

CENTER *for* RURAL POLICY and DEVELOPMENT

Seeking Solutions for Greater Minnesota's Future

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Latest survey of rural Minnesotans shows continued growth in broadband use

While computer ownership and Internet use have stayed virtually flat over the last year, the Center for Rural Policy and Development's new survey of rural Minnesota homes shows that broadband use is continuing to rise steadily.

The Center's most recent installment of the Rural Minnesota Internet Study examined the use patterns of 700 rural Minnesota households regarding the Internet, how they access it and what they do once they're online. For the fourth year in a row, the survey showed that broadband adoption rates have climbed steadily, while computer ownership and Internet subscription rates barely moved. At the same time, the price of broadband access, the most-often cited reason for not buying the service, continues to drop. And for the first time, the survey showed broadband subscribers spending significantly more time online than dial-up users, nearly twice as many hours a week.

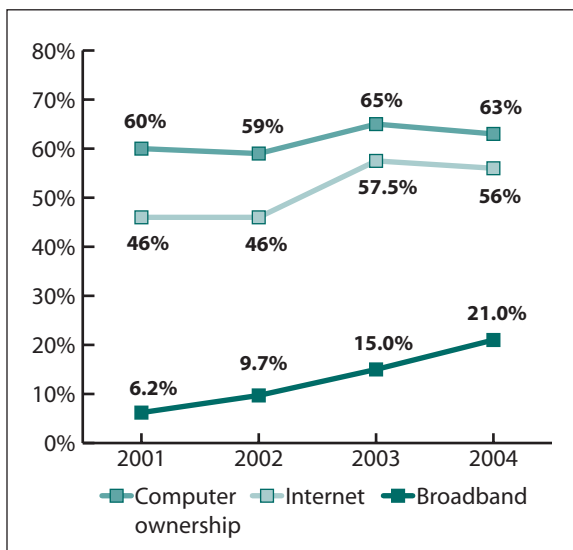


Figure 1: Change in percentage of population who own computers, are connected to the Internet and use broadband, 2001-2004.

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Rural Perspectives

Lois Mack, Minnesota Department of Commerce
CRPD Board Member

Saving energy with the Conservation Improvement Program

With the price of natural gas increasing and all of the interest in wind energy as a possible alternative for producing electricity, what has happened to the idea of energy conservation? Finding ways to conserve electricity and the natural gas we use to cook and heat our homes while allowing us to continue to enjoy all the modern conveniences is still a top priority in Minnesota. Minnesota is often singled out as a leader in finding ways to make our everyday lives better, and the statewide Conservation Improvement Program is a great example.

The Conservation Improvement Program, or CIP as it is called, has been a little-known program except to those who have taken the opportunity to improve their equipment and appliances to qualify for a rebate. CIP was passed into law in the late 1980s; in 1992, to comply with the law, all natural gas and electric utilities began reporting to the legislature the programs they were using to conserve energy. The utilities themselves are responsible for administering the CIP programs. A number of both gas and electric utilities have a specific line on their bills that shows how much each customer has paid toward the energy saving programs offered by that utility. Other utilities use different ways to provide resources for CIP programs.

Let me talk about some of the programs that are familiar to you, but you may not realize are CIP programs. One question I hear the most: How much is the rebate for an Energy Star clothes washer and dryer, an Energy Star refrigerator or water heater, an Energy Star furnace or air conditioner? Energy Star is a program spearheaded by the U.S. Department of Energy in conjunction with the energy departments of the various states. An appliance receives the Energy Star rating when it has been determined that it will save the largest amount energy while getting the best results. The rebates are funded through a utility's CIP programs.

Utilities work with CAP agencies, the Salvation Army, and local and state agencies responsible for programs to help the under-privileged insulate their homes, upgrade windows, install insulation, and a host of other energy saving projects. CIP does not pay the homeowners' bills for natural gas and electricity, but by helping a customer use less energy, all the customers benefit.

