

Nebraska Economic Development Task Force 2019 Report

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1. Executive Summary

Strong economic development policies promote good jobs, growing businesses, and thriving communities. Recognizing economic development as a priority, the Nebraska Unicameral Legislature established the Economic Development Task Force (EDTF). The EDTF is tasked with making recommendations to the legislature regarding economic development in the state.

The task force identified two priorities in 2019: a. workforce development and b. the opportunity to update Nebraska's tax incentive program.

Specifically, regarding workforce development, the Task Force found that the Nebraska Chamber of Commerce has identified workforce development as a top priority¹. Blueprint Nebraska, a statewide initiative involving thousands of Nebraska stakeholders in business, community services, and education found the same².

Specifically, regarding tax incentives, the current tax incentive program, Nebraska Advantage, expires on December 31, 2020. Many see this as a once in a decade opportunity to update economic development policy for the state.

This report focuses on these two priority areas. The EDTF offers the following summary of our priority findings and recommendations:

- a. Workforce Development: Nebraskans have strong work ethic and the state as a whole has a low unemployment rate. At the same time, our state faces a mismatch between available workers and the skills needed by employers. Specific shortage areas include: information technology, science, technology, engineering, and math, building trades, and more.
 - i. Recommendation: Support a longitudinal data system to identify gaps in our education and training system, respond to those needs, and build on strengths.

¹ "Chamber of Commerce, state senators, spotlight need for workforce development"
https://journalstar.com/legislature/chamber-of-commerce-state-senators-spotlight-need-for-workforce-development/article_8bda968a-84ba-5fe0-b8cb-f49a82e469a5.html

² https://blueprint-nebraska.org/wp-content/uploads/2019/07/BlueprintNE_Summary.pdf

- ii. Recommendation: Invest in apprenticeship programs aligned with high demand skills and industries.
 - iii. Recommendation: Develop a career-education scholarship program for students pursuing careers in high demand, high skill, high wage jobs.
 - iv. Recommendation: Retain young Nebraskans with needed skill sets through student loan repayment initiatives.
- b. Tax Incentives: The Nebraska Legislature's Performance Audit Committee has identified challenges in the current tax incentive program. A new tax incentive program should take recommendations from previous analysis regarding wages and state investments.
- i. Recommendation: Promote job quality by clarifying expectations of wages and benefits provided by employers receiving incentives.
 - ii. Recommendation: Provide clarity and transparency regarding investments in tax incentive programs and balance tax incentives with other budget priorities.

2. Statutory Guidance and Committee Makeup

The Nebraska Legislature declared that economic development is vitally important to the well-being of the State of Nebraska, and that the state would benefit from a coordinated approach to legislation addressing economic development.

As such the Nebraska Economic Development Task Force was created in 2017 and established in statute per 50-435. The task force was directed to “Monitor analysis and policy development in all aspects of economic development in Nebraska. The Task Force shall also discuss long-range strategic plans to improve economic development within the state.” The task force is further directed statutorily: “The task force shall annually identify economic development priorities and electronically submit a report to the Legislature on or before December 31, 2017, and on or before each December 31 thereafter.” This report fulfills the statutorily required obligation.

The members of the committee included the following:

Chairperson of the Appropriations Committee: Senator John Stinner

Chairperson of the Banking, Commerce, and Insurance Committee: Senator Matt Williams

Chairperson of the Urban Affairs Committee: Senator Justin Wayne

Chairperson of the Revenue Committee: Senator Lou Ann Linehan

Chairperson of the Planning Committee: Senator Tony Vargas

Chairperson of the Education Committee: Senator Mike Groene

Chairperson of the Business and Labor Committee: Senator Matt Hansen

At Large: Senator Kate Bolz, Senator Dan Quick, Senator John Arch

Committee Chair: Senator Kate Bolz

Committee Vice Chair: Senator John Arch

3. Previous Reports and Prior Recommendations

Numerous studies have provided analysis and recommendations about the economic growth and competitiveness of our state. This includes: “Nebraska’s Next Economy,” SRI International and the Nebraska Department of Economic Development, “Nebraska Statewide Story,” Accelerate Nebraska, The Nebraska Economic Development Task Force Report 2018, “Nebraska Economic Insight and Outlook,” Nebraska Department of Labor, “Growing the Good Life” Blueprint Nebraska, and ‘Investing for Nebraska’s Future,” the Center for Regional Economic Competitiveness. These reports are referenced in Appendix A and informed the work of the committee.

