

NEBRASKA BUSINESS
VISITATION PROGRAM
KNOX COUNTY
SURVEY

by

NEBRASKA DEPARTMENT OF ECONOMIC
DEVELOPMENT

JULY 2008

NEBRASKA BUSINESS VISITATION PROGRAM

KNOX COUNTY SURVEY, 2008

Executive Summary

Sixty-one businesses in Knox County, Nebraska, participated in a May 2008 business visitation program survey conducted by local and state economic developers. The Nebraska Department of Economic Development (DED) coordinated this survey, after it was initiated by local developers. The purpose of the survey was to initiate a dialogue with businesses in Knox County. Some of the principal results of the survey were:

- Sixty-one interviews were conducted in eight different communities in Knox County. The majority were conducted in Bloomfield (13), Creighton (20), and Verdigre (8).
- Forty-three percent of the respondent businesses were retailers. The next two largest respondent industries represented were agriculture and construction (12 percent each).
- Thirty-nine percent of the respondents had organized their businesses as sole proprietorships. Twenty-seven percent were C corporations and 16 percent were S corporations.
- Retailers reported the largest number of employees – 350 out of a total of 825 full-time, part-time, and seasonal employees. Agricultural, construction, and accommodation and food businesses reported a higher proportion of part-time and seasonal employees than retailers.
- Sixty-five percent of those responding to the question reported providing one or more employee benefits. The most common benefits provided were paid vacation and paid holidays (89.2 percent each).
- Among the advantages of doing business in Knox County respondents selected “quality of life” twice as often as the second choice – “cost of living.” “Labor cost” and “education” tied for third.

Overall, the Knox County Business Visitation Survey was successful in identifying the issues facing county businesses and in opening a dialogue with those businesses. Additional survey results are discussed below.

NEBRASKA BUSINESS VISITATION PROGRAM KNOX COUNTY SURVEY, 2008

by
Nebraska Department of Economic Development

Sixty-one businesses in Knox County, Nebraska, participated in a May 2008 business visitation program survey conducted by local and state economic developers. The Nebraska Department of Economic Development (DED) coordinated this survey, but like all such surveys it was initiated by local developers and the interviews were conducted by representatives of state, local, and regional economic development interests. The purpose of this program is to identify local economic development issues and challenges and to open a dialogue with local businesses. (Note: The results below include occasional comparisons with a business visitation survey conducted in Knox County in 2003.)

Survey Coverage/Respondent Characteristics

Knox County is located in north central Nebraska on the border with South Dakota. It is the location of the Niobrara State Park and the Santee Indian Reservation. Knox County has an older population than the state or nation and a higher poverty rate as well. Recently, several Knox County communities have been actively pursuing economic development. This survey is an aspect of that process.

Unlike many counties in this region of Nebraska, there are several incorporated communities in Knox County. Business Visitation interviews were conducted in eight different county communities (Figure 1), although the majority were conducted in Bloomfield (13) and Creighton (20). Eight interviews were with businesses in Verdigre.

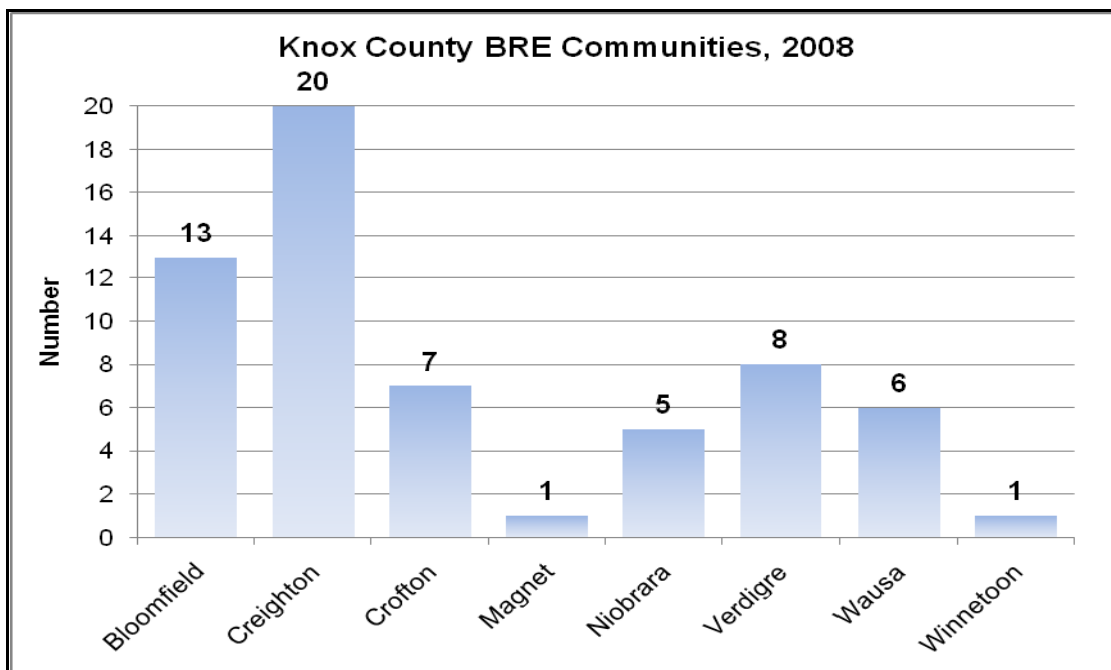


Figure 1

Forty-three percent of the respondent businesses were retailers (Figure 2). The next two largest respondent industries were agriculture and construction (12 percent each). Statewide, manufacturers represent about 13 percent of Nebraska's businesses, but they only represented 5 percent of the Knox County respondents (and they only represent 2 percent of Knox County establishments [U.S. Bureau of the Census, County Business Patterns, 2006, 2008]).