The law differentiates between investor-owned utilities, like Xcel Energy and CenterPoint Minnegasco, and the rural electric cooperatives and municipal gas and electric utilities. While the programs are evaluated differently, the end result

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JOBZ in the first year: What the numbers reveal

It's been one year since the new Job Opportunity Building Zones program went into effect in Greater Minnesota. What have been the results? The Center is working with the program's administrator, the Minnesota Department of Employment and Economic Development, to collect data on the program, observe how it is functioning around the state and see what its results are. A new report, "Job Opportunity Building Zones: A Year One Progress Report," documents the results of this economic development program in its first year.

JOBZ was Gov. Tim Pawlenty's primary rural development program in the 2003 Legislative session and went into effect Jan. 1, 2004. Its purpose is to bring jobs and investment to rural Minnesota through a series of tax incentives for businesses. The Center is acting as an impartial observer of the JOBZ program, working with DEED to collect data on the program's activity as it progresses. The Center hosted a forum in Hibbing last August to report on JOBZ's first six months and has now released a report looking at its first full year.

JOBZ turned out to generate more activity in its first year than most people were anticipating, said Jack Geller, president of the Center. Testifying before the Minnesota Senate Committee on Jobs, Energy and Community Development in February, Geller informed senators that from January 1, 2004, to January 31, 2005, the Center's survey recorded a total of 130 business subsidy agreements signed within the program. The agreements create or pledge 2,459 jobs and \$423.4 million in capital investments. Some communities were especially successful, such as Albert Lea, which struck seven agreements in the first year. The program also seemed to be following legislative intent: 51 percent of the

agreements made involved manufacturing or machining businesses, with the rest going to wholesale and distribution, ag processing, industrial and professional services and research and development. Only 1 percent were in retail.

The survey, however, also showed that these agreements were not distributed evenly across all of Minnesota. In year 1, out of the 360 or so JOBZ subzones eligible, only 23 percent actually signed a business subsidy agreement. On

top of that, the size of the community clearly played a role. The median population of the 75 communities with signed JOBZ agreements was 3,481, according to the survey, compared to a median population of 768 for communities that did not close a deal.

Proximity to the Twin Cities metro area also seems to have been a factor. Those agreements located within 75 miles of the Twin Cities, while fewer in number, generated a higher average number of jobs per deal, a higher

average capital investment and a higher median hourly wage than those more than 75 miles away (see table). These kinds of disparities don't necessarily indicate something inherently wrong with the program, said Geller, but rather the distance that some places are from more competitive job markets that demand higher wages. Such conditions may change as time passes and the program matures, he said. Breaking the state down into its ten JOBZ zones, however, shows that jobs, investment and hourly wage were noticeably lower in the northern Minnesota zones.

The survey also found that five of the agreements are pledged to create 40 percent of the jobs (965 out of 2,459). At the same time, a large number of small agreements were each producing a small number of jobs: 50 percent of the

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Distance to metro	Deals	Average number of jobs per deal	Average capital investment per deal	Median hourly wage
Less than 75 miles	23	31.3	\$1.16 million	\$12.96
75 - 150 miles	61	15.9	\$540,000	\$11.25
150 miles or more	46	16.7	\$600,000	\$9.96

Number of agreements, average number of jobs, capital investment and median hourly wage.

Welcome to RuralMn Radio

You click the radio button and you hear "Welcome to RuralMn Radio, a production of the Center for Rural Policy and Development."

Yes, that's us. The Center's newest venture, RuralMn Radio is our way of bringing timely information and discussion of issues to residents of rural Minnesota. RuralMn Radio was launched in February and is produced here in our offices in Saint Peter. Each week the three-and-a-half minute program features Center president Jack Geller discussing important policy issues. These programs cover a range of topics: so far they have included the current legislative session, MinnesotaCare and health insurance, ethanol requirements at the pump, and JOBZ. All the discussions are non-partisan and are based on the Center's objective research.

