

Draft Report

SOCIO-ECONOMIC ANALYSIS

BROWN COUNTY, NEBRASKA

June 20, 1999 Draft

Background & Introduction This report -- Socio-Economic Analysis of the Panhandle Region of Nebraska has been prepared at the request of the Mayor Gerry Osborn of Ainsworth, Nebraska. This report is part of an on-going project titled **Determining the Future of Nebraska's Outback Region**. The purpose of this report is to provide a current socio-economic overview (or a brief checkup) of the economic health Brown County, Nebraska.

Major Findings The following major findings have been realized through this analysis:

Large & Sparsely Populated Rural Region. Nebraska's Panhandle is larger than the states of Maryland, Hawaii or Massachusetts but contains a population of less than 100,000 residents. Regionwide, the population density for the Panhandle is just over 6 persons per square mile enabling the region to be classified as a "frontier" region.

Recent & Accelerating Depopulation. Unlike much of rural Nebraska, the Panhandle has not seen chronic depopulation throughout the 1900s. During the first half of this century, the region experienced a 50% population increase growing from just under 41,000 residents to nearly 102,000 residents. Since 1950, the region has experienced depopulation dropping to just over 87,000 residents in 1996 (nearly a 15% decline). The rate of depopulation is increasing during the decade of the 1990s.

Hidden Threat. Regionwide depopulation is masked by short-term growth in larger communities. In part, this growth is fueled by the migration of countryside and village residents to these larger communities. Over the next 25 years the region is moving towards a population base of 75,000 residents.

Ramifications of Depopulation. The loss of population impacts the region in three ways. First, the loss of market size and associated capacity to support economic activities further eroding potential growth. Second, loss of labor force, particularly through diminished capacity of rural areas to provide young persons for the enterprises in trade center communities. Finally, the loss of political power and the likely loss of at least one state senator and possibly the Third Congressional District over the next 20 years.

Less Wealth. The Panhandle has significantly more lower income households and significantly fewer upper income households when compared to the state. However, unlike much of rural Nebraska, the region has a middle income group that is proportionate to the state.

Compensation Competitiveness. With the exception of production agriculture and railroads, the region's compensation rates are significantly lower than the state averages and particularly urbanized areas. This gap is large and is contributing to the outmigration of residents to areas where career choices are more diverse and compensation packages richer.

Relatively Large Economy. The Panhandle despite its rural nature and sparse population has a relatively larger \$4.0 billion economy that supports nearly 54,000 jobs and generates nearly \$1.8 billion in personal income. There is considerable strength and vitality within this economy providing the foundation for further growth.

Narrow Economic Base. The Panhandle's economy is relatively narrow and based in lower value-adding industries. Consequently, the range of career choices and the economy's capacity to generate more wealth is restricted by its narrow nature. Additionally, because the economy is less diversified, it is at more risk to bust and boom cycles.

Significant Wealth Leakages. Nearly all rural economies have significant wealth leakages. This reality is a function of limited market size. The Panhandle economy is particularly leaky due in part to its closeness to the Denver metropolitan area and the Rapid City trade center.

Socio-Economic Profile of Brown County The following information was generated by the **Nebraska Economic Impact Model** profiling the economy of Nebraska's Brown County area. All data is benchmarked to calendar year 1996.

Profile in Brief

Land Area -- 1,221 square miles Population -- 3,637 residents
 Total Personal Income -- \$68 million Households -- 1,390 households

Brown County, Nebraska represents an area larger than the size of the District of Columbia and nearly as large as the entire state of Rhode Island. With a population of just over 3,600 residents, Brown County has a population density of just under three persons per square mile thereby classifying as a "frontier" region.

Demographic Trends

Table 1. Populations Trends.

County	1900	1950	1990	1996	C00-50	C50-90	C90-96
Brown Co.	3,470	5,164	3,657	3,637	0.49	-0.29	-0.01
Boyd Co.	7,332	4,911	2,835	2,710	-0.33	-0.42	-0.04
Cherry Co.	6,541	8,397	6,307	5,427	0.28	-0.25	-0.14
Holt Co.	12,224	14,859	12,599	12,229	0.22	-0.15	-0.03
Keya Paha Co.	3,076	2,160	1,029	1,103	-0.30	-0.52	0.07
Rock Co.	2,809	3,026	2,019	1,799	0.08	-0.33	-0.11
Outback Region	35,452.00	38,517.00	28,446.00	26,905.00	0.09	-0.26	-0.05
State	1,066,300	1,325,510	1,578,385	1,652,093	0.24	0.19	0.05
Sarpy	9,080	15,693	102,583	115,831	0.73	5.54	0.13
Lancaster	64,835	119,742	213,641	231,190	0.85	0.78	0.08

Source: U.S. Census Bureau & UNL Bureau of Business Research.

==> Between 1900 and 1950 Brown County grew by 49 percent while the Outback Region grew by 10 percent (State average growth of 24%).

==> Between 1950 and 1990 Brown County lost nearly one-third of its population, slightly higher than the loss for the region as a whole (Nebraska grew by 19%).

==> During the decade of the 1990s, Brown County is maintaining its population, but the region is down five percent between 1990 and 1996 (state has grown 5%).

Market Area. The market area for Ainsworth is larger than the county serving as a commercial center for a region three to four times the county's physical size with a population base of at least twice the size of Ainsworth.

A nickname for Ainsworth is the "Middle of Nowhere." Ainsworth's more isolated location is actually a plus contributing to a more complete commercial sector than would be the case if it were closer to a larger trade center community. Ainsworth looks, feels, and operates more like a community of 3,500 to 5,000 than a community with less than 2,000 residents.