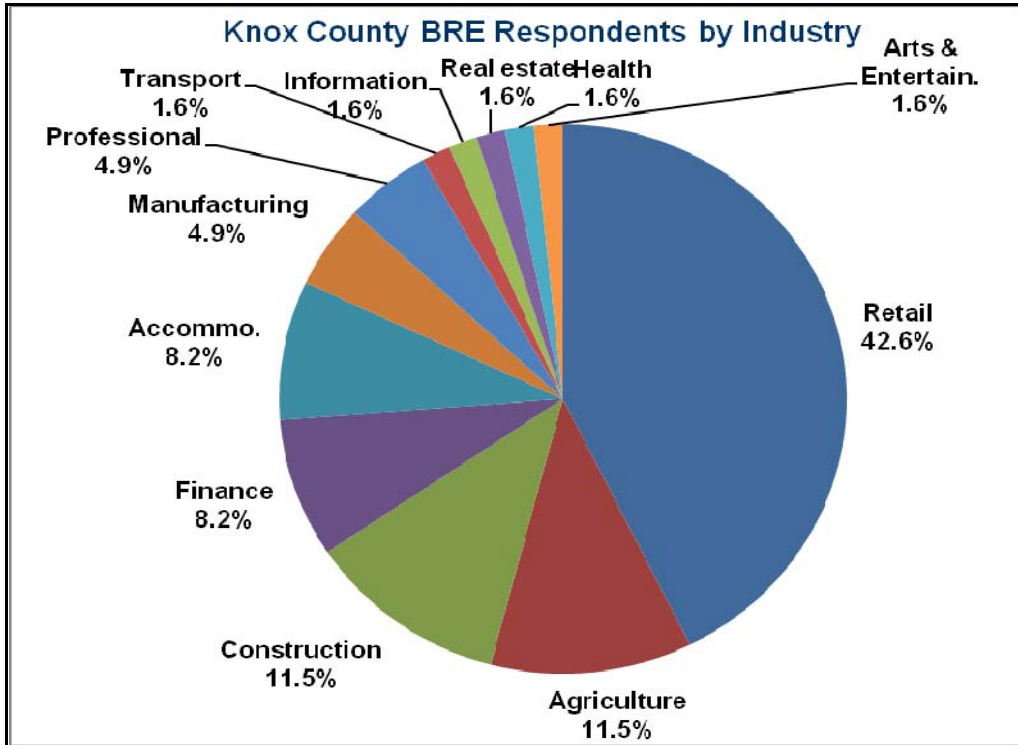


Figure 2

Over half of the respondents were owners, or co-owners, of their business. And, 39.3 percent had organized their businesses as sole proprietorships (Figure 3 and 4). Twenty-seven percent were C corporations and 16 percent were S corporations. Only one government entity was interviewed and none of the respondent businesses was a cooperative.

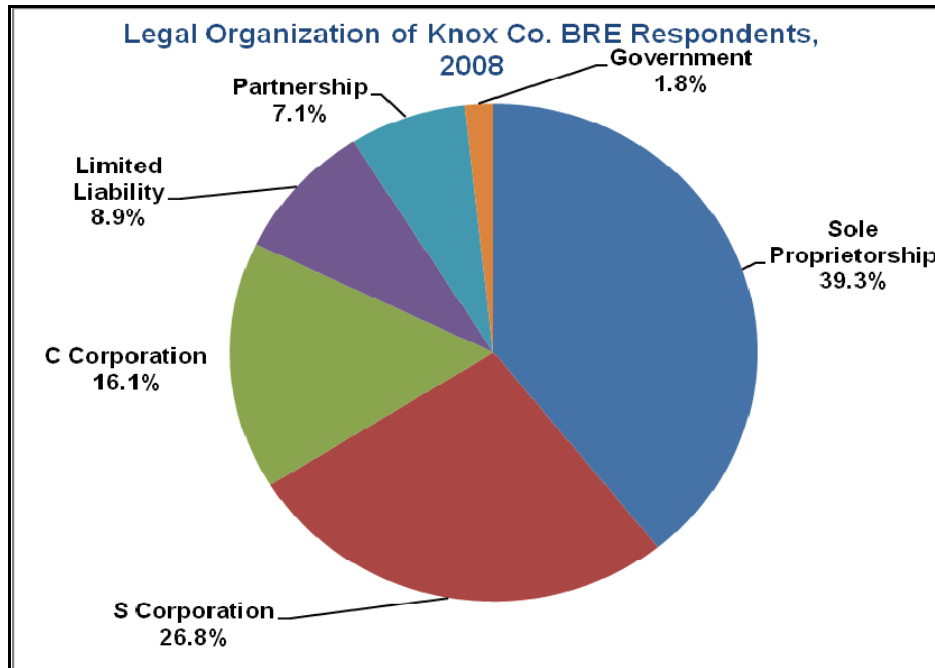


Figure 3

Figure 4. Legal Organization of Respondent Businesses, Knox Co., 2008

	Number	Percent
Sole Proprietorship	22	39.3%
S Corporation	15	26.8%
C Corporation	9	16.1%
Limited Liability	5	8.9%
Partnership	4	7.1%
Government	1	1.8%
Cooperative	0	0.0%
Total	56	100.0%