Currently, RuralMn Radio is playing on stations in the Mankato-St. Peter area. You can also listen to the programs on our web site by going to the RuralMn Radio page at www.ruralmn.org and clicking on the program link. Radio stations that would like to play RuralMn Radio can contact us to be put on our subscription list and receive the programs at no cost.



Larry Anderson and Jack Geller hard at work producing another installment of RuralMn Radio.

Center membership is growing

The Center is pleased to welcome these new members:

Individuals

Nancy Larson, Minnesota Association of Small Cities
Louis Hohlfeld, McKnight Foundation
John MacFarlane
Cynthia Johnson

Organizations

Faribault County Economic Development Authority
Federal Home Loan Bank of Des Moines
The Victor Lundeen Company, Fergus Falls

Benefactors

Alliant Energy
Bremer Financial Corp.

Yes, I would like to become a member of CRPD.

Name: _____

Organization: _____

Address: _____

City: _____ State: _____ Zip: _____

Phone: _____

E-mail: _____

Please choose a level:

Individual \$50 \$100

I have enclosed a check.

Organization \$100 \$250 \$500

Please bill me.

Benefactor \$1,000 or more

May we e-mail your invoice?

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Occasionally the Center will publish lists of members in publications and on our web site. Please check here if you do not wish to be included in these lists.

Latest survey

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"It's really quite amazing to see how the broadband numbers have risen so steadily in the last four years," said Jack Geller, president of the Center. "The main factors seem to be the steady decline in prices and the amount of things to do online now." Although people weren't asked specifically, the fact that people with broadband are spending twice as much time online may indicate that they want or need to be online more and broadband is the way to facilitate that, he said.

The residential component of the Center's Rural Minnesota Internet Study has been administered every year since 2001 and is the only survey of its kind in the state. Surveys of rural Minnesota businesses and the state's telecommunications providers are also conducted regularly. Some of the findings in this year's household survey show that:

- **Broadband was the big winner:** While growth in computer ownership and Internet use remained flat compared to last year, broadband use continued its steady climb, from 6.2 percent of all households in 2001 to 21.0 percent in 2004. That means that more than one in five rural households have a broadband connection, or more than one-third of all households with Internet.
- **Growth varied regionally:** While broadband use rose across the whole state, the rate of growth varied by region. Broadband adoption was greatest in southern Minnesota (defined as the 507 area code), where it rose to 28.8 percent of all households; it was lowest in northern Minnesota (the 218 area code) at 15.3 percent of all households. Central Minnesota (320 and 763 area codes outside the Twin Cities) came in at 19.7 percent.
- **Cable is outpacing DSL:** As the connection of choice, for the first time this year, one technology was clearly outpacing the other. Among households with broadband, 56 percent said they used cable modem service, compared to 38 percent with DSL. The balance used wireless or satellite. But while this was true statewide, in northern Minnesota, the DSL adoption was ahead of cable.
- **The price of broadband is dropping:** The average price broadband users reported for their service dropped 8.5 percent from the year before, from \$40.95 in 2003 to \$37.45 in 2004. On the other hand, the price at which dial-up users reported being willing to switch also dropped, to below \$30 this year. At the same time, over 25 percent of respondents using dial-up connections said they just didn't use the Internet enough to justify buying broadband. "All along, the price of broadband has been reported as the biggest hurdle to purchasing," said Marnie Werner, program manager at the Center. "Every person has a price where

they feel what they pay is worth what they're getting out of it. It's becoming apparent now that as the price of broadband drops, people are picking it up."

- **Age, income and children in the home are excellent predictors:** The surveys continue to show that older residents and lower-income residents were less likely to have a computer, Internet access or broadband, while households with school-age children raised the likelihood. In fact, households with children were almost twice as likely to have broadband.

