

CENTER *for* RURAL POLICY and DEVELOPMENT

Seeking Solutions for Greater Minnesota's Future

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New survey:

2003 Internet survey shows broadband use expanding

A new report to be released next month by the Center for Rural Policy and Development shows that the “digital divide” feared by many for several years now appears to be actually narrowing in some ways but remains wide in others.

Part I of the Center’s 2003 Rural Minnesota Internet Survey, based on a survey of Minnesotans living outside the Twin Cities seven-county metro area, showed this year that rural Minnesotans are keeping up in their use of the Internet and high-speed services. In its third year, the annual survey is developing into a valuable collection of time-series data, said Center president Jack Geller. “Even with all the emphasis on telecommunications and expanding access to broadband, this study remains the only one of its kind in the state, rural or urban,” he said.

This first of three surveys was conducted by phone in May and June using random digit dialing to contact residents outside the Twin Cities area, resulting in 642 successful surveys. The survey’s margin of error is $\pm 4\%$. (The previous years’ surveys excluded all counties in Metropolitan Statistical Areas, so larger cities like St. Cloud, Duluth and Rochester were not included previously but were included this year.)

While the conventional wisdom surrounding high-speed telecommunications has focused on the issue of infrastructure and getting it out to customers, this year’s installment of the Rural Internet Survey shows that, as far as residential users are concerned, access is growing at a steady pace. Broadband use among Internet subscribers has also grown steadily between 2001 and 2003, even while computer ownership and Internet use languished from 2001 to 2002 then jumped from 2002 to 2003.

What is appearing to become a more significant “digital divide” than geography, however, is that of income and age. Last year’s report showed a

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Addressing Diversity

Center presents second conference on ethnic diversity

In 2001, the Center for Rural Policy and Development held a groundbreaking forum discussing the growing ethnic diversity of rural Minnesota. The 2000 Census had only just revealed to the public a fact that many rural cities and towns had known for years: that their immigrant and minority population had exploded during the 1990s. Numerous cities that would have otherwise lost population actually gained because of the influx of immigrants into their communities.

Now two years later, the Center and the League of Minnesota Cities have teamed up to take the next logical step: to present how communities are handling the change from an all-white population to one with a variety of colors, languages and cultures.

This one-day conference, “Addressing Diversity,” will take place Aug. 7 at the Holiday Inn St. Cloud. The conference is the culmination of a year’s work of identifying and gathering information on the programs and practices people are using to help ease the transition for both immigrants and long-time community members. Several of these communities were looked at for programs addressing issues that cover all aspects of life, from helping children with limited English skills to improving relations between minorities and the police.

A number of these issues and programs will be the subject of morning and afternoon breakout sessions, presented by the people who work directly with minority communities and who have developed these programs.

Commissioner Velma Korb, of the Minnesota Department of Human Rights, will open the conference with a welcome and introductions. The keynote speaker will be economics professor Dr. Bruce

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Rural Perspectives

By Bruce Corrie
Concordia University, St. Paul



Q

Dr. Corrie, please tell us a little about yourself.

A

I am originally from India. I completed my Ph.D. at the University of Notre Dame and am currently Professor of Economics at Concordia University in Saint Paul.

Q

Your specialty is in business entrepreneurship, especially among minorities. How entrepreneurial of a state is Minnesota?

A

I think there is a strong and vibrant entrepreneurial spirit in Minnesota. One can see this energy both in the inner city as well as in the high tech corridor. It is great to see new immigrants among the top entrepreneurs whether in the Minnesota Business Hall of Fame or in City Business Book of Lists.

Q

How important is it to minorities and to the community in general to encourage business ownership?

A

Business Ownership is part of the American dream. Small businesses in particular play a very important role in the Minnesotan economy as providers of jobs, goods and services. For minority communities, business development is an important vehicle to achieve the larger American dream.

Q

Minnesota saw a large increase in immigrants and minorities in the last decade, but especially in rural Minnesota. How do circumstances differ between rural and urban when it comes to developing minority-owned businesses?

A

The rapid growth of minority entrepreneurs in rural Minnesota is Minnesota’s best kept secret. I consider minority rural entrepreneurs as the goose that is laying the golden egg - helping rural Minnesota in its transformation away from dependence on agriculture to a much more diversified economy.