Almost a third of the respondents reported their business had a Web site, but only 16 percent reported Internet sales (Figure 5) so about half of the respondents' Web sites served as an advertising and information source rather than a source of revenue. Even fewer reported they exported or imported products, specifically 2 each. (Note: a total of 3 different firms reported exporting or importing.)

Figure 5. No. of Respondents Who Sell on the Internet or Export, Knox Co., 2008

	<u>Internet Sales</u>		<u>Export</u>		<u>Import</u>	
	No.	% Total	No.	% Total	No.	% Total
Yes	10	16.4%	2	3.3%	2	3.4%
No	51	83.6%	58	96.7%	57	96.6%
Total	61	100.0%	60	100.0%	59	100.0%

Work Force

Unlike some surveys, retailers were not only the largest number of businesses represented, they also reported the largest number of employees – 350 out of a total of 825 full-time, part-time, and seasonal employees (Figure 6). Agricultural, construction, and accommodation and food businesses reported a higher proportion of part-time and seasonal employees than retailers. As usual, manufacturers reported a small percentage of part-time and seasonal employees.

Weighted average entry level wages were calculated for industries in which more than one respondent reported employment and wages (Figure 6). Overall, the average wage was \$8.38 per hour. The highest was the construction sector which averaged \$10.31; the lowest \$7.98 in retail.

Figure 6. Respondent Employment & Wages by Industry, Knox Co., 2008

	Full-time	Part-time	Seasonal	Total	Aver Wage
Retail	206	133	11	350	\$7.98
Agriculture	51	29	20	100	8.41
Construction	13	8	21	42	10.31
Finance	61	4	3	68	NA
Accommodation	7	17	2	26	NA
Manufacturing	28	4	0	32	8.25
Professional	8	4	0	12	NA
Transport	13	0	0	13	NA
Information	4	0	0	4	NA
Real estate	1	2	0	3	NA
Health	105	57	5	167	NA
Arts & Entertain.	1	6	0	7	NA
Total	498	264	62	824	\$8.38

In addition to wages, most jobs include a benefits package. Sixty-five percent of those responding to the question reported providing one or more benefits. The most common benefits provided were paid vacation and paid holidays (89.2 percent) (Figure 7). There was a significant drop-off in the percentage reporting they provided the next benefit, health insurance (54.1 percent).

Figure 7. Respondent Job Benefits, Knox Co., 2008

Benefit package?	No.	% Total
Yes	37	64.9%
No	20	35.1%
Type of Benefit:	No.	% of "Yes"
Paid Vacation	33	89.2%
Paid Holiday	33	89.2%
Health Insurance	20	54.1%
Paid Sick Leave	19	51.4%
Retirement Plan	19	51.4%
Life Insurance	13	35.1%
Profit Sharing	10	27.0%
Other	5	13.5%

Labor force availability has been a recurring issue among Nebraska employers and, as noted, especially in Knox County. The business visitation survey asked several questions related to labor force quality and quantity. Few reported that the quantity or quality of job applicants had increased over the last three years; in fact, higher percentages reported the number and quality had decreased than reported an increase (Figure 8). A large majority, however, reported that both had stayed about the same over the last 3 years.

Figure 8. Number and Quality of Job Applicants, Knox Co., 2008

	Number		Quality	
	No.	% Total	No.	% Total
Increased	5	9.4%	6	12.5%
Decreased	8	15.1%	9	18.8%
Same	40	75.5%	33	68.8%
Total	53	100.0%	48	100.0%