The steady increase in the adoption of broadband seems to beg the question: "Have we reached the point where broadband is 'taking off'?" We've seen it in the last century with radios, TVs, home computers and DVD players, but the actual "take-off" can only really be seen in hindsight. But whether we're at that point, or it is somewhere out in the future, the figures show unquestionably that broadband is becoming increasingly a part of rural Minnesota homes.

The full report can be downloaded from the Center's web site at www.ruralmn.org.

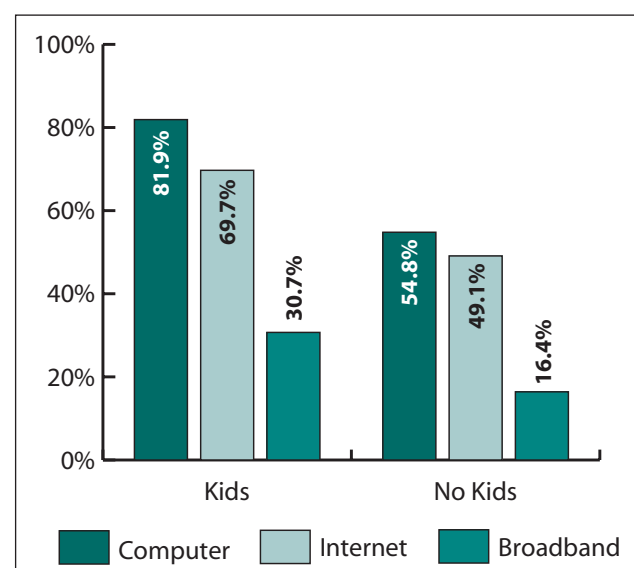


Figure 2: Differences between homes with school-age children and without in computer, Internet and broadband adoption.

In November 1997 the newly appointed board of directors set about the task of creating a mission statement for the just-created Center for Rural Policy & Development. Emerging from those early deliberations was a simple, straightforward statement that still guides the mission of the Center today, that “The Center for Rural Policy & Development is a nonprofit, nonpartisan research organization dedicated to benefiting Minnesota by providing its policy makers with an unbiased evaluation of issues from a rural perspective.”

From this simple, straightforward sentence, we set about creating an organization that was focused on policy-oriented research and programs with the policymaker in mind. More often than not the policymakers we focused on were state legislators and administration officials. However, depending upon the issue, we have also directed our attention toward county commissioners and city officials when appropriate.

Looking back over the past seven years, I think it’s fair to say that it was a strategy that has worked well. By staying mission-focused, the Center has become one of Minnesota’s primary resources on the economic, social and cultural forces that impact rural Minnesotans and the communities they reside in. Our work in the area of telecommunications technology has become the standard source for such information in Minnesota; on multiple occasions our studies have been used to either craft legislative bills or support existing ones. Our collaborative style with state agencies such as the Department of Employment and Economic Development has created mutually beneficial activities, products and synergy. And more recently we are seeing policymakers seek out the Center in efforts to review and/or strengthen their bills prior to submission. By staying mission-driven and always looking for the “rural angle,” we have found it possible to be functionally political without being partisan.

Now, seven years later, it is time to take the next step in the Center’s growth and development — to better share what we know and what we are learning with all rural Minnesotans. While not taking any of our focus

Time to Reach Further

Jack M. Geller, Ph.D.,
President

away from policymakers, we have added capacity to better reach rural Minnesotans where it counts — in their homes and businesses. We are doing this in two ways: first, as we announced in our last newsletter and on our website, the Center has engaged in a membership drive to slowly and steadily build a constituency for rural Minnesota. To that end, I am pleased and excited about the growing number of rural Minnesota businesses, corporations, organizations and individuals who have joined us to date. Simply put, there are a large number of businesses that derive their revenues from the natural resources of rural Minnesota or the hard and creative work of rural Minnesotans. These companies understand the importance of maintaining robust and economically viable rural communities. From rural utilities and telecommunication companies, to local Chambers of Commerce, to individuals who simply care, I am optimistic that our rural constituency will continue to grow.