The biggest hurdle that minority entrepreneurs face in rural Minnesota is not being able to connect to resources available for business development. For example, the other day I got a request from an entrepreneur in a town in rural Minnesota requesting technical assistance. I sent him a number of an important business resource in that town itself. Obviously he had no clue of local resources available or perceived that those resources were not for him. This lack of information is an important hurdle in urban areas too but there is a very sophisticated network of providers such as the Neighborhood Development Centre (NDC) and the Metropolitan Economic Development Association (MEDA) that are doing an excellent job in business outreach.

Q

What are the biggest hurdles to minorities and immigrants in starting or acquiring a business, and how prepared is the state to help?

A

Governor Ventura asked me to chair the Governor’s Working Group on Minority Business Development. We looked into this issue and came up with some recommendations after talking to a wide range of people.

There are three broad categories of hurdles that minority and immigrant entrepreneurs face in business development. First is around access to

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Addressing Diversity

Corrie of Concordia University in St. Paul. Working to help communities recognize both the social and economic contributions minority populations make to communities, Dr. Corrie has served as the chair of the Governor's Working Group on Minority Business Development and was recently appointed to the Governor's Workforce Development Council. He chairs the U.S. Small Business District Advisory Council in Minnesota and is a member of the Small Business Administration's National Advisory Council. In 2001, he was named Minority Small Business Advocate of the Year by the Small Business Administration.

Conference attendees will also have the opportunity to view a segment of the upcoming PBS miniseries, *The New Americans*. Made by the producers of *Hoop Dreams*, this miniseries will look at immigration in America today and the varied reasons that motivate people to pursue the American dream. The segment that will be shown at the conference, "Building Bridges," examines the issues that arise when newcomers arrive in an established community and how those issues can be addressed. A discussion will follow the screening.

The conference will conclude with a panel on building inclusive communities. Panel members include Richard Senese of the University of Minnesota Extension Service; Sharon Sayles Belton of the Hubert H. Humphrey Institute of Public Affairs at the U of M; Elsa Vega-Perez of the Otto Bremer Foundation; Ytmar Santiago of the Chicano Latino Affairs Council; and Dale Wicks of Quality Pork Processors. The panel will discuss with the audience and among themselves how towns and school districts can examine their growing pains and find solutions that include everyone.

Many of the programs being presented and others like them have been compiled in a workbook for conference participants. This book highlights efforts communities have been making in three areas: connecting immigrants to community services, child and youth issues, and adult education and services. Some of the programs featured are well-established and have had years of experience, while others were created just within the last one or two years. They also deal with a variety of groups. Some are open to specific ethnic groups, some only to immigrants or those with limited English skills, while others are open to everyone, including immigrants and minorities. The theme connecting them all, however, is the desire to make everyone in the community, newcomers and old-timers alike, feel welcome and a part of their home's future.

The deadline to register is July 25. For more information on the conference, a schedule of events and a registration form, visit our web site at www.ruralmn.org, or call the Center at 507-934-7700.

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Rural Perspectives...

capital, especially equity capital. I want to add that this concept of access to capital is quite complex. It does not just mean "discrimination" but also a complex set of issues such as understanding credit and the risk attitudes of financial institutions.

The second hurdle is basically an information gap - not aware of available resources or the perception that those resources are not for them. This is connected to the issues of cultural competency of resource providers both public and private. The web site www.bizpathways.org of Minnesota Rural Partners is an important asset for rural entrepreneurs.

The third hurdle is the access to business networks as suppliers of goods and services. For minority entrepreneurs to grow their business they need markets to sell their products and services. There is tremendous potential for local chambers of commerce to fill this void for minority entrepreneurs.

As far as the state goes I hope policy makers take the report we produced seriously. We looked at the economic development infrastructure from the perspective of the underdog. Our recommendations will help the state develop a sophisticated economic development infrastructure that will help us become globally competitive.

Q

What is Minnesota doing right and what could we learn from other states when it comes to developing minority-owned businesses?

A

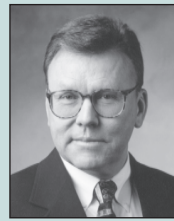
I think Minnesota has some unique models to offer the nation in the area of minority business development.