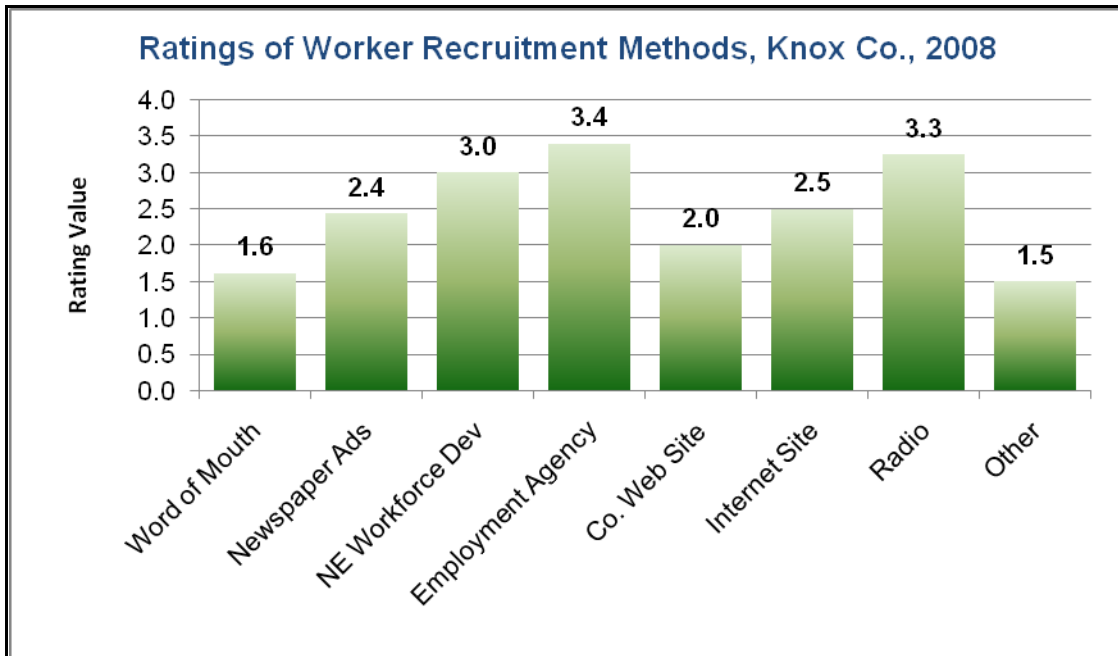
Likewise, when asked about employee turnover and absenteeism rates over seventy percent of respondents reported it was low (Figure 9). Less than 5 percent reported either was high. Turnover might be slightly more of a problem given that a slightly higher percentage reported it was "moderate" than reported absenteeism was "moderate."

Figure 9. Employee Turnover & Absenteeism, Knox Co., 2008

	Turnover		Absenteeism	
	No.	% Total	No.	% Total
Low	40	74.1%	35	77.8%
High	2	3.7%	2	4.4%
Moderate	12	22.2%	8	17.8%
Total	54	100.0%	45	100.0%

Respondents were also asked how they recruited new workers. The most used method was "word-of-mouth" (Figures 10 and 11). It was also the most effective. Company Web sites

were also rated as effective, but only four respondents reported using one for worker recruitment. The second most used method of worker recruitment was newspaper advertisements, which were rated moderately effective.



Rating Scale: 1=excellent; 2= good; 3=fair; 4=poor
Figure 10

Figure 11. Recruiting Workers -- Methods & Ratings, Knox Co., 2008

	No. Reporting	Rating
Word of Mouth	44	1.6
Newspaper Ads	32	2.4
NE Workforce Dev	8	3.0
Employment Agency	5	3.4
Company Web Site	4	2.0
Internet Site	4	2.5
Radio	4	3.3
Other	2	1.5

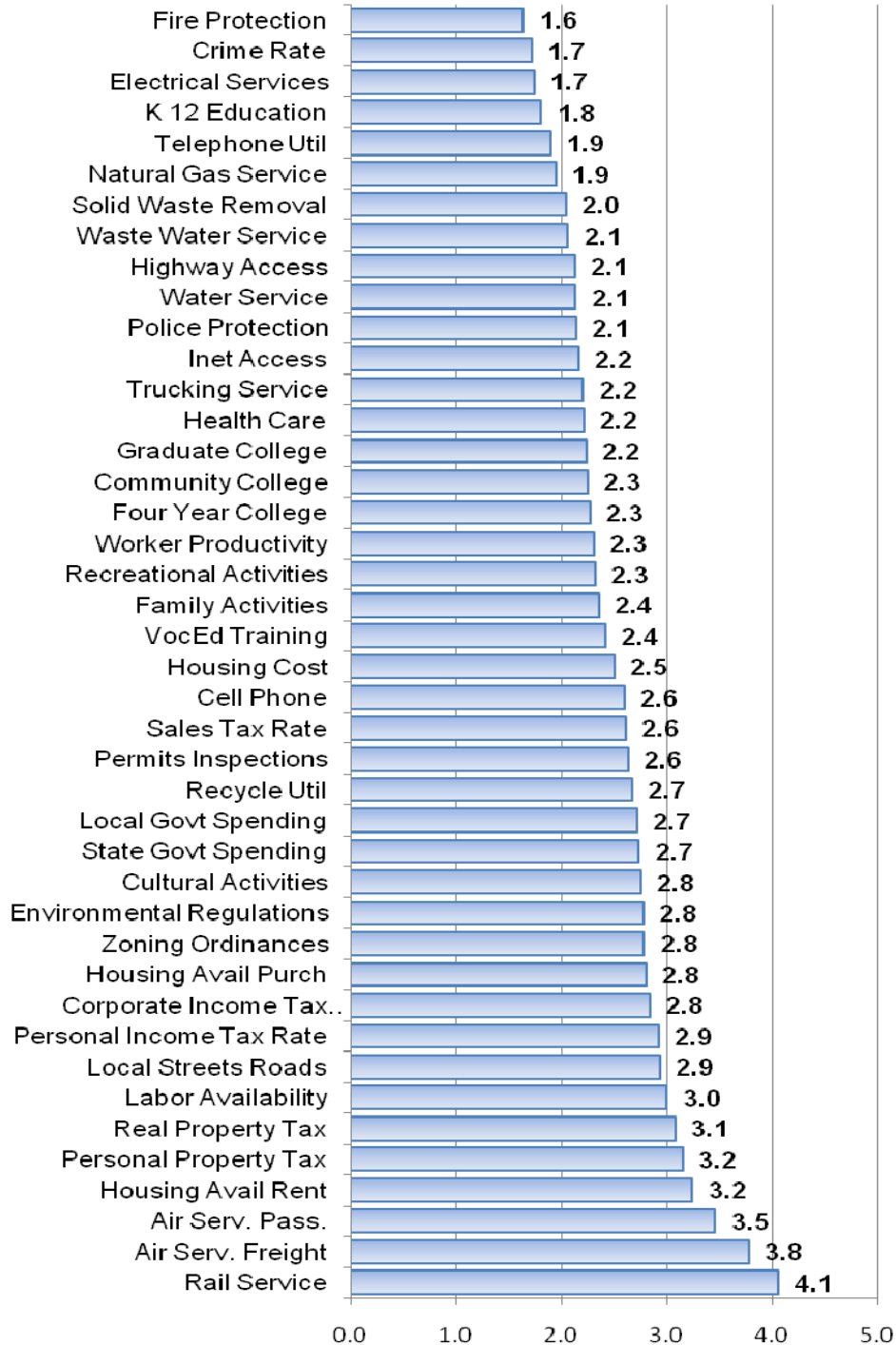
Rating Scale: 1=excellent; 2= good; 3=fair; 4=poor