The 2019 EDTF chose to focus on two of the priorities previously identified in the 2018 report. The two priorities from the 2018 report selected for further analysis were priority number 1: workforce development and priority number 6: discussion of tax incentive programs.

4. Committee Process

The Economic Development Task Force completed research over the 2019 interim.

Activities included:

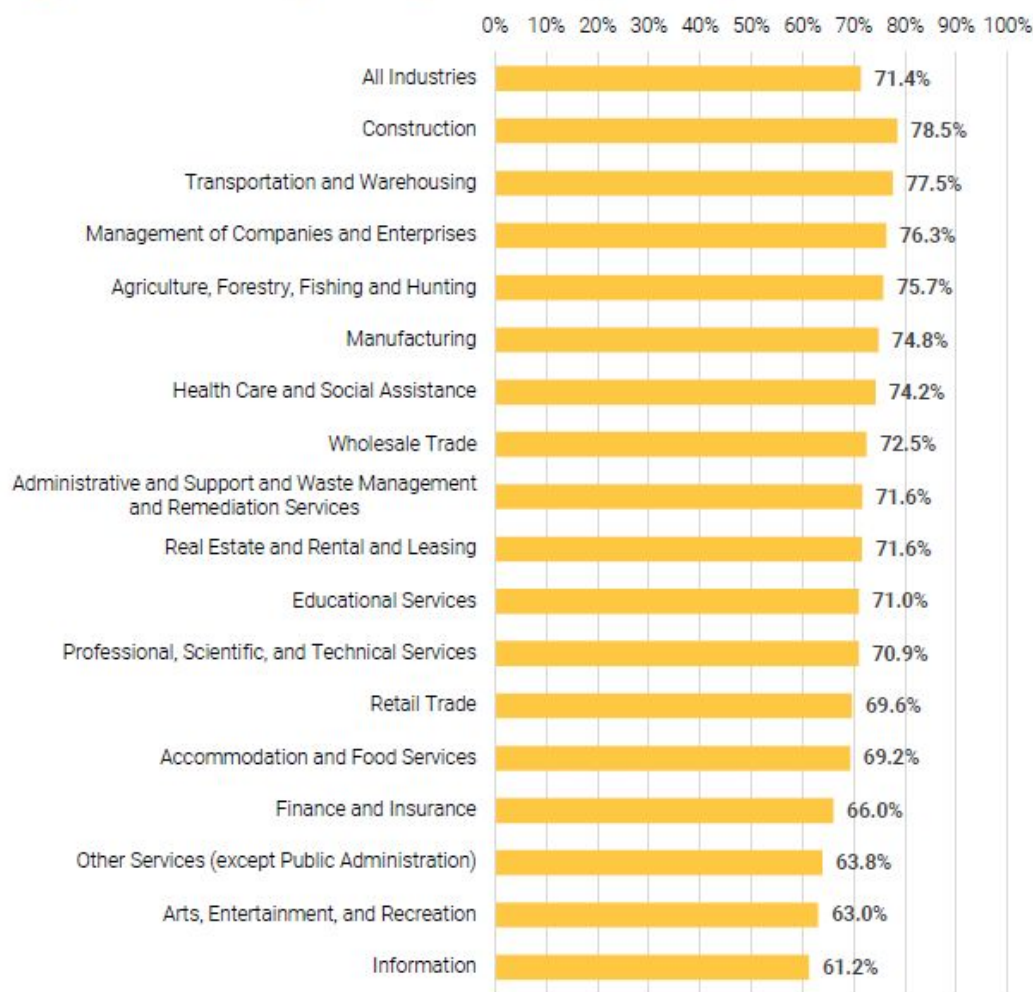
- Review of existing research including previous reports and reports (see Appendix A.)
- Participation in intensive policy review sessions regarding Blueprint Nebraska, Workforce Policy, and Tax Incentive Policy.
- Discussion with stakeholders and experts, including, but not limited to: The University of Nebraska, the AFL-CIO, the Nebraska Community College Association, Blueprint Nebraska, the State Chamber of Commerce, the Omaha Chamber of Commerce, the Lincoln Chamber of Commerce, workers, Accelerate Nebraska, the Pew Charitable Trust, the Center for Regional Economic Competitiveness, the Nebraska Department of Labor, Northeast Nebraska Community College, Open Sky Policy Institute, and the Nebraska Appleseed Center for Law in the Public Interest.
- Participation in the LR 192 hearing to discuss priority issues.
- Development of the final report and recommendations.

