be one that there's a reason there's probably no better time...no better place than the present time to do it than in Nebraska. Because if you want graduates and young people to stay here and you want venture capitalists to invest and not take the company away, keep the jobs here and keep the people here, you have to be able to tell the story to investors why would you want to move it. It's got its best chance for success right where it is. So let's take a look at some of the industries that...and startups that fit. One that came out of the university, Agile Sports. It's gotten VC investment. It's focused on software related to football and other sports. Where would you move it? (Laugh) We have other startups looking at the meat industry. Would you put a startup focused on the meat industry in Silicon Valley? In New York? If it's close to its customers and it's close to the infrastructure that can support it, it should be able to thrive here. If there's a reason...if you look at the opportunity and you say, why would you do that in Nebraska, you should at least, you know, look at it more...scrutinize it more carefully because it will be a harder sale to the people of

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Nebraska. It'll be harder to rally around it. It'll be harder to convince him that it serves the people's needs. I think there are lots of opportunities that we could pursue that would fit in that criteria. I don't, of course, have the answers. Let's pretend that you decided to invest in plant biotech, for instance. And a strategic decision was made that we're going to invest in crop genetics, and part of that strategy involved the university doing research but it went further. It said that seed production will be done in western Nebraska. In other words, growing up all the seed we're going to be needing is going to happen there. Field trials are going to happen across the state because you need different climates, you need different levels of water to test all the varieties. Community colleges need to be training people to take this kind of data, to learn about ag biotech. I'm not saying...I made that up. That may be a bad opportunity if it's really the due diligence is done, but the point of it is that it could work. There's no better place to test some crops in the climate diversity you have across Nebraska. There's certain crops that there simply isn't any place better on the climate to grow. You could compete in Florida against California wines if you wanted. You'd probably fail simply because there's no better place to grow certain grapes than those microclimates. The reason North Carolina did furniture is because we had huge forests of pine trees and hardwoods, so we had all the raw materials there to make those goods and services. So it's part of your identity and part of our identity now that I live here as to who you want to be and seen as and what makes sense for the people to rally around. I think the critical part though is I don't think it would have worked in North Carolina had it not been those people working together in the different sectors. So if the university is trying to do this and the government is trying to do that and the private sector is over here and it's really all about everybody trying to get credit for who can be successful, then I think it will certainly fail. I would say to the extent that the groups can work together, to that same extent you'll enjoy success in whatever that effort is. Because the same way that the state has strategic advantages based on its resources and its people, the group that comes up with the innovation strategy will have a strategic advantage if it works together with all those different groups over other states. And I think that that's what sold a lot of companies to move to North Carolina because when you show up as a

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unified group, the business people there think, well, they know they're already acting together in concert. They've got their act together. These people can answer these questions, these people can answer our issues when we get there. What about the schools? Well, I can answer questions about the schools. You know, what about education? It just makes it look to whoever you're presenting this idea that it's well-thought-out and there's no infighting and that people work together. So I definitely would encourage us finding a way to have people work together. I think that's critical. I want to do whatever we can at NUtech. Next year, I would imagine that we'll have six or seven startups coming out of the university. But I want to go back to that point about what the university can and can't do well. If you look at MIT and you look at Stanford and you see that there are these startups coming out and they're very successful, there might be a tendency to say MIT is doing that and they are in a sense, but that's not, again, like me looking at North Carolina. You're not seeing the whole picture. What actually is going on there is that venture capitalists and people in the business community are roaming the halls of MIT with the business opportunity looking for the researcher that can help them make it successful with the science part. And by that I mean the researchers aren't necessarily driving the market opportunities; they're the technical experts once that opportunity has been identified by people like VCs who are reading 400 business plans a year or people in the business community that have customers that bring in needs. So it may look like Stanford and MIT are the ones leading; in reality, they're the ones supporting. Now, it doesn't hurt to have the best scientist in the world, leaders in their field doing cutting-edge research because then you get that competitive advantage after it starts. And there are some entrepreneurial faculty who can do that on their own. But you don't see the partnership that is Boston when you just look at the startup. You don't see that in Silicon Valley when you just look at Stanford. There's a ecosystem there. There's an ecosystem in RTP where it's multiple groups, each doing what they're good at who are working together to create success. And those people don't have it figured out either. I just want to leave you...I'm done with what I really wanted to say, I want to leave you with the fact that though it is challenging, I've seen it done. I've seen people who used to work at furniture plants get

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trained to work in labs by community colleges and do quite well, become very successful, raise their wages. It changes their family, it changes their educational opportunities for their children. You have tremendous advantages in Nebraska compared to what North Carolina has in terms of your educational systems. The people that you're putting out as graduates at the high school and college are superior. Silicon Valley is full of Nebraskans, so is Boston, so is Chicago. If you can create those opportunities here, you have something that North Carolina doesn't have. California and North Carolina are importing that talent; you're exporting that talent right now. As a trade deficit, you're net exporting knowledge workers. But they're growing up here and they're going to high school here and they're going to college here. They just aren't staying. And some of them I think feel as if they'd like to come back if they had those opportunities because they love living here. So I want you to be encouraged. I've seen it happen. We can do this if people are willing to work together and put aside...it's not that it's different here than anywhere else, but when there are fewer successes, people want to get credit for the few that there are. If there's a hundred startups coming out of the university every year, there's more than enough credit to go around to every group that's helped with entrepreneurship--technology transfer, economic development. But when resources and success stories are rare, it's harder for groups to work together. It's just a fact of human nature and how...so here it's especially important until we get a lot of success to work together. Thank you for inviting me. I don't know if I spurred any discussion...

SENATOR CONRAD: No, that's fantastic.

DAVID CONRAD: ...but I'm...that's been my experiences.

SENATOR CONRAD: I actually have a couple of questions and I'm sure knowing this group, there's probably a lot more to follow. I hope so because we had such an engaging dialogue at our first meeting and I think that you provide a great background with a variety of the different issues this task force is tasked with looking at. But, David,

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as you know, one of the issues that we're looking at very hard is related to this concept of economic gardening which I think really is at the heart of a lot of the issues that you talked about this morning in terms of those identity factors that are unique to a place that really helped you boost presentation or development or growth and knowing what works well in Nebraska and what advantages we do have. I know that's something that was going to delve into a little bit more deeply in future work sessions, but it really seems to be at the heart of some of the concepts that you've been talking about where there have been successes. Not exactly trying to reinvent the wheel on this state did this, this state did this, so we're going to just copy that word for word statutorily, but really taking a hard, deep look about what we do well, what we can do better together and selling that in a united and cooperative front. And so I just wanted to get, (a) a little feedback in terms of economic gardening, and then (b) if you could talk anymore specifically about...you talked about the importance of the strategic partnership really between the three pillars--private sector, government, and then the higher education system, whether it be university or community college system separate. But, really, how did that partnership look or work or come together? Was it through an informal coalition that met occasionally? Did it...how did those folks come together, work together, continue to work together? Did it have state support or was it housed in one of those areas? Did the chambers take it on? Or just a little bit if you know about how that partnership was fostered, how it worked just mechanically and logistically. So feedback on the economic gardening and then more about the strategic partnership.

DAVID CONRAD: So I'm a very firm believer, as I said, in economic gardening. I think you have to be careful that you don't just look at your present strengths though. I mean, if they had looked and said what we do really well is we grow tobacco and we make furniture, they would have failed. It's looking at what you can do based on your strengths that may be very emerging or may be valuable in the future because then you have to have a strategic advantages for being first mover or the first person, the first state to get into this. If you're...by the time the general public and you hear terms like personalized medicine or clean tech on the news and the general population is talking

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about it, you're probably too late to enter those areas because...I mean, I consult for NCI, for the National Cancer Institute. We were talking about personalized medicine 15 to 20 years ago. So you could be very far behind if you jump on a bandwagon of the latest buzz word. And I would guard against those buzz words anyhow because they don't necessarily...because they are very much talked about doesn't mean that they would work very well in Nebraska. There's sometimes safety in just doing what others do but there's not necessarily any data that I've seen that means it leads...more likely to lead to success, as a matter of fact.

SENATOR CONRAD: Well, you're not going to get any real economic advantage.

DAVID CONRAD: No.

SENATOR CONRAD: At some point in time if you're just reinventing the wheel as to what other states or other communities have already done or gone after, you lose a certain competitive advantage, right?

DAVID CONRAD: Yeah, so I think, you know, taking a hard look at the strengths that Nebraska has that could be leveraged to produce high-value products and help the knowledge-based economy. If you sit down and think about we have these unique advantages but we have never thought about using them in this application. We're targeting them to this particular industry. We've always thought about using them in this sector because that's historically what we've done, doesn't mean that those don't work equally well in something that is growing, something that may be here 10 to 15, 20 years from now. As to the second question that you ask about, how these happen, so in my experience they've happened the following ways. They initially formed by particular personal relationships between people that were in the various groups, and that established the trust. And it was through those initial relationships that the organizations were later brought together. And by that I mean it wasn't that the university had a big meeting with the folks in economic development or with a particular company, it was

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someone, you know, had a good relationship at the university with a businessperson, and slowly it started with a very small number of people and the trust was established. And then it naturally grew a little larger such that it became a formalized partnership. But it didn't happen by a memo or by a document or any kind of established network with state funding, not to begin with. It happened first with just those people. They later I'm sure once it solidified and they understood what they were trying to do then went and developed more state funding and probably...but it just started person-to-person. In my experience in several states it's always been I know you, you know me and we know what we're trying to do, and it just turns out that after we talk a long time, we are of like mind. You're actually trying to do the same thing I'm trying to do and we realize we want to collaborate and work together because our goals are shared already. I don't have to convince you of that. You have the same goal I have and you could be of use and value and I could be of use and value to the mission, and we share that mission.

SENATOR CONRAD: Right. And it's part of what we talked about during the course of the legislative discussion on this bill and then at our first meeting is that we do know that these kinds of dialogues are happening in various communities across Nebraska, and our hope is that this task force will be a platform to bring those conversations together and to enable that to happen on a statewide level. So I think that's a fantastic thing that you point out. And then just really finally and then I'll turn it over to the rest of the task force members, you're an entrepreneur and you work with entrepreneurs everyday in different states and different fields. If you had to say and maybe it just varies but what programs or policies or practices are most helpful in taking that leap and taking that risk of starting a business, of starting down the path for you or for others and what are the most significant roadblocks that you see or that others see? And that's a big question, so if you need to...

DAVID CONRAD: Think for a while (laugh).

SENATOR CONRAD: Yeah, yeah.