Business Climate

All business visitation surveys have asked respondents to rate from “excellent” to “very poor” a list of business climate factors for their county. In general, they tend to rate locally provided services highly and be more critical of services provided by non-local institutions and government agencies. Specifically, the top rated business climate factor in Knox County was “fire protection,” followed by “crime rate” and “electrical services” (Figure 12). The lowest rated factors tend to be taxes and non-local services. Although, in Knox County, the lowest rated factor was “rail service,” preceded by “air service.” Interestingly, housing available for rent was fourth from the bottom but, then, it has recently become an issue in Creighton, where expanding health care facilities as well as the recruitment of some new businesses have highlighted the fact the communities cannot recruit new workers without housing that those new workers can rent or buy.

Figure 13 shows, however, that less than half of the respondents rated rail or air service, suggesting only those with strong views responded to those particular questions. Figure 13 also compares Knox County’s 2008 ratings to the results of the 2003 Knox County survey and to the average for all counties that participated in the 2007 surveys. For the most part, Knox ratings were similar to the 2007 averages, although Knox County was more negative regarding water and wastewater services than statewide in 2007 and its lowest ratings were lower than the state average. Likewise, the 2008 results were similar to the 2003 results, i.e., although more 2008 ratings were larger than their corresponding 2003 ratings, there were not significant differences except for recycle utility and rail service.

Business Climate Ratings, Knox Co., 2008



Rating Scale: 1=excellent; 2=good; 3=fair; 4=poor; 5=very poor
 Figure 12

Figure 13. Business Climate Ratings, Knox Co., 2003 & 2008

	No.-2008	Knox-2008	Knox-2003	State-2007
Utilities				
Electrical Services	55	1.7	1.6	1.6
Natural Gas Service	38	1.9	2.1	1.8
Water Service	53	2.1	2.1	1.7
Waste Water Service	49	2.1	2.1	1.8
Solid Waste Removal	49	2.0	2.0	1.9
Recycle Utility	51	2.7	3.2	2.5
Telephone Utility	58	1.9	2.0	1.9
Internet Access	55	2.2	NA	2.0
Cell Phone	52	2.6	NA	2.4
Public Services				
Highway Access	57	2.1	2.0	1.8
Local Streets Roads	58	2.9	2.5	2.4
Trucking Service	49	2.2	2.1	2.1
Rail Service	17	4.1	NA	2.9
Air Service-Passenger	24	3.5	2.7	3.3
Air Service-Freight	22	3.8	NA	2.9
Police Protection	56	2.1	2.1	2.0
Fire Protection	58	1.6	1.6	1.5
K 12 Education	57	1.8	1.9	1.7
Vocational Ed Training	34	2.4	2.1	2.4
Community College	32	2.3	NA	2.3
Four Year College	30	2.3	2.0	2.5
Graduate College	30	2.2	2.3	2.7
Housing				
Housing Avail Purchase	59	2.8	2.9	2.6
Housing Avail Rent	54	3.2	3.2	3.2
Housing Cost	56	2.5	2.0	2.5
Quality of Life				
Recreational Activities	56	2.3	2.1	2.4
Cultural Activities	53	2.8	2.9	2.9
Family Activities	53	2.4	NA	2.5
Health Care	56	2.2	2.0	2.1
Crime Rate	53	1.7	2.0	2.0
Government/Labor				
Local Gov't Spending	46	2.7	2.9	2.6
State Gov't Spending	45	2.7	3.3	2.9
Sales Tax Rate	48	2.6	2.4	2.7
Real Property Tax	51	3.1	3.0	3.4
Personal Property Tax	52	3.2	NA	3.2
Personal Income Tax Rate	50	2.9	2.9	3.0
Corporate Income Tax Rate	36	2.8	2.6	3.0
Environmental Regulations	44	2.8	2.5	2.7
Zoning Ordinances	46	2.8	2.7	2.6
Permits Inspections	46	2.6	2.6	2.6
Labor Availability	57	3.0	3.1	3.3
Worker Productivity	56	2.3	2.1	2.3

A second set of business climate-related questions asked respondents to select 3 advantages and disadvantages of doing business in Knox County from a list of the same. “Quality of life” was selected twice as often as the second choice – “cost of living” (Figure 14). “Labor cost” and “education” tied for third most commonly cited advantage.