5. Workforce Development Findings

Several findings informed the EDTF regarding workforce development policy. Priority findings include:

- a. Nebraska employers have difficulty finding workers in numerous industries for reasons including lack of applicants, need for additional skills, and lack of work experience.

Figure 16.1 Difficulty Finding Workers by Industry



Nebraska Department of Labor, "Nebraska Hiring and Training Needs Report," June 2019

Table 5 Reasons for Difficulty Finding Workers

Reasons for Difficulty	Statewide	Columbus	Fremont	Grand Island	Hastings	Keamey	Lincoln	Nebraska City	Norfolk	North Platte	Omaha	O'Neill	Scottsbluff	Valentine
Not enough applicants	73.4%	78.8%	74.0%	69.9%	76.0%	79.4%	74.1%	74.5%	71.9%	69.6%	48.4%	90.9%	74.5%	93.7%
Lack of work experience	46.1%	39.0%	44.3%	49.7%	53.7%	44.0%	43.2%	45.7%	45.4%	48.5%	31.8%	57.1%	50.6%	56.6%
Poor work history	43.9%	38.7%	41.0%	50.1%	50.3%	47.8%	44.8%	30.9%	38.5%	43.3%	26.2%	62.0%	42.4%	59.7%
Lack occupation specific skills	42.4%	35.9%	48.7%	39.8%	41.4%	35.4%	45.7%	38.3%	39.1%	38.6%	28.8%	57.1%	40.5%	59.8%
Wage demands too high	32.0%	30.0%	33.5%	31.5%	30.3%	32.9%	30.0%	35.1%	38.4%	25.2%	23.6%	41.6%	24.7%	37.1%
Unavailable for required shifts	28.3%	29.2%	28.4%	26.0%	23.3%	30.3%	33.5%	25.5%	35.5%	19.4%	19.5%	33.3%	21.2%	34.0%
Failed background check/drug screen	20.2%	15.0%	18.9%	19.7%	15.6%	20.6%	23.3%	17.0%	16.6%	22.0%	14.4%	24.8%	24.2%	25.9%
Lack of required licenses/certificates	11.8%	8.9%	20.6%	11.9%	12.7%	11.9%	10.2%	13.8%	10.2%	12.2%	7.0%	21.1%	12.6%	19.4%
Lack of required education	10.5%	8.2%	16.4%	11.3%	13.7%	10.7%	9.7%	7.4%	11.0%	9.3%	5.6%	17.7%	10.7%	17.6%
Language barrier	5.2%	8.4%	3.5%	8.8%	5.0%	6.2%	4.8%	12.8%	4.2%	6.0%	3.4%	5.7%	3.0%	3.7%
Applicants are overqualified	4.4%	2.8%	4.3%	4.7%	3.9%	3.7%	4.3%	3.2%	5.0%	5.9%	3.7%	6.1%	4.5%	3.6%
Citizenship/work authorization	3.7%	5.1%	2.9%	3.0%	4.2%	3.9%	2.3%	3.2%	4.6%	1.6%	3.2%	8.8%	3.0%	6.5%
Other	2.4%	3.2%	4.5%	15.9%	18.3%	16.9%	4.9%	5.3%	3.3%	15.0%	6.7%	4.9%	11.7%	8.9%

Businesses were also asked why they faced challenges finding workers for the specific occupations they have recently hired or have tried to hire. This follow-up question was only asked when firms indicated that workers in an occupation were difficult to find. Table 5 displays the percentage of respondents, for all occupations, who reported a reason for difficulty finding workers.