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DAVID CONRAD: I think the most important things about starting a business are having a network of other business owners and entrepreneurs. I think much of it happens through mentoring. And it's very scary to start a business no matter who you are. If you have somebody that believes in you and a group of people that you can lean on who can answer questions and tell you that it's doable, that they've seen these kind of problems and they've worked through these, they've broken through these walls and these barriers that every entrepreneur faces, that's very important. So there's...in our world of doing startups, it's akin to getting a marriage license. So we're pretty good at giving somebody a license, but the hard part is after you get a license, making a marriage. For instance, there's getting your intellectual property and forming a company and incorporating and drawing up legal documents. And that part is intimidating and you need a lot of help. But after that when you take that leap, you also need a lot of support, mentoring and people that can help you with strategy and marketing and actual getting a product out there with sales. And we simply don't have that many people in all areas that are willing and able to address those issues. Now, it's being done informally. But in some parts of the country, there's that ecosystem and network where everybody knows someone who's done a company very similar to theirs and they feel very comfortable in asking them and meeting with them and getting free advice and saying, can you look over my business plan and be real honest about what I'm doing, be frank. And I think that's challenging here and I think sometimes when people leave to do startups, more than anything else that's what they're looking for, even more than money. I mean, certainly capital is very important and it's...if you can't keep your business capitalized even if your ideas are great and you were going to have a product and you run out of cash, then it's going to end. But even if you have a lot of cash, you need more than just the money, you need a team of advisors, a council of entrepreneurs that you can rely on. And I think that would be most helpful if we had a way to support that kind of activity.

SENATOR CONRAD: Great. Senator Hadley.

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SENATOR HADLEY: Thank you, Senator Conrad. Dr. Conrad, thank you. I appreciate the information you've given us. I guess more of just a couple of comments. I'm thinking about Nebraska and entrepreneurship, and our number one industry is agriculture and there probably is not more of a small entrepreneurship way of doing business than doing agriculture is. Every farmer, every rancher is an entrepreneur who walks out every morning and risks their capital, their living and everything else to do it. So maybe there's some ways that we...you know, I think we have that spirit, the entrepreneurial spirit in Nebraska. I don't think we have to import it or such as that because we have a lot of that. So I hope there are ways that we can...because there are young people from the farm that don't have the opportunity to go back to the farm now but they've seen entrepreneurial...entrepreneurs at work. So I hope we can do that. The second comment and it was your comment about FedEx. Being in higher education, I certainly have read the case and I think he got a C on the case if I remember right (laughter) and then such as that. But I think the important thing to me is that I'm sure that someplace along the line FedEx had opportunities to leave Memphis and leave Tennessee. And I would guess that Tennessee and Memphis worked hard to make sure that FedEx is still in Tennessee and in Memphis. So they did some economic gardening to be sure that they're there. So I hope that as these startups, as these seed-type organizations that we start, that we do everything we can to keep them in Nebraska once we got them started. So I think we're on...what you said is absolutely right is to find things that really work in Nebraska and that we can keep them here. So thank you for your comments.

DAVID CONRAD: So to the follow up on that a little bit, I think you raised the perfect analogy. I think amongst the farm community and the ranching community there's great infrastructure and they can talk to each other and support each other because it's...that exists. But if I come out of the university and I start a company and, you know, anticancer drugs and I'm trying to test lead compounds and drug compounds, it's very hard for me to ask somebody what should I be doing. It's because there aren't very many people doing it, it makes it more difficult. And I think that's why it's so successful here. I think there are things around agriculture, though, that can be done with

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technology where you can leverage the best of that in a way that makes sense because agriculture is changing so much. It's...there are so many technological advantages that we see and innovations in that space that we see everyday. If Nebraska were a big player in that, it would unite. So I read books about the center and the periphery and how there's knowledge centers and there's the periphery of the people that actually do take the knowledge and put it to practical use. There should be more feedback between the folks who are doing those, sharing back that knowledge with the university and the university sharing more knowledge out there. If you think about those kind of innovations in agriculture, they should be benefiting the people who are actually using the...there's the people that are developing the technologies and then there's the people that are using them. And the people that are using them need to feedback and say they don't work or we need them to do this. And that's the kind of partnership when a land-grant school does that. Then you don't have problems between the people who are paying taxes to support those efforts and the people that are doing those efforts. It has to be aligned, though, then everybody wins and everybody feels good about what's being accomplished. But I appreciate your comments. Thank you.

SENATOR CONRAD: Others? Senator Pahls.

SENATOR PAHLS: Yeah. I'm trying to glean some information from what you've told me today. And you've given me some ideas that maybe not go along with the technology. But, okay, I'm looking for the strength of the state of Nebraska. And I heard you talk an awful lot about mentoring. To me, that's why franchises seem to be so successful. I know it's a different thing. And I understand about ranching and farming, but I think it's rather ironic if you look historically, we are really going down on the number of ranchers and farmers that we...you know, we no longer have. I mean, it's going down significantly because I'm taking a look at all this data. I'm also taking a look at all this subsidizing we are doing. We have to be honest with ourselves. We are subsidizing unbelievable areas. I mean, you get hail insurance and we're subsidizing. I mean, so we have to look at the whole, total ball game. But I see one of the strengths of

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Nebraska is we're in the middle of it all. We have a great Interstate 80. So, you know, distribution center, I mean, something like that. I mean, I know it's not on the same vein, but that's our strength for our location, would it not be in the United States?

DAVID CONRAD: I think you'll see that in some of the data presented next if I...

SENATOR PAHLS: Oh, okay. Well...

DAVID CONRAD: But absolutely, absolute...

GARY HAMER: I read your (inaudible) note on that one.

SENATOR CONRAD: He's always went ahead, (laughter) Senator Pahls (inaudible) visionary.

DAVID CONRAD: Absolutely it's true that your particular location, one of the things we say at NUtech when we talk to companies is we can be on either coast in two hours. I don't really care where you are, we can get in a plane, we can be there in two hours. When they want to make phone calls with us, we're in a time zone but it's not that late where you are, it's not that early. A central location, a major corridor for transportation, logistics distribution, of course. Nobody...that's something that California can't do, right. You're stuck over there. You can't serve the entire country if you're far away from a lot of areas. I mean, I lived in California and people say, why is it so laid back? Well, I'll tell you why it's laid back. It's because people leave work at 2:00 in the afternoon. Why do they leave work at 2:00 in the afternoon? Because the East Coast goes home. If it's for no other reason than the people they need to call have left work. It's not any other reason that the culture existed. Can't call them, they're gone, so we might as well leave work because all our customers on the East, they're at home now eating dinner. You don't have that problem here. You can serve a lot of people. So I agree, that's a strength that I personally would identify, yes.

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SENATOR PAHLS: Okay.

DAVID CONRAD: Absolutely.

SENATOR CONRAD: Great. Senator Fischer.

SENATOR FISCHER: Thank you, Senator Conrad. Thank you so much. I appreciate the information you're provided to us today. It's nice to see Dan Hoffman here. Dan worked for two of my predecessors, Senator Lamb and Senator Jones, and now he's with a new endeavor. I'm happy to see Department of Economic Development, the Lincoln Chamber because I think business has a huge impact along with the university that's here today too. When...now down to all of my questions. I have notes all over here. First of all, Senator Pahls, his comment. I think, Senator Pahls, you and I talked about that, about six years ago, our central location in looking at like a depot center here in Omaha or in central Nebraska is what we were looking at, at the time because the truck traffic that goes through this state, and it seems like a perfect fit. All of my stories are going to come to a conclusion at the end, too, just as yours did. So that, you know, we did talk about that five or six years ago when Senator Pahls and I were first elected to the Legislature. Another comment Senator Pahls made about we're seeing a decrease in the number of farmers and ranchers here in the state. Well, we can thank technology. You know, you can have one person in an air-conditioned tractor put up hay bales all day long where it used to be a team of horses and anywhere from 6 to 12 men that were putting up haystacks and not as much hay in a day. So that's thanks to technology. I, being a rancher and having my husband and kids in the hay field this time of year, they appreciate that technology, although we do see a decline in the numbers of people. I see a strength here in Nebraska as agriculture. More specifically, I think Senator Schilz will agree with me, it's livestock. We have a university, a land-grant university that's very strong with IANR pamphlets. The amount of research money that goes to that campus is significant. I think that's a strength that can be built on. I know

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that our state chamber and local chambers recognize that. I know the Department of Economic Development recognizes it, and I know the university recognizes it. So that's a huge strength that we also have. That comes...oh, another point, the brain drain, you mentioned that. I'm old. I've been around discussions like this for 25-30 years, and I was in a group, the LEAD group; it's in its 30th year now. I was in the class of the eighth year. And that was one of our focuses, how do we stop the brain drain. It's still a focus and not just for Nebraska, but for other states as well. Having a low unemployment rate is a curse and a blessing, I think, for a state. So we need to be aware of that. That brings me down to a couple of questions. When we talk about startups, what are you talking about? What size of a startup? I imagine we're going to hear from the Department of Economic Development if...and I apologize for missing the last meeting, but I imagine we're going to hear about all the incentives, all the grants, all the loans that are out there and available now. I know they're not all taken advantage of, so there's money sitting there in many cases, in many of those programs. So what are you talking about? What are you talking about on size of startups and what's involved in that? That's my first question.

DAVID CONRAD: I'm just going to talk about startups that primarily come out of the university. So there's startups that go on everyday all over Nebraska that I just don't have knowledge of, but I can tell you a little bit about what a typical university startup, when you use the word startup there. And that's a good question because that definition is very different for different people and different people here not very differently. So what typically happens at a university is either a group of students, which by a group I mean two, three, or a group of faculty or staff, I still say two or three, decide to get together and form a company based on some research or some ideas that they've come up with as a result of something they've been involved with at the university. It could be like the FedEx case where they were asked to write an assignment and they got them thinking. It could be the business school, writing a business plan there, going through the entrepreneurship program, or it could be somebody who works in a laboratory who has a part of their research for their thesis or their master's degree, found some

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commercial application or at least they believe there's some commercial application that can be found in this research. And so what they try to do is take that out of the university and into the private sector, and that involves finding someone, if not them, to run the company, to raise money that they need to pursue these opportunities. Sometimes science companies are very expensive to pursue, mostly because unlike software...now, I did a software company. You basically need this, you need this box and some people who are willing to work all night. But if you run a biotech company, you need equipment that costs hundreds and hundreds of thousands of dollars. It's just the infrastructure to grow cells, to purify proteins, centrifuges. It's a large capital. There's a capital equipment cost involved in those. And so they go off and they try to build some intellectual property, they try to get partners, and they try to become successful with the hope of one day selling their company. And we've been successful in rare cases doing that. We sold a company not long ago to a Nebraska company which is a nice...was a nice thing to do.