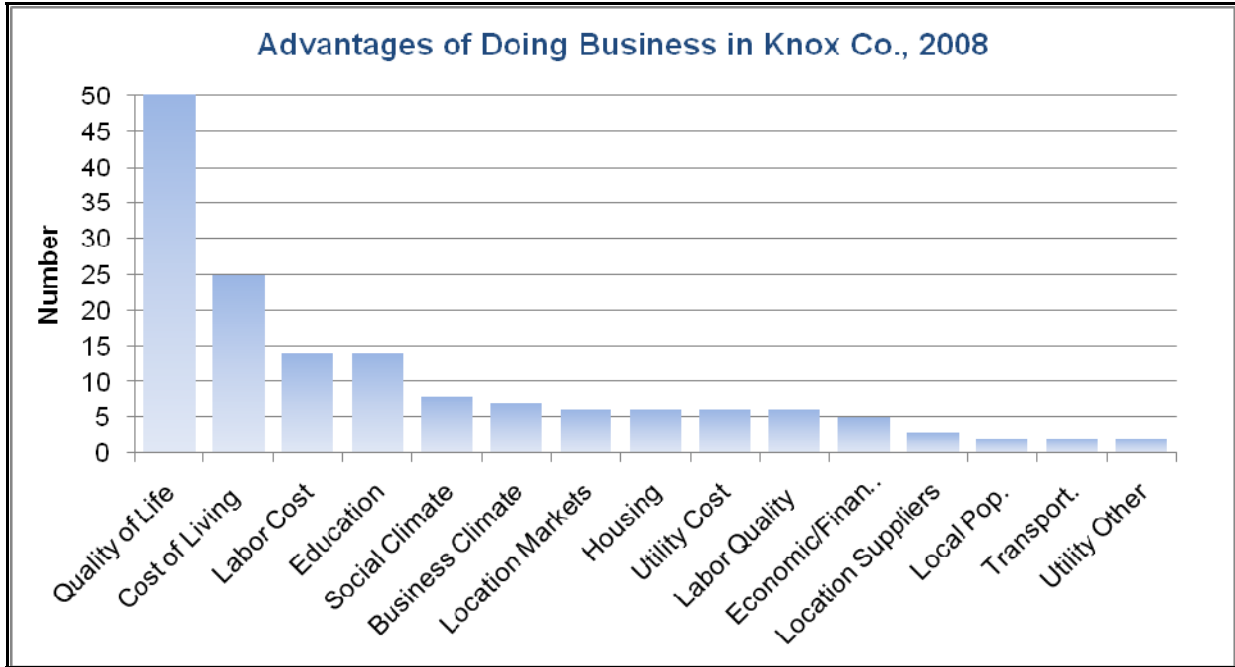


Figure 14

Respondents were less able to agree on the disadvantages of doing business in Knox County (Figure 15). “Labor availability” was the first choice, but did not dominate the list in the way that “quality of life” did the advantages. Likewise, there was not as much of a break between number two (taxes) and three (job opportunities) and four (local population declines) as with advantages. Given the significant population declines shown in the Appendix tables, it is notable that “population declines” came in fourth as a disadvantage of doing business in Knox County.