Table 2. Commercial Center Classification & Size.

Level	Population	Example
Minimum Convenience	Under 1,000	Springview or Long Pine
Full Convenience	1,001 - 2,499	Bassett
Partial Shopping	2,500 - 5,000	Ainsworth or Valentine
Complete Shopping	5,001 - 10,000	O'Neill
Wholesale/Retail	10,001 - 49,999	Norfolk
Major Regional Center	50,000+	Siouxland
Central City (Metro)	150,000+	Lincoln or Omaha

Source: David L. Darling. Kansas State University. June 1999. Examples by Don Macke.

Further depopulation is a primary challenge confronting the Outback Region, Brown County, and Ainsworth. Further population loss creates the following ramifications for this community and region.

The Hidden Threat of Rural Depopulation One of the characteristics of rural depopulation is its long-term impacts are often hidden to trade center communities. As rural Nebraska once again is experiencing significant rural countryside depopulation (due to another round of farm and ranch consolidations), trade center communities may actually be benefitting from this tragic event. During periods of rural depopulation, countryside residents migrate to towns and particularly trade center communities in search of employment. This happening may actually contribute short-term to the growth of area and trade center communities. However, long-term, depopulation of the countryside and the villages that support farmers and ranchers, will restrict and often undermine the ability of trade center communities to sustain population growth.

Ramifications of Depopulation Like any chronic condition, we often become desensitized to the impacts of depopulation. It is hard on a day to day or even year to year basis to grasp the long-term ramification of depopulation. This is particularly true when, at least over the short-term, population losses are occurring in the countryside and in smaller communities -- but there is a degree of population growth and prosperity in larger trade center communities. However, over time, the impact of depopulation adversely affects even the largest trade center communities within a region. The like impacts of chronic long-term depopulation are as follows.

Market Decline. As the population based shrinks, the capacity of the region to support certain markets diminishes adversely affecting the region's ability to support diverse and thriving economic functions. For example, the market necessary to support a basic health care facility might require a population base of 5,000 residents. The ability of the region to support this type of institution and all the activities associated with it becomes compromised as the market falls below the threshold.

Labor Force Decline. Traditionally, well educated, highly skilled and motivated workers for industry, government, and support enterprises have come from not only trade center communities, but the rural areas. As the population based of rural areas has declined, its capacity to generate workers for larger communities declines as well. One reason Nebraska's largest cities are experiencing worker shortages now versus 20 years ago, is because rural Nebraska's capacity to provide such workers is greatly diminished due to historic and chronic depopulation.

Political Representation Loss. The population threshold for a state senator is now 33,000 residents. In a decade, this threshold could increase to 36,000 residents. The Outback Region is currently under this threshold with a 1996 population base of just under 26,000 residents. **A potential goal of this region might be to create a population base large enough to support its own state senator.** Continued depopulation will mean that this region will become part of one or more ever larger and distant legislative districts.

Economic Profile of Brown County, Nebraska

Wealth Analysis

Brown County when compared to Nebraska has less wealth on average with more of its households falling into lower income brackets and fewer higher income households. The size of the county's middle class is very comparable to the state average.

- ==> Brown County has significantly more lower income households than the state (43% versus 27%).
- ==> Brown County has significantly fewer higher income households than the state (8% versus 27%).
- ==> But Brown County has roughly comparable sized middle classes (43% versus 47%).
- ==> On hole, Brown County has an average income level 21 percent lower than the state average.

While these values should be the basis for concern -- they are not all that unusual for a rural area with the level of agricultural dependence found in Brown County.

==> See Tables 3 and 4 for details.

Table 3. Wealth Profile for Brown County, Nebraska.

Income Range Groups	# of Households	Household Share	Average Income	Total Income	Wealth Share
A	138	0.10	\$4,687	\$646,806	0.01
B	224	0.16	16,815	3,766,560	0.05
C	236	0.17	27,490	6,487,640	0.09
D	201	0.14	38,241	7,686,441	0.11
E	257	0.18	54,245	13,940,965	0.20
F	154	0.11	76,290	11,748,660	0.17
G	61	0.04	98,514	6,009,354	0.09
H	90	0.06	129,348	11,641,320	0.17
I	29	0.02	233,702	6,777,358	0.10
Average or Total	1,390	1.00	\$49,428	\$68,705,104	0.99

Source: Nebraska Economic Impact Model, Nebraska Rural Development Commission. June 1999.

Table 4. Wealth Profile for Nebraska.

Income Range	# of Households	Household Share	Average Income	Total Income (millions)	Wealth Share
A	35,305	0.06	\$4,094	\$144.54	0.00
B	64,832	0.10	14,687	952.19	0.03
C	67,728	0.11	24,012	1,626.28	0.04
D	68,546	0.11	33,403	2,289.64	0.06
E	124,938	0.20	47,382	5,919.81	0.16
F	99,810	0.16	66,638	6,651.14	0.18
G	67,153	0.11	86,050	5,778.52	0.15
H	71,727	0.11	112,983	8,103.93	0.21
I	31,414	0.05	204,134	6,412.69	0.17
Average or Total	631,453.00	1.00	\$60,000	\$37,878.74	1.00

Source: Nebraska Economic Impact Model, Nebraska Rural Development Commission. June 1999.

Compensation Analysis

Brown County, despite its overall wealth status -- has very comparable compensation levels when compared to the state. While these levels (except for agriculture & manufacturing) are lower than for the state, the overall income per worker is \$33,000 compared with a state average of \$38,000.

Table 5. Compensation Analysis.