SENATOR FISCHER: Do you see the focus of your idea of this task force discussion coming out of the university and working with the private sector?

DAVID CONRAD: No, not so much. (Laugh)

SENATOR FISCHER: Okay. What do you see?

DAVID CONRAD: So what we'd like to do at NUtech is what we call seeding a culture of entrepreneurship, and that's an initiative for us next year. We would like to help change the culture to make it more entrepreneurial so that not just faculty but also students and also people in the town. We've been working with a young professional group. We would like to be able to provide opportunities and training for anyone who wants to do an entrepreneurial venture, the kind of mentoring and support that right now they tell us, at least some of them tell us, is harder to come by. So we would never want to limit it just to the university because of what I said earlier when I talked about there's no...none

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of those groups can do it alone. You simply need expertise from multiple sectors to be able to be successful. So we would not want to exclude anybody who wanted to take advantages of anything we had to offer at NUtech. So we see it much more broadly than that. And actually we work with people now. If you have an invention or an idea and you walk in off the street, we work with those people now. We don't limit our services to folks in the university.

SENATOR FISCHER: And I realize you...that's your business.

DAVID CONRAD: Um-hum.

SENATOR FISCHER: Don't you think that's happening with the Department of Economic Development? Right now I can...personally I can name...that's why I guess I was asking what size startup in things you're looking at because I can name a number of programs that the Department of Economic Development has right now that are within the university system right now where there are those opportunities available for entrepreneurs to take advantage of.

DAVID CONRAD: I think you raise a good point. I just...we only...we can only be of value for a very small slice of what's required to launch a successful startup. In our little slice if we have one is around intellectual property. What should your patent portfolio look like?

SENATOR FISCHER: So you're focused just on intellectual property.

DAVID CONRAD: Well, that's one. The other part would be business development as far as if you were asking: How do I go about raising money? What would a pitch look like to a venture capitalist? Can you help me with a cap table? Can you help me put financials together? The SBA, NBDC are also within our offices. But primarily if we have any unique domain expertise it would be around intellectual property because I don't

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think there are...there are not too many people that are doing that little slice. So I agree with you, there are a lot of people who are already offering a lot of services. But I guess I'm trying to point out, it takes a lot of different people and it takes attorneys, it takes accountants, it just takes a host of people to launch a venture, a successful one.

SENATOR CONRAD: What about just the awareness piece, David? I'm sorry, Senator Fischer, but I think that's a really interesting point in terms of I'm an entrepreneur, I have this great idea but I'm not associated with the university, maybe I don't have a relationship with the Department of Economic Development. Do I just start googling things to find these resources or is there actually any sort of an education awareness campaign that is available to provoke this kind of access to existing resources or coordinated efforts in that regard or one-stop shop, so to speak, or...

DAVID CONRAD: Well, I think you just hit on one of the main reasons it's important to work together and have a unified because if everything is siloed and split up, it becomes very confusing to the entrepreneur because they don't know where to turn. There's so many programs and they get...it's almost like calling a switchboard of a large corporation and you get bounced from place to place. There's real value in saying, I go here and it can be handled, a lot of my needs can be handled in that kind of organization. And it also raises awareness. So if each group is very small with limited resources, but in total they spend millions of dollars and thousands of people probably doesn't make the impact of even a smaller but centralized type organization, I mean, that's just what I've observed from an efficiency standpoint as well.

SENATOR CONRAD: Okay.

DAVID CONRAD: From a business standpoint there might be some advantages there.

SENATOR CONRAD: Senator Fischer, do you have some more?

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SENATOR FISCHER: If I could just follow up.

SENATOR CONRAD: Yeah, sure.

SENATOR FISCHER: And I think that's important. I...Senator Pahls, I'm picking on you again. (Laugh) I've been doing that lately.

SENATOR PAHLS: I've ready for you, too, now. (Laughter)

SENATOR FISCHER: I know, you are always ready for this, always ready. People in agriculture don't...as with anybody here in Nebraska it seems we're individuals and we have that spirit and we don't always share well together, but it's a business too. And, for example, my husband wrote his own Excel program for bookkeeping because it's hard to find bookkeeping that ties into that business sometimes. But there are resources, I guess, out there. Be that as it may, after all our stories now, my question, my main question is what's government's role? What's government's role in this? We have the university. We have the economic gardening. We're seeding ideas. We're working with intellectual property, technology, agriculture, whatever. We're tying in with the state agencies, with the university. We've tied in with business now. We have our groups together. What's government's role? We offer a number of business incentives in this state to attract businesses. We offer different tax opportunities. We love those sales taxes exemptions. (Laugh) I did it before you did, Senator Pahls. We...you know, so we offer a lot of things for government. And while I appreciate the discussion, what do you think we as the state government need to do?

DAVID CONRAD: Again, good question. Excellent.

SENATOR FISCHER: Well, thank you.

DAVID CONRAD: And I have considered it but I'll just give you some thoughts

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just...these are all just based on my personal opinions and they're not going to necessarily be that well-thought-out, so forgive me. But I see the role of a state government as being the leader of focusing and coordinating it such that the people of the state of Nebraska, their interest in this enterprise is well served. And by that I mean I think it's your role to make sure that if an innovation strategy is crafted and settled upon and supported, it be one that supports the folks who live in Nebraska, the taxpayers. Because no other...look at the university, they don't necessarily have to do that. It's not their main mission to do that. They may have their own agenda, each group...the business community may have their own agenda apart from the taxpayers.

SENATOR FISCHER: As they should.

DAVID CONRAD: As they should.

SENATOR FISCHER: Yes.

DAVID CONRAD: But if I were to advise, I would say you are the folks who represent those people in a way that the other groups don't go off on some tangent for self-serving reasons and leave the other folks stranded or on the short end of the stick in a way that they can't participate in some of the upside that may come out of a given innovation strategy.

SENATOR FISCHER: Give me...I mean, all that sounds great, give me specific examples. One that came to my mind immediately is the Innovation Campus here in Lincoln. Do you think it's the role of the state of Nebraska, the Legislature specifically, to become involved on which types of businesses should be located there, what should happen on those acres, what should be built on those acres since we are elected by the people and we should be looking out for the people? Or do we leave that up to the university? They own it; it's their idea. So what do you think of that?

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DAVID CONRAD: I don't think you want to be prescriptive, but I think you want to influence and you want to be in partnership with. I don't think you'd want to get to the level of detail that says we pick the companies that should go in Innovation Campus. But at the same time I don't think any of us should not care about the strategic mission and plan and vision of that and how it serves all the people of Nebraska. It's not a private school and there...I feel in my job I have a responsibility to the taxpayers of Nebraska because they pay my salary currently, they do. And I chose to come to a land-grant school. I'm not...I was at Duke. I've been at a school that's private. That's a very different mission, it's a different school, everything, but that's not Nebraska. And I came from Iowa State, and Iowa State and Nebraska I put into a different category. And I like land-grant schools because I actually like that mission and supporting. Now, you can't satisfy all...you can't make an Innovation Campus serve the needs of every constituency in the Nebraska so much that it's so de-focused. I mean, if I go back to RTP and somebody said, well, it can't just focus on biotech, it's got to also do software, it's got to do lean...it's got to do everything, well, it would fail then because of lack of focus. But maybe I'm not answering your question. But I am saying there should be open discussions, in my personal opinion, between the various stakeholders and university, government, and business community regarding the vision and what something like an Innovation Campus ends up being. Nobody should be left out of the discussions and absent the table because it goes back to my original statement. If they are left out, the likelihood they can come together and implement it after the deal is greatly diminished because I don't have your buy in now and you don't talk to me, and you go off on your own and you build something, then I come back to you and say: I need your help. I need your support. The natural tendency is for you to say you didn't need me, you didn't need my ideas when you were planning, so why do you need my money now, why do you need my resources. And I think that's human nature. And I think that's one of the keys to why RTP was successful. But that didn't happen that way. It started with that group of people who went to New York and New Jersey together from the git-go, not after the fact. So it was easy to implement it once the people said, yes, we'll move there. Well, they've been working together for awhile. Everybody just did

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what they were supposed to do and it came together, otherwise it could be alienating during implementation. So I just try to do that throughout business, so you have to have the stakeholders on board before you try to get a deal signed if you actually want something after the license or the deal gets signed to be implemented or it falls apart.

SENATOR CONRAD: Thank you.

SENATOR FISCHER: Thank you.

SENATOR CONRAD: And, you know, in regards to Senator Fischer's fantastic questions, one thing that I see as a role and responsibility of state policymakers and state government is to continually examine and evolve our existing programs to make sure they meet existing needs. We know that we have a variety of different existing programs out there for a variety of different types of businesses, types of entrepreneurs, types of industry. But I think it's our job to work in partnership with the Department of Economic Development and those who have frontline policy expertise in the business community to say, okay, when we created this program 20 years ago, does it still make sense today? Is it still worthwhile or does it need to be changed or does it need to be modernized or does it need to be scraped and we need to try something else? And that's really something that I see as the work of this task force and the work of the full Legislature as we move forward, but. With that, I know Senator Mello has a question. And I did want to note that we do have a special guest. Senator Christensen is visiting us this morning, so welcome to Senator Christensen. We're glad to have him here with the dialogue. Senator Mello.

SENATOR MELLO: Thank you, Senator Conrad. And thank you, Dr. Conrad, for your interesting testimony and shed a lot of questions and ideas that I'll ponder and want to research probably after today's hearing. But I really only have two questions and they're fairly broad, so I can expect a fairly broad response. My understanding or at least when I think of the word innovation and how innovation policy is affected in regards to

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economic development usually evolves around research and development, usually targeted toward research and development. My question is, how big of a priority should that be as we continue our discussions in a realm of not just entrepreneurship but also innovation? Because I think this, to some extent, there are two different aspects in the sense of starting your own family farm, starting your own Kwik Shop, and doing research and development on a cancer drug. There are three different...there are different kinds of industry that require different kinds of skills. Could you possibly elaborate on that?