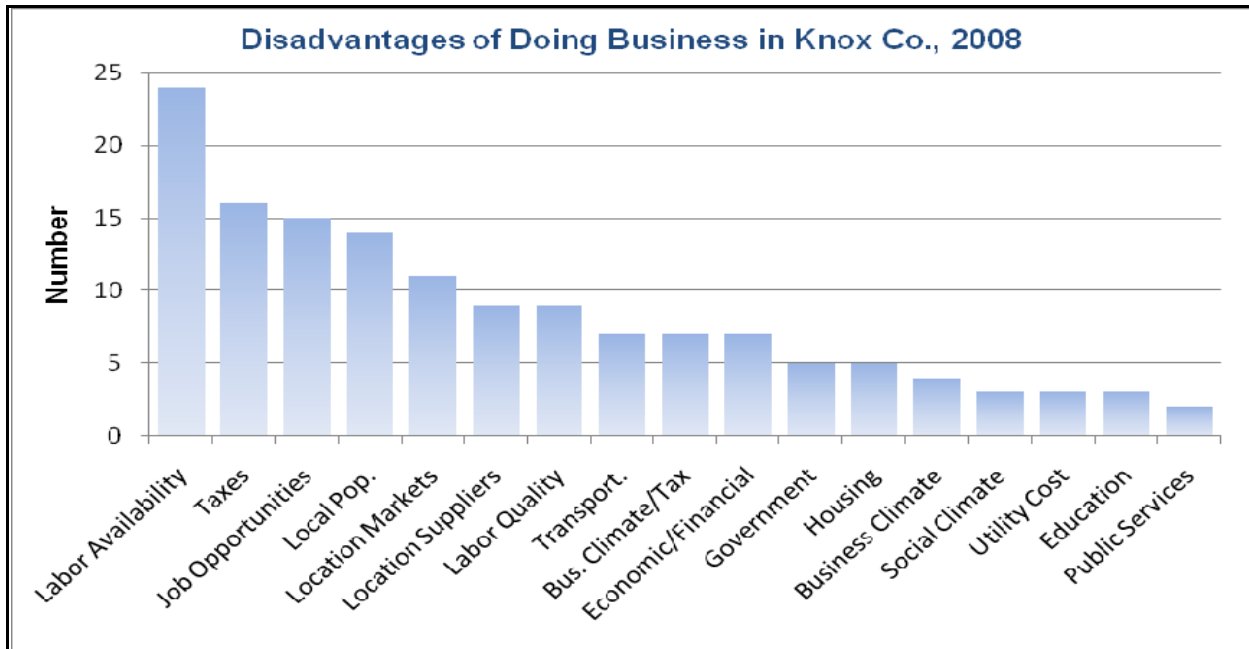


Figure 15

At the end of the survey, there were three questions regarding community technology infrastructure and pending state, local, and federal legislation. Eighty percent of respondents reported that the community’s technological infrastructure was adequate (Figure 16). The most common complaints by those reporting one was inadequate cell phone service and slow Internet service. Over 60 percent responded that they had not considered Internet marketing of their business nor establishing a Web store. Likewise, 62.2 percent said there was no pending local, state, or federal legislation affecting their business.

Figure 16. Community Technology Infrastructure, Knox Co., 2008

Is community's technology infrastructure adequate?		
	Number	Percent
Yes	42	82.4%
No	9	17.6%
Have you considered a Web store or marketing?		
Yes	16	36.4%
No	28	63.6%
Are there pending legislative changes that affect your business?		
Yes	14	37.8%
No	23	62.2%

Future

Finally, the respondents answered several questions regarding the future of their business and of the region. First, when asked what the immediate challenges were for their business, the most common response was “expenses” (Table 17). That was followed closely by the declining county population; then by worker productivity/efficiency. Expenses also topped

the list of the major challenges facing the respondents' industries (Figure 18). The second industry challenge was "government regulation." Five items tied for the third industry challenge.



Figure 17



Figure 18

On a more concrete level, the respondents were asked whether they had any physical expansion plans for the next three years. Only 16.7 percent said they did (Figure 19). Three of the 10 respondents planning an expansion intended to expand their warehousing facilities. A

higher percentage of respondents reported plans to make capital investments (29.5 percent) (Figure 20). The average reported investment was \$64,405.

Figure 19. Expansion Plans, Knox Co., 2008

Are you planning to expand in the next 3 years?		
	Number	Percent
Yes	10	16.7%
No	50	83.3%
Type of Expansion:		
Office	1	
Commercial	2	
Manufacturing	2	
Warehousing	3	
Total Sq. Feet	7,000	

Figure 20. Capital Investment Plans, Knox Co., 2008

Are there plans for significant capital investment?		
	Number	Percent
Yes	18	29.5%
No	43	70.5%
Total \$	\$644,052	
Average \$	\$64,405	

The Knox County business visitation survey interviewed 61 businesses and identified the issues and challenges facing those businesses. They are similar to those facing businesses across the state -- regional population declines, declining worker availability and productivity, inadequate communications infrastructure, lack of available housing, etc. Those problems are offset by low utility costs, low cost of living, high quality of life, low labor costs, etc.

Recommendations or Conclusions

APPENDIX

Open-end Questions

Below are the verbatim responses to two open-ended questions in the Knox County business visitation survey. They provide some sense of the respondents' urgency and perceptions with regard to the business situation in Knox County.

Responses to: "What types of essential goods or services need to be recruited to the community to maintain or improve the current quality of life?"

- Tractor and Car Mechanics
- Satisfied with what we have
- Clothing, A Wal-Mart type of store with a variety of goods and selections economically priced.
- To keep our current businesses going.
- Cultural things
- Entertainment, school building improvements. Don't want to leave a big city to live in smaller town since there is "nothing to do."
- Keep what we have and keep them healthy
- Fresh food sources, local advertising
- Industry
- Keep what we have by shopping at home
- Health Care
- Anything that attracts young families back to community
- Children's Items Health Care
- Clothing, computer repair and sales, a general store, a mini-Cabelas.
- Clothing
- Assisted living and nursing home
- More industry
- Pharmacy/clothing
- Restaurant (family) not bars employment and housing
- Industry
- Hardware store - recycling center
- Would be nice to have steakhouse, movie theatre but not realistic for small town
- Good eating
- Health care
- Yes but not sure what they would be.
- Need to develop a housing development to improve new opportunities for houses and also keep creating programs to upgrade current housing.

Responses to: "How do you think state and local economic development organizations can best meet the needs of your business and/or industry?"

- Deregulate
- Need more tax breaks for small businesses!
- Keep working to help small communities.
- Find us more customers
- Keep school open.
- Training for new (first time) employees. Job hunting skills are awful in this area.