More than 73% of Nebraska businesses that reported having difficulty finding workers for a specific job said that not receiving enough applicants was a reason why the search was challenging. Businesses also frequently said a lack of work experience (46.1%) was a reason that they had difficulty hiring for that occupation, followed by a poor work history (43.9%) and a lack of occupation specific skills (42.4%). On the other hand, very few businesses reported that the difficulty in finding workers was due to a language barrier (5.2%), or overqualification (4.4%), and only 3.7% of businesses reported citizenship/work authorization as a challenge.

Nebraska Department of Labor, "Nebraska Hiring and Training Needs Report," June 2019

b. Nebraska communities are specifically concerned with attracting young workers to sustain and grow the future of the state.

According to Blueprint Nebraska: "Nebraska also has difficulty retaining and attracting young talent. Ranked #39 among all states, Nebraska recorded one of the lowest growth rates (0.5%) for the population 25-29-years old, 2013-2018.¹⁵ Nebraska is losing people in the war for talent to other states. In 2018, the state lost about 3,300 residents to other states³."

c. Nebraska has an annual "workforce deficit" of 24,600 per year⁴.

³ Blueprint Nebraska, "Growing the Good Life," 2019

⁴ Aksarben Foundation,

<https://www.aksarben.org/wp-content/uploads/2019/10/Aksarben-Workforce-Development-Conference-Presentation-2019.pdf>

NEBRASKA'S ANNUAL SUPPLY OF WORKERS

	NEBRASKA'S ENROLLMENT	GRADUATES EACH YEAR	ESTIMATED NEW WORKERS	
HIGH SCHOOLS	104,000	26,000	7,800	¹
COMMUNITY COLLEGES	65,000	8,000	7,200	²
COLLEGE UNDERGRADUATES	70,000	15,000	10,500	³
	239,000	49,000	25,500	

AT LEAST 20% OF THESE NEW WORKERS ARE ALREADY ACCOUNTED FOR IN THE WORKFORCE: -5,100

NET NEW WORKERS: 20,400

ANNUAL DEMAND FOR NEW WORKERS: 45,000

ANNUAL WORKERS DEFICIT: 24,600

¹ There are graduating seniors with jobs and already accounted for in the workforce.

² Many students attending community colleges have jobs and already accounted for in the workforce.

Approximately 60% of graduates from community colleges will obtain employment in other states.

³ Approximately 80% of graduates from 4-year institutions

19 FIRST ANNUAL AKSARBEN STAKEHOLDERS MEETING



Aksarben Foundation, 2019

6. Tax Incentive Findings

The Pew Charitable Trust⁵ has identified national best practices in tax incentive programs. According to Pew, state tax incentives should: target high-impact businesses, maximize value for companies and the state, respond to economic conditions, and protect the state budget.

The EDTF focused on two of these best practices: a. maximizing value for companies and the state and b. protecting the state budget.

a. Regarding maximizing value for companies and the state, the EDTF found that further discussion of wage levels and benefits expectations would be beneficial to ongoing tax incentive conversations. The Center for Regional Economic Competitiveness “Investing for Nebraska’s Future” report reflects the following:

“Nebraska Advantage should support high wage companies. At a minimum, if other reforms are not possible, Nebraska Advantage should raise wage thresholds to a standard that is higher than the area average wage. CREC’s research found few, if any, companies currently using Nebraska Advantage that paid their workers less than the state’s average wage, so none saw any concern about raising wage thresholds to meet a standard of 110% of area wages. Furthermore, there is legitimate concern about allowing Nebraska Advantage to subsidize companies that offer wages that might drag down the state’s average or who may be paying so little that their workers require further public subsidy (such as TANF recipients, etc.). The benefits to the state from establishing some type of “above average” wage is that it both helps secure “good jobs” for Nebraskans and ensures a greater overall economic impact for the state from the program.”