DAVID CONRAD: This debate goes on constantly in the press and in all the literature that I read. They certainly are different and I think they are good reasons to pursue both. I think it's advantageous to try to make them more similar than dissimilar, however, and by that I mean there's technology, as Senator Fischer pointed out. Look at how much technology has already been applied to agriculture. In that respect, the person who does start a family farm is intertwined with those developing the technology, and there's a feedback loop between those two. I think in Nebraska, it perhaps could be a mistake, again, because I'm about trying to bring people together, to try to say we're going to focus exclusively on innovations that don't involve traditional industries and strengths that we're good at. That being said, I wouldn't want to see a strategy that didn't invest heavily in technologies that made sense. Both can be successful. I mean, you have industries already in Nebraska like Cabela's that I don't necessarily think are technology driven. But in terms of...even FedEx wouldn't have been, at least at the beginning, perceived as being a technology-only type entrepreneurial opportunity. It involved more than technology. It wasn't patent intensive. Now, it probably is now but it wasn't strictly founded on intellectual property. So I think you're trying to accomplish two things. You're trying to build sustainable, innovative companies that can employ a lot of people that can thrive in Nebraska and help with economic development. And to thrive, you want them to be as innovative as possible, but that's not the same as saying we don't care about entrepreneurs who want to found other types of companies in other towns. And I should point out, as in North Carolina, a strategy that works on the coast is not going to

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necessarily serve the people in the mountains. Nebraska is the same way. I don't think you can say every strength is homogenous and every particular strategic advantage you have is spread out equally across the state. So there may be regions in the state that you need to focus more on. That's why I talked earlier about I see it as the knowledge centers and the periphery. And as long as the knowledge centers are sending out knowledge and technologies that the people in the periphery can use in ways that allows them to get jobs and make money and help their families, and then they're feeding back practical knowledge to say you need to refine this, this doesn't really work, we tried it, it doesn't...then that's a system that's very sustainable. It's when either one of those groups forgets about the existence in the other group that you get into a lot of problems and resentments. And then it appears that one group is just working for their own self-interest without any thoughts or concerns for the other group. And I think in a state like this when you have Omaha, you have a heterogeneous group of people in terms of the way they make their livelihood. And so they have to respect each other. And I think that there's a lot that the university and the knowledge center innovations can offer the people in the periphery and the people who are doing practical use of the technology because what the universities are good at are the ideas. They're not good at implementation and actually using them and the reverse can be said...I wouldn't say the reverse can...I mean, farmers, some of the best inventors we've ever seen are farmers only because they have to invent. If you live on a farm, you have to solve problems that you don't always...sometimes there's not a solution. That spreadsheet is a good example, but machinery, they have to tinker. So and from an inventing point of view, it's a natural. So some things come back the other way in terms of invention. So, yes, I think there should be a strong investment made in research driven toward technological innovation. But, again, focus in technological innovation that makes sense, that can serve so that there's not this resentment.

SENATOR MELLO: My second question dealt with, and it's something you mentioned earlier on regarding one of the strengths that Nebraska has, but it also at times seems to be, as you mentioned, an opportunity that we're missing in regards to knowledge

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workers. My question focused more on the development of knowledge workers and how we capitalize on that development of whether or not it's a chicken or an egg strategy. Do we bring in...do we invest more in technology-driven industries than R&D industries to bring knowledge workers or to keep knowledge workers here or do we develop the knowledge workers base and continue to develop the base further with the hopes that we'll be able to develop new companies, new startups, and maybe recruit new businesses to this state? And maybe it's not a...I should rephrase it, maybe it's not a chicken or egg dilemma, maybe there it's a hybrid in between, and I would like your opinion on where you see that issue falling along that axis.

DAVID CONRAD: So I think it's very important to bring people in. When you look at a state like California or North Carolina, you're not seeing "North Carolinans" only. Actually you're seeing creative imported people who want to live in the Sunbelt, who want to live there for recreational reasons, and it's skewing what you're seeing. Their schools are really poor. They don't do a good (laugh) job of educating people in high school and they...but that doesn't really matter because you're seeing an influx of creative people, and that's what happened to the entire South. I mean, people wanted to live there so you saw this mass immigration of people from New York and people moving there. When you look at Nebraska, sometimes in terms of knowledge workers you're seeing a depletion. You're not seeing the folks from Nebraska that grew up here and were educated here because they're in a different city. So if you find a way to bring talent and creativity to the state, that's always a good thing no matter what state you're in. So one of the reasons some states have enjoyed and a big advantage, if I look at Boulder, Colorado, they have a tremendous advantage only because there's been so many people who have moved there. It's not really fair to give the credit to Colorado and the state of Colorado. It's not the whole answer. We don't have that many people from other states moving here. And so anything...if we can bring in technology-based companies, again, especially technology-based companies that can leverage our strengths and can use kind of talent that we have, that's fabulous. I mean, that's absolutely a great thing to do, and that includes the university too. If we bring in star

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professors and star researchers that are...if you bring in the best ag researchers from the world they have to offer and they come to UNL, that's a good thing. (Laugh) That's a very good thing because everybody wins with a great university. Everybody wins when knowledge workers flood in, talent goes up, new perspectives. That helps. It helps a lot. So I would always want to see that supported.

SENATOR MELLO: Thank you.

SENATOR CONRAD: Senator Pahls, did you have another question? Okay. Well, David, thank you for this...

DAVID CONRAD: Thank you.

SENATOR CONRAD: ...very provocative discussion. I think it's helpful to our work and our mind-set as we move forward, and I hope that we can count on you if committee members have additional...task force members have additional questions. We have your contact information to continue the dialogue and look forward to hearing more about our ideas and our work as we continue to move forward in partnership together. So thank you.

DAVID CONRAD: Thank you and thanks for your time.

SENATOR CONRAD: Thank you. Next, Department of Economic Development.

GARY HAMER: Thank you, Senator.

SENATOR CONRAD: Yes, Gary, welcome and thank you for providing these fantastic resources to the committee beforehand and giving us a sneak peak over what's been an extensive and comprehensive study and framework of a variety of issues that relate to the work of this task force and the economic health and future of Nebraska. So we're

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thrilled to have you here and can't wait to hear about it.

GARY HAMER: Okay. For the record, my name is Gary Hamer, H-a-m-e-r. I'm deputy director of the Department of Economic Development for the state of Nebraska. Maybe I should give you a little background about my background, history of my background. I'm a native Nebraskan; grew up in central Nebraska, town that was just flooded out this year, North Loup, Nebraska. I went to Kearney State College, not University of Kearney.

SENATOR HADLEY: Well, that makes you first class right away. (Laughter)

GARY HAMER: That's right, see. I had to throw that out there. I was a teacher for a number of years. I worked for a regional development organization. Worked for the State Department of Economic Development, and then went out and did entrepreneurship things, as people call it. And maybe I'll get back to that in a minute. And then I kind of semiretired and came back to the Department of Economic Development about ten years ago. Okay. Maybe before we get into my presentation, I want to...I wrote some things about David's presentation which is very good lead in to what we want to talk about. And maybe I can talk about some of those when I get done with my presentation, if you don't mind, some of the things that I made specific notes on, so. What I'd like to talk to you about today is the Battelle study. And in your packet is some power points that I put together about the presentation. A couple other things in there I gave you was a overview of the main person from Battelle, Mitch Horowitz, who is the lead for us, made an appendix of their experience of the different organizations that they've worked with. I'm not sure how familiar you are with Battelle. They are an international company that's a billion-dollar-a-year company that does a lot of research. They employ about 7,000 people across the world. The group we worked with, the Battelle Technology Partnership Practice, is a small piece of it. Just for reference, Battelle runs the federal research centers, about nine of those across the country, federal labs, so they have a lot of research background and they do a lot of innovation-type things. We did an RFP to do this along with the Department of Labor as

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one of the funders, along with our agency for this study. We put out an RFP in February. We had 11 applicants and we narrowed it down and started a contract with Battelle in February, late February of this year. Our time line is to have this completed in September-October with some specific recommendations for the Governor and for the Legislature about what we want to see as moving forward. Four particular areas that we looked at, if I can get this thing to work. There. Kind of the purpose of the study and you have the handouts so you can go over that, but kind of the purpose of the study was to look at a comprehensive assessment of Nebraska's competitive position to guide future development. Very same thing that David was truly talking about, where do we go from here. But before you can do that you need to look at some specific things. The four things that we wanted to look at was update a target industry sector opportunity study. We start...we did one with the Deloitte and Touche back in 2001. We've updated it several times internally, and this is an effort to update it again. We wanted to develop an overall innovation strategy road map. One of the weaknesses we saw in working with innovation was we did not have a road map. We had a lot of different people doing a lot of different things. And what we want to come out of this is tie innovation into all the other things we're looking at and kind of give the road map for everybody to look at. One of the things you have to do when you do that, you have to assess current economic development programs, not only in our programs but programs that we're affiliated with. Okay. And the third thing gets back to a little bit about the brain drain, develop a population and work force retention and attraction strategy. So those were the four specific objectives of this study. And if you'll talk to Battelle, they were very varied. Usually when you do a study with Battelle you pick one of those. We were trying to get the big bang for our buck and integrate all of them into the study because we felt they were very appropriate. The next slide will talk about the progress to date. Battelle has done a lot of quantitative analysis; it's pretty well wrapped up. They've done some industrial cluster analysis which we'll talk about. They've done some court competency analysis, and they've also done some work force analysis which I'll present some slides on here in a minute. They've did extensive interviews, 62 interviews with the industries; 30 interviews with the university; and then we had 32 stakeholders of a different mix of

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people that they talked to about those four specific topics. We helped focus groups in April, and right now we're at the stage of development where we're starting to develop some strategic options. Okay. So what I'd like to show you now is kind of the analysis, some of the information from their analysis. David talked a little bit about our strengths. If you look at the cluster analysis, there's 12 specific clusters that are very important to the state of Nebraska. Five of those are current strengths; three are what we call emerging opportunities; and four are retention targets. And when we say retention targets means that they're very important to the state but they're not growing from an employment standpoint compared to the others. Okay.

SENATOR FISCHER: Did you just look at employment...

GARY HAMER: No, there was various...

SENATOR FISCHER: ...or did you look at the dollar amount because back to agriculture, it's the largest economic engine in the state...

GARY HAMER: Right.

SENATOR FISCHER: ...and it grew by--what do my notes say--\$3 billion last year.

GARY HAMER: Right, right.

SENATOR FISCHER: That's a pretty good growth rate, isn't it?

GARY HAMER: Absolutely.

SENATOR FISCHER: But so are you looking at that or just at the...

GARY HAMER: But from an employment base it's not growing.

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SENATOR FISCHER: But you're only looking at employment then.