Economic Sector	Brown Co. Output/ Employee	Nebraska Output/ Employee	Output Ratio	Brown Co. Income/ Employee	Nebraska Income/ Employee	Income Ratio
Agriculture	\$178,663	\$124,748	1.43	\$52,586	\$50,253	1.05
Mining	68,833	91,881	0.75	42,500	56,815	0.75
Construction	74,740	83,219	0.90	26,659	33,923	0.79
Manufacturing	103,046	201,740	0.51	32,954	23,417	1.41
TCPU	96,333	148,583	0.65	26,200	71,605	0.37
Trade	38,356	42,267	0.91	20,966	23,417	0.90
FIRE	100,742	128,120	0.79	65,381	75,588	0.87
Services	36,800	46,948	0.78	17,382	25,613	0.68
Government	43,402	51,438	0.84	34,255	43,071	0.80
Other	NA	39,363	0.00	NA	44,572	0.00
Total/Average	\$78,275	\$80,746	0.97	\$33,036	\$38,483	0.86

Source: Nebraska Economic Impact Model, Nebraska Rural Development Commission. June 1999.

Note: TCPU = Transportation, Communications & Public Utilities. FIRE = Finance, Insurance & Real Estate.

However, the gap between urban and rural compensation rates (which is currently growing wider due to the agricultural crisis) represents a powerful draw recruiting rural residents from areas such as Brown County to more urban places like the Siouxland, Lincoln, or even Norfolk. Additionally, the lack of comparable benefits (particularly access to group health insurance) is further widening the gap between urban and rural contributing to a renewed round of outmigration.

Industrial Profile

==> Brown County has nearly a \$180 million economy providing work for nearly 2,300 workers.

==> Nearly one-half of the economy is directly tied to production agriculture.

==> The manufacturing sector is under-developed compared to most rural regions and the state as a whole.

==> The commercial sector is relatively large due to the role of Ainsworth as a small trade center for the area and service center for Highway 20 traffic.

Table 6. Economic Sector Profile for Brown County, Nebraska.

Sector	Output (millions)	Output Share	Employment	Employment Share
Agriculture	\$85.830	0.49	486	0.21
Mining	0.413	0.00	6	0.00
Construction	12.931	0.07	173	0.08
Manufacturing	2.267	0.01	22	0.01
TCPU	7.225	0.04	75	0.03
Trade	19.852	0.11	528	0.23
FIRE	14.810	0.08	147	0.06
Service	16.780	0.09	456	0.20
Government	16.536	0.09	381	0.17
Other	0.275	0.00	0	0.00
Total	\$176.92	1.00	2,273	1.00

Source: Nebraska Economic Impact Model, Nebraska Rural Development Commission. June 1999.
 Note: TCPU = Transportation, Communications & Public Utilities. FIRE = Finance, Insurance & Real Estate.

Brown County, Nebraska has nearly a \$180 million economy providing employment for nearly 2,300 persons. A key to the County's economy is its role as a commercial center for the area and service center for Highway 20 traffic. A key area for development is smaller scale manufacturing.

Table 7. Economic Sector Profile for Nebraska.

Sector	Output (millions)	Output Share	Employment	Employment Share
Agriculture	\$9,964.75	0.11	78,879	0.07
Mining	152.89	0.00	1,664	0.00
Construction	5,888.19	0.06	70,754	0.06
Manufacturing	23,505.82	0.26	116,516	0.10
TCPU	8,192.84	0.09	54,141	0.05
Trade	10,498.21	0.12	248,378	0.22
FIRE	9,596.97	0.11	74,906	0.07
Service	14,454.87	0.16	307,893	0.27
Government	8,494.15	0.09	165,133	0.15
Other	276.80	0.00	7,032	0.01
Total	\$91,025.49	1.00	1,127,296	1.00

Source: Nebraska Economic Impact Model, Nebraska Rural Development Commission. June 1999.
 Note: TCPU = Transportation, Communications & Public Utilities. FIRE = Finance, Insurance & Real Estate.

Wealth Retention Analysis

Central to a thriving community and area is #1 -- the ability to create wealth through the export of goods and services from the community/area and #2 -- the ability to retain generated wealth through a broad and successful commercial and service based economy (such as retail, health care, government services, and the like). The following analysis evaluates how well Brown County is doing to retain the wealth its economy is generating.

Table 8 on the next page summarizes the typical market thresholds for various retail and service enterprises. These are average values and they will vary from place to place. Additionally, there can be exceptions where a community may have an activity even though it is too small or it may not have an activity that it should have given its size. This pattern is largely due to the market preferences of an area and the talents of enterprise owners. A especially talented retailer or cafe owner may have established a very successful business and has consequently altered the market conditions for viability.

Table 9 summarizes the output (not sales), the employment, and the pull-factor for a wide range of commercial and support activities within Brown County. Because of Brown County's size, it tends to have establishments that do not specialize in one activity, but may group a number of activities together to create a viable and profitable enterprise. For example, Brown County has strong pull-factors in miscellaneous retailing and personal services (miscellaneous = multiple activity enterprises).

What is a Pull Factor? A pull factor at 100% indicates that the region is retaining its share of activity relative to its population size. A value below 100% indicates leakages and a value above 100% indicates that there is outside attraction of activity.

Table 8. Market Thresholds for Retail & Service Enterprises.