b. The Nebraska Unicameral Legislature’s Performance Audit report on tax incentives reflects on best practices regarding protecting the state budget:

“Comparing the Advantage Act to The Pew Charitable Trusts recommendations, we found that the Advantage Act has some fiscal protections in place, including performance-based incentives and a recapture provision should a company not meet its obligation. It does not, however, cap how much the program can cost each year or require lawmakers to pay for incentives through budget appropriations, which could have prevented the program from increasing beyond the state’s expectations.”⁶

⁵ <https://www.pewtrusts.org/en/projects/economic-development-tax-incentives>

⁶ https://nebraskalegislature.gov/pdf/reports/audit/advantageact_2019.pdf

7. Recommendations

The Economic Development Task Force makes the following recommendations:

a. Develop a statewide longitudinal data system.

The EDTF encourages the Nebraska Legislature to fund the planning and development of a P-20 longitudinal data system. In the long-term, this could help target resources and focus data analysis on assessing student progress and employment success.

A longitudinal data system would allow Nebraska stakeholders to, among many other benefits:

- Provide workforce outcomes data to postsecondary institutions to drive program improvement and tailor student recruitment efforts.
- Guide students on what courses to take in high school and college in order to be successful in specific jobs.
- Provide comprehensive data about student and workforce results to policymakers to inform decisions and resource allocation.
- Track workforce outcomes in order to better align our programs with demands in the labor market.
- Track student outcomes by race and ethnicity, gender, and income in order to identify and close educational attainment gaps. And
- Identify the long term return on investment from early education programs.

The Nebraska Statewide Workforce and Educational Reporting System (NSWERS) is envisioned as a comprehensive, sustainable, robust data system serving the needs of the people of Nebraska. It would give policymakers and others the information needed to assess what we're doing well, where we need to improve and what's happening to our students as they move from pre-K, to elementary school, to middle and high school, through college and into the workforce. NSWERS would be hosted at the University of Nebraska, overseen by an executive council and staffed by a small team of researchers, data analysts and other support staff. An advisory committee of external individuals could help guide the team's work, ensuring that NSWERS is meeting the data needs of the diverse stakeholders we serve.

The EDTF recommends that the Nebraska Legislature fund the planning and development of the NSWERS system.

b. Create a career education scholarship program.

The State of Nebraska provides the Nebraska Opportunity Grant (NOG) to students who meet certain qualifications. Qualifications include being a Nebraska resident, attending Nebraska postsecondary institutions, and having a minimum expected family contribution. NOG scholarships allow for any qualifying student to pursue any course of study at a qualifying institution. Nebraska funds only approximately 37% of demand⁷.

The EDTF proposes the development of a NOG H3 scholarship program. Such a program would provide scholarships for students that qualify for but do not receive funding for NOG and are pursuing an H3 career (high demand, high skill, high wage). An ideal version of the program would include a matching dollar requirement from businesses and/or philanthropic interests in the state.

c. Support apprenticeships.

The benefits of apprenticeship programs are significant. When apprenticeships are connected to higher education and degree programs or partnerships with training programs that are valued in a particular industry (like construction), apprentices can earn money while they earn a degree or certification and come out debt-free. Further, employers can use apprentices to fill in-demand jobs and build a long-term employment relationship.

Legislative support for apprenticeships can reduce the shortage of highly skilled workers, encourage employers to hire and train apprentices, encourage non-traditional workers to engage in in-demand trades, and engage young people through pre-apprentice programs.

The EDTF recommends additional funding to provide technical assistance to employers establishing or expanding apprenticeship and pre-apprenticeship programs, including assisting prospective employers through the registered apprenticeship process, coordinating resources and assisting employers in recruitment, and facilitating collaboration with institutions of higher education. Funding should also be provided for grants to employers for equipment, curriculum, staff development, start up costs and to employees for tuition assistance, and stipends for books, tools, or supplies.

d. Retain individuals who have participated in Nebraska educational programs.