GARY HAMER: Right, right. Well, employment and some other factors which we'll show you over here. Okay. One of the things you look at is what's the opportunities for growth in some of those areas of retention. Remember, this isn't just about attraction; it's about retention and how you help those companies become profitable and maintain the profitability also. They came up with those four. One of the things they used is a location quotient, and that's not on your slide but I'd like to go through those. Because the first five clusters talk about specialized, growing, and outpacing national growth. Okay. Anything over a one is they call a specialized cluster. In financial services, it's a 1.38; transportation and logistics--back to Senator Pahls's point--1.98; precision metals where it is decreasing countrywide is growing in Nebraska in a location quotient of 1.15; biosciences is 1.21; and the renewable energy one that they looked at overlaps with several different ones in the bioscience. The second group of clusters are emerging strengths or opportunities. They're not specialized. Growing in employment may be gaining competitive share nationally. Okay. R&D & Engineering is .56 right now from a location quotient standpoint. Health services is 1.0 and hospitality and tourism is 8.4. Those give you some idea of how they're looking at why they put him into a specialized, not specialized, and so forth. The last cluster is four industry clusters stand as retention targets. They specialized agricultural and food processing as 2.61, which means it's very strong in Nebraska. Business management and administrative services 1.13; software and computer services 1.14; agricultural machinery 7.43. Back to Senator Fischer's point, very strong in Nebraska and we need to maintain that and make sure it stays strong. Okay. That gives you the idea of the clusters. The next slide talks about the regional breakout which is...it talks about the metro areas. We had to define the other parts of the state and we defined them this way. Counties that had first-class cities were in the second group and the third group were the rest of the counties. Okay. You can define them several different ways. And if you look at the clusters that are growing, high growth clusters in each of those areas, they are probably some of the ones that

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you would say are probably traditionally strengths for those particular areas of the state. I don't think we saw anything new there that we didn't know. Okay. One of the things I want to talk about with the next slide is a little bit about value, added value to products. And this is a slide that shows wages, both compared from a cluster standpoint and nationally. There's one cluster where the wages are higher than nationally and that's in R&D & Engineering Services where \$63,000 versus \$57,000. One of the things we need to do and why innovation is so important is when you have innovation you have higher paid wages, typically, in the types of things that those people are doing. And to raise the wages in Nebraska, we need to move all our products that we are producing up the value change. If you look at the next slide that I'll present...

SENATOR HADLEY: Could I ask a question about that? I hope you don't mind me asking questions as we go along. []

GARY HAMER: Sure. No, jump in. []

SENATOR HADLEY: I guess the only concern I have about that one is that it doesn't tell you what it costs to live. []

GARY HAMER: Right, right. And that's a thing we will put in here when we get done with it, when we do a cost comparison. []

SENATOR HADLEY: Okay, okay. Because expansion in Kearney deals with software engineers and it sure costs a hell of a lot less to live in Kearney than it does in San Jose, California, to do. []

GARY HAMER: Right, right, right. We will add that when we put that in here as from a cost of living standpoint, comparison. Okay? But what it does show is that just on a wage by wage basis without cost of living, we need to raise that standard. Traditionally we have not taken that tact at looking at high wage type companies and maybe that's

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something we need to think about as we move forward for a strategy. Okay? The next slide... []

SENATOR CONRAD: Isn't...sorry just to go back to Senator Hadley's question because I think it is interesting and important in this dialogue and ties into the brain-drain issues that we hear about a lot and try and tackle in a variety of different capacities, but I know in talking to young people in my district coming out of the universities and otherwise, yes, there is a low cost of living in Nebraska. There's a variety of other things, it's clean and safe, it's close to home, but...and they're looking at \$150,000 in student loan debt or \$75,000 or whatever it is, particularly if they attend a...get a professional or an additional degree beyond undergrad. That's what drives them out to the San Joses, to the Chicagos, to the Minneapolis, to get those jobs to pay down those kinds of debts and so I think cost of living is important but when you tie back in that the wage factor...what's ultimately attractive to a young person deciding where to plant their roots. []

GARY HAMER: Right. We have found in talking about cost of living to young professionals, it's, as you suggest, it's not that thing that's first about in their mind. It's about what I can get paid. The other parts comes later. When they're gone for five or six years in San Jose, then they start thinking about cost of living. []

SENATOR HADLEY: That would be the only thing... []

SENATOR CONRAD: Yeah, I think it works together. []

SENATOR HADLEY: We have people, again, I use Kearney as an example that are coming back from Minneapolis, San Jose, because five, ten years, two or three kids, and they figure out that that cost of living does make a difference in... []

SENATOR CONRAD: Yep. Safety issues. []

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SENATOR HADLEY: Safety...those kinds of things. So we're on the same wave length.
[]

GARY HAMER: Absolutely. Right. Right. And I have a slide here that talks about that through a Gallup thing. And what we're talking about here, if we're going to use those, we need to develop strategies to take care of that problem. See and that's what we need...that's where we're talking about now. []

SENATOR CONRAD: I think that's a great point. I just wanted to think about it holistically, yeah. Okay. []

GARY HAMER: What I'd like to show on the next slide is that broad occupational trends reflect the lack of demand in high-skilled occupations. If you look on the bottom corner there, engineers, scientists, and computers, it shows you the employment and then also says what our...how we compare concentratedwise from the nation. And you look at engineers, 35 percent lower, 20 percent lower, scientists 8 percent lower, and then you look at the growth from 2004 to 2008. Our growth in computer science was positive, a computer in math, but look at the growth nationally. So we are not growing the types of highways jobs that we need to keep the brain-drain people here. It's really what this says. Okay? Next slide shows that the universities or the higher education system is actually producing those type of people but for them to find jobs they need to go some other place. Okay. If you look at the management occupations, there are 31,870 employees in Nebraska. The third column latest occupational projections for Nebraska, that is over 2006 to 16, that takes into account what is estimated number of people in that occupation including replacement is 1,578. We're putting out 8,366 degrees in that occupational class. We're putting out way more than we have jobs available, projected jobs. Okay? And you can go on down the list. The biggest one where we are short is in production occupations. We have 80,000 jobs and we're producing 321 graduates. So when you talk about what the university needs...the higher education needs to do, we need to match what they're producing a little bit to what our skills needs. If you look at

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the bullet point, analysts suggest that supplying workers for occupations typically outstrip the demands. Look at the point below that, in contrast to what employers are experiencing. If you go across the state and employers say, I can't find that skill. I can't find that type of person. The disconnect is, in many cases, we have those people but the employer is looking for somebody that has two years experience or three years experience. We don't have those people here because when they graduated, they went some place else to get the job. So we need to stop that disconnect somehow and we have some thoughts about how to do that. []

SENATOR FISCHER: Just devil's advocate here. So would you say the...our institutions of higher education are producing too many people in certain fields? []

GARY HAMER: Yes. I mean, it doesn't mean that...means that they need to change their curriculum or we need to have more opportunities...I'll come back the other way. We need to find more opportunities for those graduates in those particular fields. One of... []

SENATOR FISCHER: Do you have information on other occupations where there are shortages? []

GARY HAMER: This is the ones that they gave us. []

SENATOR FISCHER: This is the ones that your folks...okay. []

GARY HAMER: Yeah. Yeah. []

SENATOR FISCHER: It would be interesting to compare, which I'm sure maybe the university has that information. []

GARY HAMER: They have that data and Battelle probably has that data. If you'd like I

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can find that for you specifically, so. But really what I wanted to show with this slide is we are producing the graduates but we don't match very well with the jobs that we have available. []

SENATOR FISCHER: That ties back to our low unemployment rate, though, too. []

GARY HAMER: Right. Right. Because the types of jobs that are available, in many cases, we have people that are overqualified taking some of those jobs. []

SENATOR FISCHER: But we don't educate our children in this state just to work in this state. We educate our children to be global citizens and be able to have a full life anywhere. []

GARY HAMER: And that's an issue... []

SENATOR FISCHER: You get into philosophy here too. []

GARY HAMER: Right. That's an issue that we need to talk about. I was a teacher. Okay, I mentioned that. Okay. One of the biggest problems I had when I was at teacher, and I was a business teacher, distributive education, placed kids on the job, was...and I don't want to pick on any particular group but I'll talk about the guidance counsellor system. Guidance counsellor systems talks about scholarships. That's how they're evaluated. They probably don't know about all the opportunities that are available in their schools or in their communities or in the region. And so kids aren't exposed to that. And that's a weakness we need to solve. And I'm not sure that we can solve it through this, but there probably will be some recommendations, quite honestly, along that line about how we solve some of those things. And they may be small issues but I think if you take in the big picture, we need to put those into the piece of the puzzle, so to speak. Okay? This is a study that we did with Gallup a couple of years ago. And it is interesting, it was with expatriates, we call them. I don't know as I like that name very

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well but they are people that left Nebraska. And it was 2,402 expatriates from Nebraska, found that 50 percent would move back for a good job. Good job was not defined, okay? But survey, 63 percent for computer professionals, 56 percent other professionals, 80 percent of those under 30 years old, would move back if they had the right job that paid the right amount. Okay? For those who would return for a job, 83 percent concerned about the availability of jobs in Nebraska, 75 percent about taxes, which you people talk about a lot, and 70 percent about affordable housing, which we work in. Okay? So there's some other things. So this is kind of a scenario comment, so if Nebraska can generate the jobs and it can attract its expatriates back. []

SENATOR HADLEY: Just one comment on this. I would like to commend at least what I know about the University of Nebraska system has worked hard at trying to reach out to their graduates who are living in other states through job fairs, through alumni meetings, and such as that, to sell returning to Nebraska and that this works for UNO, UNK, UNL, all of them. I think they have taken this to heart in trying to help the state bring back their graduates. []

GARY HAMER: One of the things that the last two paragraphs try to address, a common Web site. There's a lot of places you can look for jobs in Nebraska, both public and private. If you had one site that had the jobs on it that, you know, could collectively shoot you out to the others, that would be something that you could market heavily for people to use. []

SENATOR FISCHER: Is your agency looking at doing that? []

GARY HAMER: Yes. []

SENATOR HADLEY: Good question. []

SENATOR FISCHER: Do we have to raise taxes to pay for it? (Laughter) []

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GARY HAMER: No. []

SENATOR FISCHER: Since 75 percent are concerned about taxes... []

GARY HAMER: A point is...remember I said we'd look at our existing programs, okay. So I don't think I need to say anymore than that. Next slide. []

SENATOR CONRAD: And Gary, just on that same kind of activity related to education awareness amongst one guy or expatriates or other distinct groups to try and bring back some of our talent to Nebraska as one piece of the overall strategy, I'm been particularly impressed with a group of private folks in the Norfolk area, the Norfolk area of recruiters who have put together a Web site and other materials to make very specific, very personal pitches to their neighbors, classmates, etcetera, who have left, bring them back home, and where a few families make a huge difference in coming back into those communities and who had a lot of success in revitalizing those areas. And I've talked about and looked at trying to put together a policy strategy to either provide, you know, grant funding for other communities to do something like that or... []

GARY HAMER: That is available. []

SENATOR CONRAD: ...a model that could exist so that any community that was interested in doing that could learn from that example and...I mean, there's so many good things happening out there but again I think we're lacking that centralized kind of location. []