Enterprise Type	Sales Per Firm	Typical No. of Customers
Luggage & Leather Goods	\$133,292	61,905
Shoe Repair	44,529	27,660
Candy & Confectionery	161,664	22,414
Fruit Stands	36,885	17,568
Dry Goods Stores	147,460	15,476
Shoes & Boot Stores	655,631	11,607
Men's Clothing	177,333	10,317
Electrical Equipment Supplies	445,565	8,935
Department Stores	8,965,911	7,808
Bakeries & Dairy Products	122,288	6,167
Laundry & Other Cleaners	206,882	5,394
Women's Clothing	332,567	5,253
Households Appliances & Repairs	236,197	4,887
Jewelry Stores	237,795	4,788
Hardware, Paint & Glass Stores	408,641	3,988
Building Materials Dealers	1,260,245	3,730
Motels & Hotels	417,644	3,186
Photographers, Cameras, etc.	104,952	2,746
Office Equipment & Computers	474,821	2,301
Drug Stores & Medical Supplies	193,724	2,434
Sporting Goods Stores	165,709	2,105
Furniture & Home Furnishings	403,406	2,080
Service Stations	259,126	2,057
Auto Parts & Tires	338,653	1,929
Taverns	290,596	1,557
Electronics & Music Stores	262,809	1,284
General Building Contractors	123,513	964
Restaurants & Cafes	363,318	527
Vehicle Repairs	165,803	478

Source: Dr. David Darling & Sara Logan, K-State Research & Extension. 2-8-99.

Table 9. Retail Trade & Service Enterprises for Brown County, Nebraska.

Code	Enterprise Sector	Output	Employment	Pull-Factor
448	Buildings Materials & Gardening	\$327,658	18	50
449	General Merchandise Stores	521,885	26	40
450	Food Stores	1,596,734	74	110
451	Automotive Dealers & Service Stations	1,725,876	39	72
452	Apparel & Accessory Stores	146,850	7	32
453	Furniture & Home Furnishings Stores	194,428	8	29
454	Eating & Drinking	3,305,040	133	86
455	Miscellaneous Retail	4,655,330	112	222
456	Banking	9,367,059	69	190
457	Credit Agencies	301,865	19	59
460	Insurance Agents & Brokers	1,382,733	45	107
462	Real Estate	1,659,159	15	40
463	Hotels & Lodging Places	546,960	20	79
465	Photographic Studios	151,747	6	171
466	Beauty & Barber Shops	218,070	10	49
468	Miscellaneous Personal Services	668,504	15	305
475	Computer & Data Processing Service	1,059,434	18	33
479	Automotive Repair & Services	2,112,567	35	142
480	Electrical Repair Service	94,112	1	42
481	Watch, Clock, Jewelry, etc.	58,238	1	116
482	Miscellaneous Repair Shops	200,479	4	42
483-8	Entertainment Services	2,809,375	61	186
490-3	Medical Services	5,720,344	146	61
494	Legal Services	849,946	13	70

Source: Nebraska Rural Development Commission & IMPLAN Model. June 1999.

Because the future of Ainsworth's commercial district is so important today. Two additional resource items are included in this report. Please refer to Attachments D & E for more information.

Strategies for Rural Prosperity

Introduction

The future of Rural Nebraska will be determined by actions taken today that can shape a prosperous future. This section within Determining the Future of Rural Nebraska focuses on solutions or strategies for rural prosperity.

10 Steps to Rural Prosperity

There are 10 basic steps that Nebraska **can** and **must** take to ensure a prosperous future for its rural areas. These **steps for rural prosperity** clear over time. These steps, if aggressively pursued, can make the difference ensuring rural Nebraska's prosperous future. These steps for rural prosperity are:

- #1 Commitment to a Rural Nebraska
- #2 Focus on the Community
- #3 Agricultural Futures
- #4 A Marshall Plan for Crisis Areas
- #5 Changing the Demographic Tide
- #6 A Necessary Commitment of Resources
- #7 Dealing with Deregulation
- #8 Reversing Government Consolidation
- #9 Expanding the Private Sector's Role
- #10 Development Strategies that Work

Why Should Urban Nebraska Care?

Rural Nebraska must make its case to urban Nebraska that it has a future and that it is in the self-interest of urban Nebraska that rural Nebraska prospers. The elements of this case are simple and direct. To the extent that rural Nebraska prospers it directly contributes to the overall economic and social well-being of the entire state and region. A prosperous rural Nebraska is more able to meet its needs locally enabling state resources to be used for other needs. Growing the economic pie -- both rural and urban -- ensures Nebraska prospers and has the resources necessary to create a strong and vital contributor to the national and international economy and society.

Commitment to a Rural Nebraska

Today there are roughly one-half million rural Nebraskans. Between now and 2025 the population base of rural Nebraska could decline by 25 percent without an aggressive Nebraska rural development policy and associated programs. If this trend line should become reality, rural population base would drop to around 375,000 eroding the very ability of rural Nebraska to prosper.

Conversely, rural Nebraska could grow by 25 percent over this quarter century period adding 125,000 new residents thereby creating a new foundation for future growth and prosperity. For this reality to be realized approximately 50,000 new primary jobs must be created and retained or roughly 2,000 new jobs created and retained each year and every year over the 25 year period. For this goal to be reached approximately \$500 million in economic development investments must be made equalling about \$20 million per year in new economic development spending.

The choice is simple and rests with three basic questions:

- #1 Does Nebraska believe that rural Nebraska is important?
- #2 Does Nebraska believe that we can realize these goals if we commit to them?
- #3 Finally, is Nebraska willing to make this commitment?

As the latest agricultural cycle and economic recession takes root in rural Nebraska, the time is now to act aggressively with an unquestioning commitment to doing what it will take to make this difference a reality!

Focus on the Community

Economic development occurs in communities. Creating sustainable economic prosperity in rural Nebraska requires beginning with communities. Each community, groups of communities and entire regions must commit to creating a new future for themselves. No outside group can make development occur. Effective and sustainable development occurs with the full energy and commitment of local communities.