⁷ <https://ccpe.nebraska.gov/nebraska-opportunity-grant-nog>

The Rural Health Systems and Professional Incentive Act provides loan repayment assistance to medical professionals serving health care shortage areas. The act requires a match between state funds and funding from the community in which the health care provider serves. Loan repayment is tied to years of service in the community. The EDTF recommends fully funding this program and expanding the concept to include a broader range of professions determined to be in demand and in service to the public good by the community that provides the matching dollars.

e. Learn from previous research regarding tax incentive programs.

Numerous studies have been completed regarding Nebraska's tax incentive policies. The EDTF recommends taking lessons learned from previous analysis in this area. Specifically, the EDTF recommends wage thresholds above the average, ensuring that incentives go to full time jobs, and ensuring that sufficient health insurance and other benefits are provided to employees of businesses receiving incentives. Additionally, the EDTF recommends fiscal protections in including performance-based incentives and recapture provisions. Further, "fiscal guide rails" should be put into place to allow policymakers to monitor and manage the overall fiscal impact of tax incentive programs to the state and balance other budget needs.

Appendix A: Source Material

<p>“Nebraska’s Next Economy,” SRI International, Nebraska Department of Economic Development, 2016 http://opportunity.nebraska.gov/files/govsummit/Nebrasikas_Next_Economy_Analysis_and_Recommendations_web.pdf</p>
<p>“Nebraska Statewide Story,” Prepared for Accelerate Nebraska, 2016 / “State of Education in Nebraska” report, 2018 https://acceleratene.org/portfolio/</p>
<p>“Nebraska Economic Development Task Force 2017 Report, Nebraska Legislature Economic Development Task Force, 2017 https://nebraskalegislature.gov/pdf/reports/committee/select_special/econdev/econdev_2017.pdf</p>
<p>“Nebraska Economic Insight and Outlook,” Nebraska Department of Labor, 2017 / Statewide WIOA Performance Report https://networks.nebraska.gov/admin/gsipub/htmlarea/uploads/EconInsight_Outlook.pdf</p>
<p>“Investing for Nebraska’s Future,” Center for Regional Economic Competitiveness, 2018</p>
<p>Blueprint Nebraska, 2019 https://blueprint-nebraska.org/</p>
<p>Prosper Lincoln, 2016 https://vipasuite.com/resources/dyn/files/75444280zf954ed4/fn/Make+it+Work+For+Lincoln.pdf</p>
<p>Coordinating Commission for Post-Secondary Education, 2018 https://ccpe.nebraska.gov/</p>
<p>Platte Institute, 2018 https://www.platteinstitute.org/Library/DocLib/2018-OLR-Review-1.pdf</p>
<p>“Nebraska Statewide Hiring and Training Needs Report,” 2019, Nebraska Department of Labor and Nebraska Labor Availability Report, 2019 https://networks.nebraska.gov/admin/gsipub/htmlarea/uploads/NebraskaHiringTraining2019.pdf / https://networks.nebraska.gov/admin/gsipub/htmlarea/uploads/NebraskaLaborAvail2019.pdf</p>
<p>Washington IBEST Nationally Recognized Model https://www.sbctc.edu/colleges-staff/programs-services/i-best/</p>
<p>No Worker Left Behind / National Conference of State Legislatures https://www.michigan.gov/documents/nwlb/NWLB_Fact_Sheet_Final_203216_7.pdf / http://www.ncsl.org/documents/fiscal/workforcefinal01.pdf</p>
<p>Higher Education for Higher Standards, Tennessee SAILS, http://higherforhigherstandards.org/scalingsails/ Tennessee Board of Regents https://www.tbr.edu/academics/sails</p>
<p>New Jersey Labor and Workforce Development / National Conference of State Legislatures https://www.nj.gov/treasury/omb/publications/11budget/pdf/62.pdf</p>
<p>Working Poor Families Project http://www.workingpoorfamilies.org/wp-content/uploads/2012/03/WPFP-Spring-2014-Brief.pdf</p>
<p>Georgetown Center on Education and the Workforce, https://cew.georgetown.edu/cew-reports/certificates/</p>