- Signage (i.e. gas, food, lodging, hospital 7 miles at intersection of Highway 20 and Highway 13) Paving/Road Upkeep, jobs to bring people here.
- Help in selling our business. (need to find some way to help with economic development possibly sales tax.)
- Continue to recruit new business and support existing ones. The wind projects are a great example.
- Purchase or construction of a building
- Bring industry to our town.
- Retain youth
- Incentives for business and community - Move housing (townhouses - senior living facilities) near hospital
- Training for new first time employees and appreciation process.
- Continue to keep our communities going - attract youth back
- We are doing a good job - need to keep doing it.
- Make information about their services more available
- Continue support to do "locally"
- Bring in any type of industry
- Help us find the money and resources to promote our little towns and in such a way as to attract others.
- Housing/Business lots
- Community Foundation needed
- Help Knox and Cedar Counties with zoning regulations
- Hold the line on taxing
- Recruit new business - or people to purchase existing businesses for sale.
- Get/promote families to live here
- None, bring more people to town
- Start up costs
- Keep doing what they have been doing
- Working with local businesses to help with their business needs.
- Housing and more businesses
- Work on workforce and recruiting businesses.
- Continue to support communities this size.
- Yes
- Help with housing and business needs

Knox County Demographics

Population, Knox County and Nebraska, 1990, 2000, and 2006*

Geography	1990	2000	2006*	Change 1990-00	Change 2000-06
Nebraska	1,578,385	1,711,263	1,768,331	8.4%	3.3%
Knox County	9,594	9,374	8,812	-2.3%	-6.0%
Bloomfield	1,182	1,126	1,029	-4.7%	-8.6%
Center	112	90	83	-19.6%	-7.8%
Creighton	1,230	1,270	1,166	3.3%	-8.2%
Crofton	827	754	704	-8.8%	-6.6%
Niobrara	406	379	352	-6.7%	-7.1%
Verdigre	607	519	482	-14.5%	-7.1%
Wausa	601	636	580	5.8%	-8.8%
Winnetoon	59	70	65	18.6%	-7.1%

Source: U.S. Department of Commerce, Bureau of the Census, 2001 & 2007

*2006 numbers are estimates.

Net Taxable Retail Sales, Nebraska and Knox County, 2003 to 2007

Geography	2003	2004	2005	2006	2007	Change 2003-07
Nebraska	\$19,198,671,941	\$20,733,340,353	\$21,691,204,485	\$22,317,391,421	\$23,334,955,001	21.5%
Knox County	\$36,764,676	\$38,589,815	\$38,887,642	\$37,825,632	\$39,281,335	6.8%
Bloomfield	6,992,695	7,886,818	8,244,361	8,061,293		
Center	365,205	300,471	220,202	161,513		
Creighton	14,720,978	13,961,126	13,315,282	13,175,613		
Crofton	5,247,374	5,988,116	6,460,569	5,998,663		
Niobrara	3,428,709	3,525,748	3,349,487	3,100,259		
Verdigre	3,024,347	3,336,386	3,576,169	3,336,704		
Wausa	2,856,316	381,302	3,456,923	3,607,795		
Winnetoon	116,157	159,339	175,524	284,238		

Source: Nebraska Department of Revenue, March 2008

Total and Per Capita Income, Knox County and Nebraska, 2001 to 2005

Item/Geography	2001	2002	2003	2004	2005	Change 2001-05
Total Personal Income (1000s of Dollars)						
Nebraska	\$49,303,476	\$49,500,161	\$52,435,752	\$55,828,485	\$57,884,263	16.9%
Knox County	196,020	183,415	218,972	225,131	214,789	17.1%
Per Capita Income						
Nebraska	\$28,676	\$29,177	\$30,737	\$31,957	\$32,923	12.8%
Knox County	21,355	20,151	24,201	25,023	24,303	20.6%

Source: U.S. Department of Commerce, Bureau of Economic Analysis, [Survey of Current Business](#), April 2008

Labor Force and Work Force, Nebraska and Knox County, 2007

	Nebraska		Knox County	
	Number	Percent of Total	Number	Percent of Total
Labor Force	983,438		4,705	
Employment	953,769		4,564	
Unemployment	29,669		141	
Unemployment Rate	3.0		3.0	
Work Force	962,475	100.0	2,762	100.0
Manufacturing	101,266	10.5	NA	
<i>Durable Goods</i>	49,963	5.2	NA	
<i>Non-Durable</i>	51,303	5.3	NA	
Natural Res & Construction	50,457	5.2	90	3.3
Trade	148,410	15.4	558	20.2
<i>Retail</i>	107,684	11.2	378	13.7
<i>Wholesale</i>	40,726	4.2	180	6.5
Trans., Ware., & Utilities	56,113	5.8	58	2.1
Information	193,343	20.1	27	
Financial Activities	68,981	7.2	105	
Prof & Bus Services	104,347	10.8	94	3.4
Ed & Health Services	132,471	13.8	255	9.2
Leisure & Hosp	82,127	8.5	128	4.6
Other Services	34,848	3.6	44	1.6
Government	164,121	17.1	1,209	43.8
<i>Federal</i>	15,955	1.7	55	2.0
<i>State</i>	40,267	4.2	41	1.5
<i>Local</i>	107,899	11.2	1,113	40.3

Source: Nebraska Department of Labor, 2008