GARY HAMER: Right. There are a number of communities. Norfolk area recruiters have been around five, six, seven years and it may be Senator Schilz was involved in some of those. But there are a lot of communities around the state are using some what we call BECA grants, which we administer... []

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SENATOR CONRAD: Right. Right. []

GARY HAMER: ...to do similar types of things. They are not doing on the same scale as Norfolk. Norfolk has raised enough money locally to hire a person to do it, and so forth. But it is a concept as checking on. One of the things we want to be careful of, and I don't mean to be critical of Norfolk, but Norfolk didn't care whether they came from some other communities in Nebraska. From a state perspective, we've got to be careful with that just like we do when we're working with businesses. We can't compete one community against another. We're looking at the broader picture. So many of these initiatives have be local initiatives. []

SENATOR FISCHER: We want to take them from Iowa. (Laughter) []

SENATOR SCHILZ: But the other side of that is, is that if you've got somebody that's looking to move or looking to go, wouldn't you rather place them some place else in Nebraska than lose them to another state, which I think is entirely a possibility too, so?
[]

GARY HAMER: Absolutely. Right. Right. Very true. []

SENATOR HADLEY: If we could raise the educational level in South Dakota, we might want some from there too. []

SENATOR SCHILZ: You got that on tape didn't you? (Laughter) []

SENATOR HADLEY: Well, I spent 20 years there, I can...(laughter) []

SENATOR FISCHER: He's responsible for many of those folks, yeah. (Laughter) []

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GARY HAMER: The next slide is kind of a recap of kind of the data that I gave you, general terms. Economic fundamentals in place. Nebraska has a diverse and well-performing set of 12 industry clusters. Nebraska is reaching critical mass in having research and development base across its industry and university. And Nebraska also has a solid talent pipeline and well thought of incumbent workers. What do we need to do? This is kind of a summary of where we need to make some suggestions. Lower level of value-added leads to lower demand for skills and lower wages paid by Nebraska industries. We need to raise the value, not the productivity of the employees, but the value of the product that they're working on. Everybody understand the difference? Our employees are very productive but some of the things they're doing is on the low end of the process. We need to move them up a little bit so wages get a little higher so we can have higher skilled jobs which pay that. That's what that means when you said, up the value chain. Okay? Added shortfall in translating Nebraska's growing research and development base into new products and new companies. We need to work with David and the university and the other schools on doing that. And I have some comments we'll hear about that. And the world of silos between industry and university research and talent generation further holds back Nebraska in value creation. Okay? Again, the team work. []

SENATOR CONRAD: And that's the kind of strategic partnership that David mentioned earlier that... []

GARY HAMER: Right. So those are our general things. What we're working on now is the last slide is the next steps. We're going to redefine the strategic initiatives. We're going to prepare our final report which will translate into needed legislation and budget actions. And then develop a release strategy when we get those all put together. Again, we're looking for that to be done in September, October, in time for the next legislative session. And those recommendations will be forthcoming. Any questions on this or... []

SENATOR CONRAD: Well, Gary, I just want to say thanks again for coming before we

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turn it over to for questions, and I know Joseph Young is here from DED as well and Director Baier couldn't join us today, he's travelling. But he and other members from the Department of Economic Development have been helpful every step along the way in putting together some of the ideas and philosophies that prompted this task force and I look forward to continued partnership with the department as we further hone in those specific policy strategies to complement and boost our respective work in this partnership for the future of Nebraska, so. Senator Fischer. []

SENATOR FISCHER: Thank you, Senator Conrad. You mentioned in your last slide there, or the one before that, possibly...okay, then I've just got one in my book. How are you going to reach those goals? You said you'd have something by January. Does that mean the department's going to come forward with legislation and offer it to a senator to introduce? What are you looking at for action steps? Are you ready to tell us that or do we get to wait until January to see what it is? []

GARY HAMER: Well, it won't be January. It will be September, October, we will finalize the report and we will have public meetings across the state to talk about and there will be specific recommendations in there about specific actions for specific programs. []

SENATOR FISCHER: On your action...okay, action steps you're talking about programs then? []

GARY HAMER: Yes. One of the things we realize that where we're at from a budget cycle, budget standpoint, we realize that there is...one of the senators talked about, we've created a lot of programs. Are they effective? And that's what we're evaluating. Are they reaching the target? Are we getting our return on our investment? If not, maybe it's time to reallocate or redeploy those resources to something that's got some longer term growth opportunities for us. So that's part of our strategy is how to do that. Will there be things that we need to change? Yeah. Will it be some legislative things that we want to talk about? Sure. Incentives are always something we need to talk about,

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upgrade, update. But a lot of it is going to be about redeployment of existing resources and not necessarily just in our agency but Department of Labor is a part of this and other agencies have been involved. Again, from an administrative standpoint the Governor will get to look at those and then legislative ideas will come to you. We do not have a set protocol right now what we want to look at. That's being developed right now. Kind of a vague answer to your question but hopefully I answered your question. []

SENATOR FISCHER: Thank you. []

SENATOR CONRAD: Senator Schilz. []

SENATOR SCHILZ: Thank you. Thanks for coming in today. And as you look at these programs and systems and techniques to draw people back to the community, I've been thinking about this myself. We did use a BECA grant in Keith County to do... []

GARY HAMER: I thought you did, I wasn't sure. []

SENATOR SCHILZ: ...yeah, to do that, and that's exactly what that's available for and it's worked pretty darn well so far. We've got everything in place. But how do you...I mean, obviously, you know, when you said that you want to have jobs and everything in a centralized location, I'm just trying to figure out how you get your mind around that and how do you make sure that everyone is included so that it doesn't...? []

GARY HAMER: Okay. There's a technique called spider and you people know more...somebody knows more about that than I do, where you have one point that pulls in the information from all these other sites. []

SENATOR SCHILZ: So whoever wants to become a part of that could. []

GARY HAMER: Right. Right. And that's how you do it. We have talked about this

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system for a number of years and back to your point about how do you get the needed information in there. Well, the spider system will help you do that. Help you pull in from HotJobs or CareerBuilder or any of those that have Nebraska ties that can pull in and say, here's a job in Nebraska. And that's how it's done. []

SENATOR SCHILZ: Right. Okay. []

SENATOR CONRAD: Senator Pahls. []

SENATOR PAHLS: I already had the opportunity to take a look at your budget, you know, because it goes in front of Banking Committee. And it is a little scary if we're going to be doing some things to your budget and yet you're going to be coming up with new ideas. So you're telling me you're thinking about reallocating the money within that budget? []

GARY HAMER: We would anticipate that's the only way we're going to get this implemented, Senator. I would hope that there would be more resources but that's not something that we can look at. []

SENATOR PAHLS: Yeah. []

GARY HAMER: That's why that one bullet was up there to look at our programs and what they're doing and how we can use those programs more effectively long term. []

SENATOR PAHLS: And I like the idea when you said the accountability factor because as we were analyzing some of these programs that a lot of the people, especially if you get past the metropolitan area, I was really impressed with certain areas of the state. And I'll just pick on one since I know that and it's pretty close. Holt County, what they were doing with some of these programs, they must have, and I'm going to use the word, some hellish leadership up there because they were really tapping into these

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programs and the other counties, and I'm just using counties, and there is next to nothing. So I was just surprised. I mean, it was amazing to talk with the state. It seemed like those guys were pretty...they knew the system or something. []

SENATOR FISCHER: Active group. []

SENATOR PAHLS: Yeah, you live there so I had to put that in there. (Laughter) []

GARY HAMER: Leaderships come and go. Okay? So today, Holt County, and that may have great leadership and moving forward, ten years from now it may go the other way. So if you sit down and look historically across the state you can tell where that ongoing leadership has maintained, has stayed there. You haven't had the downfall and then they had to build it back up again. We do not have a lot of those but it's important that local leadership is developed because they're a key component. What are we selling from the Department of Economic Development? We're selling the community. That's our product. So they've got to be very valuable and very engaged in the types of things we're talking about here. Now, they all have different needs, different assets which David talked about. What you can do in Hold County, you can't do in Omaha or in Valentine or necessarily other parts of the state. So they need to find their unique niche. And I like David's comment about the value proposition. That's a different way of saying, what is my target for my community? What can I do for my community? And Hold County, quite honestly, because of the irrigation systems they have there, have a unique opportunity because they have a very...and I'm fairly familiar with Holt County, have a very young population compared to the rest of the counties, have a lot of younger farmers who are very aggressive about innovation and being involved in the community. []

SENATOR PAHLS: I was also surprised at the different types of grants because I did read a number of them. I was surprised at the number of wineries that were getting grants. I'm not saying...I have nothing against wine but I was really sort of surprised by

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that. []

GARY HAMER: It has grown over the last four or five years. []

SENATOR PAHLS: And here's another thing too. From your department I know there are certain things out there that you guys really care about. There has to be. In any organization, there has to be. I mean, will be. Are those going to be the ones that are going to be the first ones that we're going to cut off? I mean, that we're going to chop off? []

GARY HAMER: Well, we have limited resources and there's only certain things we can do and we have to prioritize those. That's why we depend on the local governments, local cities, local counties, to do a lot of this. We are mainly aimed at primary businesses. And maybe I should talk about that briefly. We've done a very good job in the state of Nebraska to put resources into what I call lifestyle. This is my term, not the department. Lifestyle businesses. Okay. We've done a lot of micro, we've done a lot of tax credits, we've done a lot of that. They're very important to the state of Nebraska. I was not a...people like to say, I was an entrepreneur. I was not an entrepreneur. I was a small business person. My businesses took money from you, you and you because I was in competition with you. I ran grocery stores, motels, convenient stores. They didn't bring new money into the state. I was just circulating money. I was a small business person. What we need to do is grow new money. So that's when we talk about primary businesses. Lifestyles are very important but from a state perspective, we can't have money just circulating from one community to another. We need to have a bigger picture. So when you say are we targeting, yeah, we're targeting the primary businesses which add new growth. Now, can a lifestyle business become a importer? Cabella's. Great example. Started out as a small retail but look where they're at now. Buckle, in Kearney. Great company. Corporate headquarters. Started as a small retail. When I was in Kearney, Senator Hadley probably can tell you better than I can, when I was in Kearney it was called the Brass Rail, or Brass... []

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SENATOR CONRAD: Brass Buckle. []

GARY HAMER: ... Brass Buckle. It was just started when I was in school. Okay. Where's it at now? So those things can happen, but traditionally they do not. So we have already prioritized between lifestyle and primary from what we look at. Now, do we run lifestyle programs? Yes, because the senators, and so forth, have given us money to do, mainly for lifestyle stuff. Is that bringing new value of Nebraska? No. Is it important? Yes. Hopefully, I've given you a long answer to your question. []