Our second strategy for sharing what we are learning is through the creation of RuralMn Radio. Launched in February 2005, RuralMn

Radio is a weekly 3 1/2-minute conversational program discussing policy issues of interest to rural Minnesotans. The programs are produced at the Center for Rural Policy & Development and distributed to radio stations at no cost. Recently, through an arrangement with the popular Linder Farm Network, RuralMn Radio is now offered to dozens of stations throughout rural Minnesota. However, any station that wishes to subscribe to RuralMn Radio can do so at no cost.

Haven’t heard RuralMn Radio yet? Check it out on our website (www.ruralmn.org), where all of the programs can be easily downloaded as mp3 files. And if you like what you hear, tell your local station to consider airing RuralMn Radio.

For me, it’s been an exciting and fulfilling seven years at the Center for Rural Policy & Development. But by reaching out to all rural Minnesotans and building a strong and vital rural constituency, I can’t help but think that the best is yet to come.



JOBZ

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agreements had pledged five or fewer new jobs. It’s not really an imbalance, though, when one looks at the makeup of businesses as a whole in Greater Minnesota, said Geller. More than 70 percent of the state’s businesses have fewer than 10 employees, so a large number of small businesses is not unusual, he said.

One important question that has not been answered yet is how much JOBZ’s tax incentives will cost state and local taxpayers. There’s really no way to know yet, said Geller. Many of the jobs pledged have not been filled yet, and in any case, the Department of Revenue is only now totaling up the tax breaks the businesses are receiving. “All we can really do right now is be patient until Revenue can show us the real numbers,” said Geller.

Now, during the legislative session, whether JOBZ has been a success is open to interpretation, with some legislators wanting to enhance it while others want to

dismantle it. A few bills have been introduced to do one or the other. Other bills have been introduced creating separate rural development programs with incentives for businesses creating jobs in what would be defined as Minnesota’s more distressed counties. One, the Rural Minnesota Catch-Up Bill (H.F. 632/S.F. 738) would offer tax credits to businesses creating jobs.

When asked what advice they would give legislators concerning JOBZ, though, subzone administrators most often said to leave the program alone. Many of the subzone administrators thought it was too soon to tinker with the program and that it should be allowed to run for two or three years before making changes.

To read the full report, including more facts and figures and more comments from subzone administrators, visit our web site at www.ruralmn.org and look for “Job Opportunity Building Zones: A Year One Progress Report” on the Publications page.

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Rural Perspectives

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is cost-saving programs that reduce the consumption of natural gas and electricity. Let me first talk about the investor-owned utilities. Minnesota has four electric and five natural gas utilities that are classified as investor-owned. The utilities file plans with the Minnesota Department of Commerce that are cost effective and will save energy over a two-year period. Those plans are reviewed by the Department’s very able staff to see that they do indeed save energy and that the programs don’t cost more than the cost of actually buying the gas or electricity on the open market. The Commissioner of the Department of Commerce then reviews the programs, as well as the opinions of the Department’s staff before issuing his decision to either implement the program or make the necessary changes to improve its cost effectiveness and energy savings.

The rural electric cooperatives and the municipal natural gas and electric utilities also file a list of programs they will be using over a two-year time period. The Commissioner reviews those programs also to see that they meet the criteria of cost effectiveness and conservation, but these programs do not receive the close review from Department staff, and the Commissioner only issues recommendations about the programs, unlike the case with investor-owned utilities, where the Commissioner can order the utility to include a program or modify any they have submitted. Either way, Minnesota is providing the state’s residents with many programs to choose from to save energy and thereby lower their energy bills.

If you have questions about how to find the CIP programs that are available from your electric or natural gas utility, give their customer service representative a call. The Department of Commerce’s Energy Information Center is another great source of programs and ideas. You can call them at (651) 296-5175 or toll free at (800) 657-3710. CIP is the conscience that continues to remind all of us to use our natural resources for cooking and heating carefully and wisely.