Successful and sustainable economic development can only occur in communities that have (1) built strong civic capacity (e.g., leadership, citizen engagement, vision, cooperation, & action) and (2) engaged in appropriate community development (e.g., necessary public infrastructure such as streets, water systems, education, health care, etc.). We will likely spend two-thirds of our time supporting civic capacity building and community development thereby enabling us to spend the balance of our time on effective economic development.

Local Control

Polling of Nebraskans consistently supports local control. Nebraskans believe that government is its best when it is locally based and accountable most directly to taxpayers and the users of government services. It is critical that Nebraska not replace big federal government with big state government. In the era of tax reform and government restructuring, we must work to ensure maximum local control thereby ensuring more accountable and effective government.

While the development process must begin in community, individual places must be willing to redefine community. For sustainable development to occur we must define community more broadly than individual places. Area or regional development efforts are mandatory if adequate human, financial, and technical resources are to be mobilized at necessary levels for successful development.

For over a decade Nebraska has become a world leader in its work to build community civic capacity for economic development. Today, rural Nebraska is better positioned than it has been in decades to take this challenge up and succeed. All involved in the development process must be prepared to invest in civic capacity building that enables communities to build a smarter future for themselves.

Agricultural Futures

Nationally rural development is no longer agricultural development. But in Nebraska, rural development remains deeply rooted in agricultural development. First and foremost, Nebraska's rural development program must begin with determining the future of agriculture.

Two critical issues must be sorted out when determining the future of Nebraska agriculture as it relates to rural communities. Producer risk must be better managed and profitability enhanced. Increasing farm incomes however is not enough. Nebraska must also address the structure issue.

If Nebraska's preferred future for agriculture is a landscape with 10 or 20 thousand mega corporate farms, most rural communities will not survive as we know them today. However, while large scale agriculture is probably part of Nebraska's future, we must explore a new generation of agriculture that will put more families on the land -- not fewer.

A Marshall Plan for Crisis Areas

The emerging demographic picture identifies at least six regions in Nebraska facing "demographic death spiral." The demographic death spiral is a situation where the lack of economic opportunity or crisis combines with an aging population to create a pattern of cycle after cycle of decline and consolidation. Eventually, an entire region depopulates to the point that it can not sustain schools, local governments, services, health care, and other essential functions necessary for a vital community to exist.

These areas are emerging in the Panhandle, Southwestern Nebraska, the Sandhills, North Central Nebraska, South Central Nebraska, and extreme Southeastern Nebraska.

As never before, development policy should focus on partnering with these regions in need to stabilize the economy and break the spiral of decline before it becomes entrenched and accelerates. It is still early in the life of this trend. There is still time for effective intervention and action. The development capacity of most rural regions in Nebraska is stronger today than at any time during the past 25 years. There are proven development strategies that can generate prosperity.

It is critical that Nebraska quickly builds on current policy and programs a targeted development initiative with specific goals for economic opportunity creation within these six emerging areas in crisis.

Changing the Demographic Tide

Today over one-half million Nebraskans call rural Nebraska home. The next 20 years will be a critical time for rural Nebraska demographically. A new agricultural crisis, outmigration and an aging population base may mean another cycle of depopulation. With further depopulation the ability of rural Nebraska to maintain services and create a future for itself in the next century will be made fundamentally more difficult. Absent a strong development program, the population base of rural Nebraska could decline over the next 20 years by 20 percent -- dropping from 500,000 residents today to 400,000 residents in 2020. But with an aggressive development program, rural Nebraska could grow by 250,000 residents over the next two decades climbing to 750,000 persons. The choice rests with each community and the commitment of Nebraska to ensure rural Nebraska's future with real investment.

A Necessary Commitment of Resources

Earlier research by the Nebraska Rural Development Commission found that while one-third of all Nebraskans live in rural Nebraska only 10 percent of the state's development investments were reaching rural Nebraska. Nebraska's economic development policies and program tend to reinforce areas that are already growing. There is a fundamental need to evaluate Nebraska's economic development investments to insure more targeted and strategic efforts in rural Nebraska and other areas with weaker grow rates. If rural Nebraska is to grow to a 750,000 residents by 2020, approximately 100,000 net new jobs/careers will need to be created. Assuming a cost of \$10,000 per new

job created, Nebraska (both public & private sectors) must be prepared to invest \$1 billions over the next 20 years to realize this goal (or \$50 million annually). Current, investment rates are well below this level undermining rural Nebraska's ability to prosper.

Dealing with Deregulation

Deregulation and rural prosperity can not and do not go together. While deregulation may make sense for the nation as a whole, deregulation is undermining in profound ways the ability of rural Nebraska to find its future. With deregulation and the loss of national commitment to universal service, rural Nebraska with its inherently sparsely populated markets is and will see higher prices and lower quality service within industries that are fully deregulated. The Nebraska Public Power District has produced analysis evaluating deregulation's impacts on rural Nebraska ranging from lost commercial air service to the potential for declining telephone infrastructure. Nebraska must embrace a whole set of strategies that mitigate the adverse impacts of deregulation on rural areas. If rural Nebraska is important -- than reasonably equal access to transportation, telecommunications, electric power, and other services must be guaranteed.

Reversing Government Consolidation

Just as marketplace deregulation is undermining the very ability of rural Nebraska to create its future, government consolidation in the name of efficiency is the equally evil twin. There is a myth in Nebraska that small government is inefficient and bigger government is better. While objective and compelling evidence supporting these myths are lacking, a entire set of federal and state policies are emerging driving government consolidation at the local, state and federal levels. With consolidation rural Nebraska is hurt in two ways. First, access to government functions and services is reduced as rural Nebraskan's must travel farther to access government. Second, generally with consolidation, government functions are closed in smaller places and located in larger places. Loss of government related employment from smaller communities is eroding a key component of rural Nebraska's economy.