SENATOR PAHLS: Well, what I think is interesting, one of the things that we're taking a look at at the state level, the mayor of Omaha is wanting to increase taxes to upgrade an area and we're talking about pulling it down, at the state. I mean, this is...I'm just saying, be prepared. []

SENATOR CONRAD: Gary, Senator Hadley, I know has a question too but can you tell me, and maybe it's for later discussion in September otherwise. Do some of the strategies contemplated by the results of this study include things that we're looking at like venture capital, angel investors, in addition to the one-stop shop that's kind of already on the table here. []

GARY HAMER: Absolutely, yeah. You have a continuum of care in healthcare. In business you have a continuum of care. Venture capital is clear over to this end. Okay? Because that's when you're big enough that you can go out and get venture cap. There's a big process in between starting the business and getting over here. We are very, very weak in that segment. Okay? We don't have equity capital. We don't have the mentor program that David talked about. We don't have those things. We need to get these, what I'll call high-growth companies from here to there. And that's what we need to address, and we will address that. []

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SENATOR CONRAD: Great. Senator Hadley. []

SENATOR HADLEY: Well, I just have a real quick comment. It seems like we focused a lot on what I would call, you know, the college educated worker and such as that. And I hope we don't forget the community college because I use Kearney as an example. And we have lost potential businesses because we don't have a work force that they feel is capable of handling their company. So we've got to make sure that it's nice to have physicists and geneticists and such as that, but it's also nice to have tool and die makers and such as that that can make the Baldwins of the world and the Eatons of the world and such as that be willing to expand their operations in Nebraska. []

GARY HAMER: Absolutely. I think if you look at the numbers that was up there, it kind of reflects a little bit of the change of the philosophy in the community colleges. You know when they first started, they were very technical about some of those things. Now they became a little bit more a general education type group where a lot of their students are...I don't know what they call them, for two years and then they move up to a four year school. So that's part of the numbers. But they still do offer great customized job training for companies like that. []

SENATOR HADLEY: And we need to have that... []

GARY HAMER: Yes, absolutely. []

SENATOR HADLEY: ...because nothing is more sad than you lose a potential company because they say you don't have the work force to support my company in your town. []

GARY HAMER: Right. Well, you mentioned... []

SENATOR FISCHER: I know there's a few community colleges that are very responsive to the businesses in their area and they do an excellent job of training workers so that

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those businesses can sometimes just remain there but hopefully expand too. []

GARY HAMER: Right. You mentioned Paul Eurek, Xpanxion at Kearney. That's a prime example of a boy that grew up in Loup City, close to where I grew up, moved to Atlanta, was off into India, now he's coming back to Kearney. Not with everything, but he just announced, we put some money into him, he's going to hire another 60 people. And those are high-paying jobs. And that's the type of thing we need to look at how to do a better job of. []

SENATOR HADLEY: And his manager worked for a section in Minneapolis and his wife did too. Both of them willing to move back to Kearney because they wanted the lifestyle to do it, so. []

GARY HAMER: One thing I need to mention here is about existing companies, existing manufacturers. We have about 2,000 existing manufacturers across the state. Many of those manufacturers are towards the other life cycle with their business. They're a product mix and whatever is going down. We need to set up a system to help them develop and this is where the university is very important. Help them develop new products, help them come up with new technology so they can start the new life cycle. If we do not do that in the state of Nebraska, particularly in many of our smaller areas, we're going to have issues because many of those small manufacturers are going to go away. And if that happens, they won't come back. So that's an important component of what we're talking about from an existing business standpoint. []

SENATOR CONRAD: Great. Well, Gary, I hope that we could continue to pick your brain if people have questions as we move forward and I think it's probably a good idea if we touch base again in the fall and can figure out how to continue the partnership. But thanks for the fantastic information and many members for their provocative questions. Thank you. []

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GARY HAMER: Thank you. []

SENATOR CONRAD: Thank you. Dan. I know we're getting a little short on time here but thankfully you had a chance to send out the survey components so hopefully task force members had a chance to review prior to and Dan correct me if I'm wrong but we want to talk about substance and processing regards to this, correct? []

DAN HOFFMAN: Yes. []

SENATOR CONRAD: Okay. []

DAN HOFFMAN: If we look at...the survey that was sent to you was just kind of word documentation of some of the questions and this is based on our meeting last month where you asked us to put together a survey to send out to economic developers, entrepreneurs in the state, looking at existing programs and asking other questions. And so based on that, and with the help of Jeff Meese, who is our legal intern this summer, we used a program out there, I think it was for a nominal amount to put a survey together. It's a very short survey but this is how it would look is a person would put in where they live and so it's based on DED's categories that they've had. And DED, by the way, their research individuals have looked at this survey and made some recommendations. But we based on the Omaha metro area, Lincoln metro, South Sioux, and then communities of 5,000 or more which in Nebraska those are defined statutorily as primary class cities and then communities of less than 5,000. []

SENATOR FISCHER: Why South Sioux? []

DAN HOFFMAN: Because they're a metro area based on the census data for a metropolitan statistical area. So there's... []

SENATOR FISCHER: What about the tri-city area, Kearney, Hastings, Grand Island,

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that doesn't count? []

DAN HOFFMAN: They're not...South Sioux includes and... []

SENATOR FISCHER: You're going into Iowa and South Dakota, okay. []

DAN HOFFMAN: So if we...so I have to go on to the next slide, I have to fill these out. So ask for their gender, age, size of your organization so these might be entrepreneurs, they might be economic development people. And then we came up with this list of either terms or other programs because again I went back and looked at the LB1109, the statutory language talking about innovation, talking about high wage employment and so looked at some of these programs to see if individuals are at least familiar with some of these terms because, you know, we do believe them, there's a lot of education that maybe we need to do on a lot of these terms and hopefully this survey will give us a better idea of that. So... []

SENATOR CONRAD: And Dan, just to be clear, too, because I think it's something that I've been thinking about after hearing about some of the Battelle study results and in working with DED to craft this legislation and to craft this survey as well, there is definitely some overlap in terms of information and ideas but I think it's also important to note that this survey and this task force has a much sharper focus on some specific policies and specific populations that are a little bit different but meant to complement the work of DED. And I see DED guys shaking their heads so I did want to point that out so it wasn't just a repetition or reinventing the wheel kind of thing. []

DAN HOFFMAN: And then based on that word document you'll see that the individual then is asked is they're a current entrepreneur, aspiring entrepreneur, if they're a student, if they're a business owner, if they're economic development professional, and then based on that they'll get a set of questions on a three-track system. And so the individuals that are current entrepreneurs or aspiring entrepreneurs...or current

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entrepreneurs will get one track of questions and there will be some overlap but it will also ask the question, are you familiar with these programs, which is what the committee asked us about last month. Obviously, aspiring entrepreneurs and students, they will have a track of questions, business owners, and then economic development professionals, which wouldn't necessarily be involved with writing business plan. So if I put a current entrepreneur...it should come up. Well, good thing about technology is sometimes it doesn't work. So then it will ask them, we came up with a list of existing programs out there. Some are state funded and some are not state funded but entrepreneurs if they answered and said they were a current entrepreneur, all of these groups somehow help out entrepreneurs around the state of Nebraska. You have this local SCORE chapters that may or may not exist in their area: The Nebraska Enterprise Fund which administers the microenterprise fund through the state of Nebraska; NEDCO which is a SBA approved lender; NebraskaEDGE through the university; NBDC, which is a part of the university system, but they have offices around the state; Silicon Prairie News, which is a group of individuals in Omaha who have just wanted to improve the ecosystem of entrepreneurs and innovation but they put out a weekly newsletter; REAP, through the Center for the Rural Affairs; GROW Nebraska, the Center for Rural Entrepreneurship; the Regional Nebraska Development Districts. There's, I believe, seven or eight development districts around the state of Nebraska. Community Development Resources here in Lincoln, but they have a statewide focus on...as a certified development financial institution. The Nebraska Angels, the Nebraska Rural Initiative, and then possibly none of the above. You know, as we go forward if there's any other organizations that you see out there that should be included, please let us know. So if we were to, say, let's say SCORE, then the question asked, have you dealt directly with SCORE and if you say yes, then you're going to be...said okay, how do they meet your expectations, and then would you recommend them to somebody, you know, family or friend? We did want to...we asked, so every single organization that anybody knows or works with, they'll get one of these questions to find out what their experience has been with those organizations. I would expect...you'll notice back to that list of...most of, many of these are rural programs. Silicon Prairie News is really focused

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on Omaha or Lincoln but our data points at least will be able to point to where these individuals, based on the first question, where do they live, we can, you know, differentiate some of this data. []

SENATOR CONRAD: Dan, if they choose a variety of those different programs or resources, then they'll have the same set of prompts for... []

DAN HOFFMAN: Yep. They'll have the same set of questions that come up. []

SENATOR CONRAD: ...effectiveness, or experience, that they've...okay. []

SENATOR FISCHER: I have a question on that. You said there's private organizations in there too or are they all public? Is that all public money? []

DAN HOFFMAN: No, not at all. []

SENATOR FISCHER: So there's private ones. So if the feedback on the private ones is negative, we really...I'm just saying, is that helpful to us because we really can't do anything about it? We can tell them that people don't like their programs but that...you know, we can't do anything about it. If the feedback is negative on money or on programs that are funded by tax dollars, then this body can look at reallocating the money to a more effective public program. So I'm just wondering why you have private programs on there. []

DAN HOFFMAN: Well, like the Nebraska Angels, they're a private program. They don't receive any state money but that's an intrecal part if you're talking about start-up companies because they invest in start-up companies. As individual Angels, maybe they'll put somewhere between... []

SENATOR FISCHER: But I get back to my original question for our first speaker this

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morning. What can I do about this? What can government do about this? My guess is, I'm not going to allocate any money to Angels. I'm sorry if there's any Angels in the audience but, you know, I probably am not going to...especially in this climate, allocate any money there. []

SENATOR CONRAD: In the halls of state government, I'm not sure if there any Angels in the audience here today, but...(laughter) []

SENATOR HADLEY: Well, I consider myself an Angel. (Laughter) []

SENATOR FISCHER: So I'm just saying, what good is that information going to be to me? []

DAN HOFFMAN: I think because as a task force, and this is your service so I can take it out, but when you talk about the continuum, you know, Gary mentioned Venture Capital being over here and we don't do really good here, well, that's a really strong component because even though these Angels are accredited investors, they're...they have money, the key component about Angel Investors is they mentor. You know, they not only say, here's my...you know, as a group, here's \$200,000 and you know, go out and get us a lot of money. It's, we're going to go ahead and help you grow your business, and so, I mean, it's important in that continuum. []