Nebraska must re-evaluate the merits of government consolidation. Today as never before the opportunity to decentralize government is with us. Government, particularly state and federal government should be looking for ways to move government functions and workers from urban centers to more communities statewide.

Expanding the Private Sector's Role

Two simultaneous strategies must be pursued to leverage private sector investment into rural Nebraska's future. First, we must build a larger and more active philanthropic sector within rural Nebraska. Second, we must create a mechanism that attracts private investment capital from and into rural development projects.

Philanthropic Efforts

Rural Nebraska is in the midst of its largest intergenerational transfers of wealth in its history. In just 30 years billions of dollars in accumulated wealth created in rural Nebraska will past from the current to the next generation. Unfortunately, most of this wealth will be lost to taxes, gifts to outside charities, and heirs with no connects to the very communities where it was created. The Nebraska Community Foundation has taken root and demonstrated its ability to make a difference in mobilizing charitable giving for community betterment and development. The Foundation that over the next 30 years a series of charitable endowments worth from \$200 to \$300 million can be created in rural Nebraska. Such endowments would generate \$15 to \$20 million annually for making rural communities stronger and better places to live.

Private Investment

Rural Nebraska needs a "rural finance investment authority" capable of leveraging private sector investment with public sector funds to finance rural development projects ranging from affordable housing to infrastructure modernization to business development. The Nebraska Investment Finance Authority has the capacity if charged by the State of Nebraska and its board to undertake this mission. Rural communities must assume the responsibility for generating viable development projects with this new authority ready to mobilize private and public investment ensuring their realization.

Development Strategies that Work

There are 10 economic development strategies that represent rural Nebraska's best hope for a sustainable and prosperous future. These are:

- #1 Profitability for Traditional Agriculture.
- #2 Creating a New Generation of Farmers.
- #3 Wealth Retention.
- #4 Small Business Development.
- #5 Information Age Development.
- #6 Residential Community Strategies.
- #7 Cooperative Enterprises.
- #8 New Generation Tourism.
- #9 Creation of Retirement Communities.
- #10 Natural Resource Based Industries.

Profitability for Traditional Agriculture

Agriculture -- farming, ranching, and local suppliers/processors remains the economic base of most rural communities. Profitability of traditional agriculture is essential to ensuring long-term vitality of rural communities. But profitability can not be viewed in just the aggregate. It is essential to focus on the profitability of family scale enterprises. As agricultural units increase in size, the pattern of "by-pass" purchasing increases. Simply put, larger producers buy direct, by-passing local suppliers undermining the overall area economy. Profitability of smaller and medium-sized family enterprises not only means more families for the local community, but purchasing patterns that strengthen local support and processing enterprises as well.

Creating a New Generation of Farmers

There is no question that agriculture is becoming more industrialized and increasing in scale. This trend inherently has and will continue to erode the viability of many rural communities as fewer families are engaged in agriculture and purchasing by-passes local businesses. Overall, with this type of agriculture, the future of many rural communities is in question. However, there is a new generation of farmer and ranchers that are not based on the industrial model of contemporary production. Smaller scale and family intensive production systems means more people and strengthened rural communities. There is a critical need to support this emerging trend in agriculture as a primary strategy for rural community development.

Income margins for raw agricultural products will likely remain small given national and international market conditions and government policies. If the incomes of rural families -- both farm and town -- are to be increased, there is a critical need to pursue value-adding enterprises that increase incomes for families engaged in agriculture. Nebraska has been very successful in increasing value-adding of agriculture through industrial scale enterprises (whether

mega-meat packing plants or ethanol production facilities). However, while this type of development is good for Nebraska in the aggregate, it does not necessarily strengthen rural communities or the families that live there. There is a critical need and great opportunity to strengthen rural communities and increase the prosperity of rural families through smaller-scale, locally-owned and based value-added enterprises.

Wealth Retention

There are many factors that contribute to thriving communities. First, the economy of a community must generate adequate wealth to not only support its enterprises and residents, but generate surplus wealth for new investment and support of public and private resources such as schools, parks, cultural programs and the like. Second, overall wealth is in part determined by how much wealth a community retains through a healthy commercial and support sector. Strong retailing, services, health care systems, and recreational opportunities -- all ensure that the wealth that is created through industries like farming and ranching -- further enriches the community through wealth retention.

Small Business Development

Nebraska has become a national leader in small business development. The Nebraska Microenterprise Partnership and its family of programs statewide (such as the Rural Enterprise Assistance Program based at the Center for Rural Affairs) has demonstrated that rural economies can be built one career at a time through microenterprise programs. Last year the Nebraska Legislature passed LB 327 providing direct recognition and modest funding for this strategy. There is a clear need and opportunity to invest more resources into the microenterprise strategy.

Information Age Development

Nebraska has recognized the opportunity for information technology to open up significant opportunities for rural development. Promising new initiatives are taking root such as NTEC (Nebraska Teleliteracy and Electronic Commerce Initiative), the proposed Nebraska Manufactures Network, the proposed civic net, the Telework Initiative, and the Nebraska Information Technology Commission. There is a critical need to evolve these programs into an integrated and adequately supported development strategy.

Information technology offers the opportunity to increase the range of career and job opportunities for the emerging generation. These opportunities can and are enabling rural Nebraska's young people to pursue appealing careers while remaining in rural communities.

Residential Community Strategies

Opportunity. Roughly one-third of Nebraska's rural communities have the potential to be residential communities. Nebraska's non-agricultural economy continues to be robust located in about two dozen employment centers ranging from the Omaha/Lincoln metroplex to Sidney in the Panhandle. These employment centers are generating more job opportunities than the local community can provide. Employees may work in Columbus, but their families either must choose to live in Platte Center because of the housing shortage or other reasons. Many smaller rural communities can find new meaning and ensure their revitalization by becoming residential centers for Nebraska's employment centers. **The key to taking advantage of this opportunity is found in available and affordable housing.**

Can This Be Economic Development? Traditional views of economic development focus on job creation. As the story goes, create jobs and all the rest will follow. While economic development is not that simple, one might question whether the residential community strategy is real economic development. But the potential impacts and benefits to communities struggling to create futures for themselves -- the math works very similar to expanding or locating new industry in town. Jobs are created in Nebraska's employment centers (Norfolk, Ogallala & McCook), but the residential location for these families is in area's smaller communities. Many metropolitan workers commute an hour

or more each way per day. In rural Nebraska, in one hour's time a worker can travel 40, 50 or even 70 miles from home to work. With our strong highway structure, many rural communities within 75 to even 100 miles of an employment center have residential community opportunities.

Beatrice & Sheridan County
The RDC is currently working with community leaders in Beatrice and Sheridan County (through Community Builders) in support of emerging housing development strategies. These efforts could serve as additional models for other rural communities seeking long-term development through housing-led initiatives.

Potential Development Impacts. For each commuter family that moves to town at least one-half time new job can be created locally to serve that family. The potential impacts of residential community development can be as follows:

- * Real Estate Development *
- * Expanded Banking & Support Services *
- * Local Tax Base Expansion *
- * Preservation & Expansion of Retail Businesses *
- * Service Sector Development *
- * Strengthened School Enrollment *
- * This is a Clean Industry *
- * Development can be Phased & Orderly *
- * Diversification Due to Business Spin-Offs *

With proper planning, this type of development can be managed ensuring orderly growth consistent with the desires of the community.

Challenges to be Faced. Economic development just does not happen -- it must be pursued. If rural communities seek to pursue this strategy for development, there are a number of critical actions that must be taken.

- * Provision of Available & Affordable Housing *
- * Development of Necessary Amenities *
- * Deal with Growth Costs *
- * Manage the Introduction of New Residents *
- * Deal with Change Brought by Growth *
- * Offset the Bedroom Effect *
- * Realize Live Here, Spend Here, Volunteer Here *

Why do people move to the suburbs? Often is the perception of new housing with clean new schools, up to date infrastructure, and commercial services to meet desired needs. The same elements must be present to succeed as a rural residential community. Quality schools, a welcoming community, strong support services, and a clean and safe environment are prerequisites.

Strategy Development. Rural residential communities are happening all over Nebraska. Most of these residential communities are happening by default because of where they are located. Housing subdivisions spring up and over time overwhelm the original community. In other cases, such as Allen or Morrill, these communities have pursued becoming residential communities on their own terms and are succeeding. Nebraska is now exploring how it can partner with our rural communities to explore this development strategy. In time, we hope we can provide interested rural communities with insight and assistance in support of "housing-based" economic development.

Small & Rural is Beautiful
Work by Dr. John Allen and the Nebraska Rural Poll is finding that Nebraskans like the idea of living in smaller and more rural communities. For many folks, a rural community with a smaller school and a slower pace is very desirable. This is an asset that rural communities can use in pursuing bedroom community economic development.

Cooperative Enterprises

Cooperative enterprises may be a likely strategy for rural people, including farmers and ranchers, to connect with income generating value-adding opportunities. The recently created Nebraska Cooperative Development Center is an attempt to stimulate and support this strategy.

New Generation Tourism

Tourism is Nebraska's third largest employer. Most of these workers and business owners are involved in support activities (such as lodging, eating, and service stations) servicing pass-through travellers (not destination visitors). Rural Nebraska offers many opportunities for meeting needs of the growing urban population base. Recreation (ranging from trails to hunting), eco-tourism, heritage tourism, experiential activities, and western-lore attractions all combine to define a new generation of tourism opportunities. There is a great opportunity to build a rural tourism strategy that could offer a diversifying option for rural communities and families.

Creation of Retirement Communities

Former Nebraskans are returning to Nebraska. Many are settling into rural communities. Others who moved from rural places to live in Nebraska's cities are now returning to rural areas to live out their lives. This represents an opportunity for rural communities to become retirement communities for these returning former Nebraskans. Additionally, with our aging area population, there is a threat that these residents will leave rural communities if necessary housing and support services are not available. Serving as retirement communities represents both an immediate and longer-term strategy for many rural communities.

Natural Resource Based Industries

Rural Nebraska's primary asset is its natural resource base. Many of the previous strategies are built upon this natural resource asset. Whether eco-tourism or direct marketing agriculture, the Commission and Nebraska should focus upon a comprehensive strategy supports development rooted in natural resources and existing rural communities.

Strategies for Brown County

The following strategies have been identified for consideration for Brown County. These offerings are made to stimulate discussion towards a community consensus on what it should be doing to create a thriving economy and quality community.

#1 Strong Commercial Sector. Ainsworth should play to its strengths and focus on maintaining and enhancing its role as a commercial center and services community. Two elements are fundamental -- a thriving retail/service sector and a strong local health care system.

#2 Small Scale Manufacturing. Consideration for small scale manufacturing development would be a direct way to increase the diversity and economic base of the community. Such a strategy might focus on providing inputs to manufacturers in Norfolk, Columbus and Siouxland.