SENATOR CONRAD: Yeah, and how I see it and I think that's a fantastic question because it's core to our work is number one, it helps us to identify what the private sector is doing well, as well, and where government and higher ed and other folks don't need to jump in or don't need to overcorrect because there are existing resources that are functioning well in that regard that help support the entrepreneurs that we're looking to support. And two, back to that strategic partnership, that without a strong private sector, a strong higher ed, and a strong state government, if you don't have those three critical components working in concert, then you wouldn't (a) be painting the full picture

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if you looked just at state funded or just at higher ed or just at the private sector, but it has to be again the continuum or the grouping together on terms of looking at a landscape for what exists and what works and what doesn't. But I think those are great questions. []

DAN HOFFMAN: So...just quickly, so just basic questions then. If they're an entrepreneur or aspiring student, have they ever completed a business plan, did you receive assistance from anyone, and then we ask the question, who did you receive...you know all of these organizations provide some type of assistance with business plans. NBDC, the REAP project, and then family member, friend, the SCORE chapter. And we don't know of any others. Those are either publicly or privately providing assistance with business plans. Have you ever secured a business loan? These are the groups that we know about that are providing some type of a business loan, whether it could be a micro loan or it could be something much larger. Family...have you ever received outside capital investment? If you have, was it an Angel Investor, was it a family, friend, private equity, Venture Capital? Probably nobody will answer that but, you know, we also want to throw those questions out there because there might be. And then company...and then it asks these questions. You know, entrepreneurs and small business owners need access to advice and guidance more than access to capital. These are just questions to start gauging opinions on economic development, professionals, entrepreneurs, to see where, you know, they see the continuum for these questions. All the resources are needed for entrepreneurs. The state should make it a priority to provide seed capital to start up companies. We threw that one in just because that's going to...that question comes up with regards to seed capital. And when we talk about innovation again, what Gary mentioned about this continuum, some states have done some things creatively in that area, some have not. But we're going to find probably that some are going to say, yes, I strongly agree with that, and some are going to say, no, I don't agree with it. And there may be a dispersion based on geographic location as well. But that's, you know, another question when we talk about innovation getting to capital, they're not...so we threw in a question that we

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say, there are not sufficient opportunities to learn about entrepreneurship in Nebraska. And so instead of all the questions being affirmative, throwing in a question to the negative. The state has adequate innovation system, meaning, mentors, seed capital, growth capital, human capital, work force. You know, again, a continuum of question answers. And then there's what Gary and David both said, you know, if we went around the room we probably would all come up with different definitions of entrepreneurs and different definitions of innovation. And so we went out on the Web and found a Webster's just basic definition of entrepreneurship and innovation, found one from a business dictionary, and then found one from more of a high-tech. So all three of these definitions are, you know, kind of a continuum as well. But it's also to gauge the respondents, how do they feel about entrepreneurship? Do they believe that any person who works for him or herself, are they considered an entrepreneur? Again, just to, you know, what are people's opinions out there with regards to what we are trying to do. []

SENATOR FISCHER: What are you going to do with those answers? []

DAN HOFFMAN: Come back and give them to you. []

SENATOR FISCHER: I know but what...it will be interesting. You know, I'm like this Dan, so. []

DAN HOFFMAN: I know, I know. []

SENATOR FISCHER: Okay, so it's okay. (Laughter) So seriously what are you going to do with these answers? What...so it shows that most of them think an entrepreneur works for himself. So I can go, gee, that's not my definition of an entrepreneur but 90 percent of the people that took this survey said that. That's interesting. []

DAN HOFFMAN: Well, I think it will be interesting going forward on whatever down the road the Legislature decides to do, the Governor decides to do. I mean, if Nebraskans

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actually think that entrepreneurship just deals with the person working for themselves, you know, to me that's a very interesting data point to have. But we also might find that that definition varies if they live in an Omaha-Lincoln area compared to the rest of the state. You know, and for me and for the Invest Nebraska, we travel around the state, or as myself, that's an initiative that always comes up because everybody has this different definition of what an entrepreneur should be. []

SENATOR FISCHER: So are they questions to help your company or to help us? []

DAN HOFFMAN: Help you guys. I mean, I just... []

SENATOR FISCHER: But how? How is that going to help me? []

SENATOR CONRAD: Isn't it also important for... []

SENATOR FISCHER: Now, Danielle, don't keep answering the questions. (Laugh) []

SENATOR CONRAD: I mean, isn't it important because we looked at these prior to and I thought it was in relation to marketing, education, and awareness for DED to state Legislature otherwise when we...if we're constructing new programs or we're talking about existing programs, talking about it in terms that people already have a familiarity or understanding of, right? []

DAN HOFFMAN: And it's just basically...I don't have any data points which would show me but I have a feeling there's a lot of terms that are thrown around that people don't know exactly what those really mean. I mean when we talk about venture capital, and I can go into some communities and they'll be talking about we need to track venture capital and, you know, kind of light bulbs go off like, you don't understand...I mean, venture capital, they need a 30 percent return on their money. You know, you opening up the store, even if it's a...you're not going to track any venture capital. But individuals,

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I believe that we have a big educational endeavor in front of us and so I think that's why some of this information just to find out what it has to say, because that helps not only us, but I mean, I think the Legislature and policymakers going forward to craft base...if we have to go out and educate people, then, you know, that makes our job a lot harder but it's something that we have to overcome to get to where we need to be. You remind me of somebody. []

SENATOR FISCHER: I do what I can. []

DAN HOFFMAN: I know you do. And that's it. And one of the things so the list that we started to put together we have the Nebraska Economic Developers Association list of members. We have the State Chamber list of members. We'll also work with the Omaha Chamber and the Lincoln Chamber. They also have individual groups of young professionals or there's a group out of the Omaha Chamber called Cornstalks, which is a group of just young entrepreneurs. They want to start their own business or maybe they haven't reached that point where they want to yet. And then we'll work with across the state different extension agents because some of them say Nebraska City is doing a great job with an innovation and entrepreneurship club, i2rd. So, you know, we will get that database. Of course, it won't be a scientific survey because, you know, we're sending out to a wide variety of individuals. However, this service that we'll use will assure us that nobody can take the survey more than once based on their IP address coming back. So our plan is to send this out the first part of August and probably leave a two to three week time frame for people to take this survey and then, hopefully, maybe by our next meeting we can provide some data points, so. []

SENATOR CONRAD: Could you also provide it to members of this task force and the Legislature as a whole? I think we may want to share it with our colleagues to send to their individual list, to send to other people that they think would be helpful in participating in the process. And will it be on your Web site or where...how do we direct people to it? []

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DAN HOFFMAN: Well, yeah, we could put it on our Web site. What we're planning on doing is just sending out as a mass e-mail to everybody. But as time goes, again... []

SENATOR CONRAD: Okay. Legislative Web site? Well, they can talk about it. Okay. []

DAN HOFFMAN: Just one other quick item. I guess going forward, you know, the task force just had some direction on future meetings. You know, based on today's conversation, last month's, how would you like to see the next few months proceed forward? So, you know, David mentioned how important the university if so if we want to start having more in-depth meetings, and I guess the committee would like to be engaged based on the last meeting, I've just kind of thrown together how early September, like a Friday before a football game. You know, if we were to go ahead and bring in in the morning, say that innovation or entrepreneurship affiliated with the university, in the afternoon some of the programs that are affiliated with the state through DED, but then also the Nebraska Angels, the Innovation Council, the State Chamber, and then looking at, you know, we talk about economic gardening, you know, probably, I think, Ft. Collins, Colorado, is the premiere example in the country. []

SENATOR MELLO: Littleton. It's Littleton, Colorado. []

DAN HOFFMAN: Littleton, sorry. Littleton, Colorado. Bring somebody in, maybe a conference through Skype or some technology to allow them to talk about economic gardening. It would be nice to hear from a panel of entrepreneurs of who we're looking at, both rural and urban. There's an innovation group that's through the AIM Institute having a meeting in October in Kearney. If we decide you would like to have a public hearing, we could do public hearings. We just have to have our report done by December 1. []

SENATOR CONRAD: And this draft, future agenda was put together based off ideas

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the committee generated in terms of fulfilling the goals of the legislation as outlined and then other folks with expertise that the committee thought would be helpful to refining our work, but it's subject to change. It's open to debate and dialogue, thoughts, feelings. []

DAN HOFFMAN: You see that's why the...I mean, the Nebraska Angels are in there because the legislation talks about angel investing, talks about economic gardening, so that's why those groups are in here. But going forward, we're open to what the committee or committee or task force like to hear. []

SENATOR HADLEY: When you talk about the Friday before a football game, you need UNK schedule to be sure when that one is, I guess. []

SENATOR FISCHER: It might be difficult to have two meetings in September and two in October, because I know we're scheduling committee hearings and plus our committee work on budget cuts. So that might be difficult to have two meetings. []

DAN HOFFMAN: I guess if these topics are okay we can try to work them into a monthly meeting, the presentations. I mean, I wanted you to all hear from David and Gary today because they are a little more lengthy but some of these we would, you know, tighten it up to maybe a ten minute presentation and then ten minutes of Q&A. []

SENATOR FISCHER: Oh, yeah. (Laughter) []

SENATOR CONRAD: Well, it's the province of this committee to put whatever parameters we want to on the presentations of the dialogue, so. []

DAN HOFFMAN: So I guess, you know, please e-mail me or, you know, what you'd like to see the next month. I mean, for sure, we'll have our survey completed by then. []

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SENATOR FISCHER: Looks good. []

SENATOR CONRAD: Thanks, Dan. []

SENATOR PAHLS: Dan, are you going to make sure that Senator Fischer will not be able to fill out that survey more than once? (Laughter) Because I know her and she'll move to another computer, I know. []

SENATOR FISCHER: I can access a lot of computers. []

SENATOR PAHLS: If you get 3,295 returns from Sunny Slope...(inaudible)(laughter) []

SENATOR CONRAD: Are there other ideas, comments, questions from task force members? In the meantime, I'll open it up to public comment if there's other folks who want to address the task force or input any of their ideas, questions, or concerns into the record. If they don't wish to and not do so in this public forum, the committee always welcomes correspondence and that is reviewed and distributed. But otherwise, thank you everybody for the fantastic dialogue this morning and we will be continuing to work on these issues well and deep into the summer, well into the fall in preparation of the next legislative session, so yes. []

SENATOR MELLO: Are we going into Exec Session? []

SENATOR CONRAD: We sure can. Thank you. []