#3 New Generation Agriculture/Cooperatives. Agriculture is king in Ainsworth. But traditional agriculture is struggling with tight margins, increased costs and record low farm and ranch incomes. The community should consider a targeted strategy built on the opportunities associated with new generation agriculture and cooperatives.

#4 New Generation Tourism. Ainsworth and the County has done a great deal to solve one barrier to increased tourism activity -- the development of additional quality lodging resources. Focus should now be placed on attraction development. The creation of an enhanced circle tour, increased experiential opportunities, and the creation of a Sandhills Interpretive Center are all worthy of considerations as next steps.

#5 Retirement Community. Ainsworth is already taking a major step to retain and attract retirees through the construction of the new assisted living facility. Special consideration should be given to meeting the total needs of retirees to ensure their continued presence in the community.

#6 Telework. A future strategy that holds great promise is telework. The community should investigate the potential for creating a telework program that creates jobs in the community by connecting (electronically) with work available in Lincoln, Omaha and other centers of information-based activity.

For Additional Information Persons seeking additional information about this report or other work of the Nebraska Rural Development Commission should contact:

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*** END OF REPORT ***

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Attachments

The following attachments supplement this report:

- A Information about the Nebraska Rural Development Commission
- B Information about the Nebraska Economic Impact Model
- C Request for Assistance.
- D Analyzing Local Markets.
- E Building Healthy Retail Communities.

Attachment A About the Nebraska Rural Development Commission

The Nebraska Rural Development Commission was created by Executive Order of the Governor in January 1991. The RDC was placed in state statute in May 1993 establishing it as an independent non-code state agency. In 1998, the RDC was made administratively independent of the Department of Economic Development. The mission of the RDC is as follows....*The purpose of the Commission is to foster sustainable community and economic development initiatives. These initiatives should enable Nebraska communities to realize their own goals, thereby contributing to the growth and well-being of the entire state.* The RDC has 17 citizens members and two ex officio legislative members. The RDC is served by a professional staff of six employees. The membership of the RDC is as follows:

Craig Schroeder (Chairperson) * Holbrook
Howard McNiff * Cook
Mary Piper * Lyons
Rev. Mark Schutt * Alliance
Glenn Price * Chadron
John Quirk * Hastings
Jim Eriksen * Grand Island
Al Wenstrand * Lincoln
Tanner Graham * Hyannis
Senator Bob Wickersham * Harrison

JoAnn Mueller (Vice Chair) * Kimball
Gerry Osborn * Ainsworth
Terrance Wilhelms * Columbus
Monica Harvey * Stapleton
Carmen Shaffer * Randolph
Steve Cady * Hickman
Cyd Janssen * Gordon
Sam Cordes * Lincoln
Senator Floyd Vrtiska * Table Rock

Attachment B About the Nebraska Economic Impact Model

RELEVANT EXPERIENCE. The Nebraska Rural Development Commission has been involved in socio-economic impact analysis since the Commission's founding in 1991. The RDC has completed over two dozen major sets of impact analysis ranging from assessments of the College of Technical Agriculture (Curtis) and Peru State College to the impacts of various telecommunications policies.

ABOUT THE AUTHOR. Don Macke serves as the Executive Director of the Nebraska Rural Development Commission. Mr. Macke is a professional economist by training with over 20 years of experience conducting impact analysis in Nebraska and throughout North America.

ABOUT THE NEBRASKA SOCIO-ECONOMIC MODEL. In 1999, the RDC accepted management through the Government Assistance Program operation of Nebraska's IMPLAN socio-economic impact model. Since taking over operation of the Nebraska Model, the RDC through GAP has upgraded the model. Additional information about the model can be obtain by contacting the RDC. The model is based on the national IMPLAN Model. IMPLAN is one of the most widely used economic impact models in use in the United States today.

Attachment C Request for Assistance

This work is being done at the request of Mayor Gerry Osborn. This is a work in progress begun in March 1999. The purpose of this work is to assist the area in (1) understanding its economy and (2) develop an economic development strategy capable of ensuring the area's long-term success.

Pull Factor Worksheet.

Code	Brown Co. Output	PCO	Nebraska Output	PCO	Pull-Factor
448	\$327,658	90.09	299.460	180.94	0.50
449	521,885	143.49	589.861	356.41	0.40
450	1,596,734	439.03	662.054	400.03	1.10
451	1,725,876	474.53	1,084.144	655.07	0.72
452	146,850	40.38	207.132	125.16	0.32
453	194,428	53.46	305.330	184.49	0.29
454	3,305,040	908.73	1,744.743	1,054.23	0.86
455	4,655,330	1,279.99	955.898	577.58	2.22
456	9,367,059	2,575.49	2,238.232	1,352.41	1.90
457	301,865	83.00	231.094	139.63	0.59
460	1,382,733	380.19	587.222	354.82	1.07
462	1,659,159	456.19	1,867.442	1,128.36	0.40
463	546,960	150.39	313.818	189.62	0.79
465	151,747	41.72	40.441	24.44	1.71
466	218,070	59.96	203.068	122.70	0.49
468	668,504	183.81	99.743	60.27	3.05
475	1,059,434	291.29	1,446.278	873.88	0.33
479	2,112,567	580.85	676.300	408.64	1.42
480	94,112	25.88	101.193	61.14	0.42
481	58,238	16.01	22.768	13.76	1.16
482	200,479	55.12	216.174	130.62	0.42
483-8	2,809,375	772.44	686.58	414.85	1.86
490-3	5,720,344	1,572.82	4,251.428	2,568.84	0.61
494	849,946	233.69	555.157	335.44	0.70