First is the state's Urban Initiative Fund. The fund is structured in such a way that it targets low-income and minority entrepreneurs. However, the very sophisticated non-profits that utilize those funds have a strong presence in minority and immigrant communities and have used the fund to help develop minority and new immigrant businesses. Here is an example of a mainstream fund that is very responsive and flexible to the needs of all entrepreneurs.

Notes

Center Board Elects Officers

The board of the Center for Rural Policy and Development held its biennial election of board officers May 15 in St. Peter. Paul Olson of the Blandin Foundation, was elected to a second term as board chair, while Blue Earth County Commissioner Colleen Landkamer was elected vice chair. Dan Reardon of the Otto Bremer Foundation was elected second vice chair, and Bob Bunger of HBH Associates was elected to a second term as secretary/treasurer.



Paul Olson
Board Chair



Colleen Landkamer
Vice Chair



Dan Reardon
Second Vice Chair



Bob Bunger
Secretary/Treasurer

Atlas of Minnesota, 2nd Edition

Due to some production delays, it now looks as though the Atlas of Minnesota, Second Edition will be ready for release in August. First published in 2000, the Atlas is a survey of the social and economic characteristics of the state and its counties. The second edition of the Atlas will display approximately 150 maps covering 11 topics, from the demographics of the state to health care, crime and education. The Atlas will be accompanied this time by a CD containing PDFs of Atlas and also an interactive mapping software that will allow users to create their own maps using data from the Atlas.



The Atlas is a joint project of the Center for Rural Policy and Development, The University of Minnesota Extension Service and the Blandin Foundation. Check our web site at www.ruralmn.org to find out when it will be available and how to order.

Second, is the ethnic-specific technical assistance provided by the Neighborhood Development Center (NDC). For example, NDC provides technical assistance uniquely designed for different minority groups - Hmong, Somali, Latino and Native American entrepreneurs. MEDA provides networks and resources to the minority entrepreneur seeking to grow to the next level of success.

Third, are the models of risk sharing between banks, non-profits, public funds and entrepreneurs, such as MEDA's and NDC's loan pool. The Social Impact Fund of the City of Saint Paul is an interesting use of public money to leverage loans by banks to small and minority businesses.

Fourth are models and networks to help grow minority entrepreneurs such as MEDA's Construction Partnering Program and Minnesota Minority Supplier Diversity Council.

Fifth, is a very successful and productive financial network of the United States Small Business Administration (SBA) that is being utilized by small and minority entrepreneurs. The SBA in Minnesota is very active in its minority outreach.

Finally, are the new models of financing that help provide financing away from the "interest" model to a "profit-sharing concept."

What Minnesota might learn from other states will be models of equity financing, especially the formation of micro equity pools.

Q

What else should our readers know about this issue?

A

I am excited about two developments in Minnesota: the breadth, depth and intensity of minority business growth and the very successful and innovative programs and policies around minority business development. To sustain this momentum calls for a very active public-private/non-profit partnership.

Dr. Corrie will be the keynote speaker at "Addressing Diversity," the Center's conference on ethnic diversity in rural Minnesota Aug. 7 in St. Cloud.

One of the outcomes of this year's rather difficult and contentious legislative session was the creation of tax-free zones as a new rural development tool. In fact, two years prior to his election as governor, then-House Majority Leader Tim Pawlenty was the primary legislative advocate for tax-free zones as a rural development strategy. Consequently, it was not so surprising that as governor, he chose to make tax-free zones (now known as Job Opportunity Building Zones) a major component of his 2003 legislative agenda.

Now that the tax-free zone legislation has passed, it is up to local units of government to best figure out how to make it work for them. One of the most intriguing aspects of the new law is that rural communities and counties have the opportunity to band together in the creation of larger, jointly sponsored tax-free zones. If such partnering actually occurs, it has the potential to shift the paradigm of rural economic development from being community-based to being region-based. Such a paradigm shift would be greatly welcomed in my mind.

Just a cursory examination of the mobility of the rural labor force would lead one to conclude that there are few if any medium to large rural employers that don't use a regional labor pool for their workforce. In fact, I'm surprised how far many rural residents are willing to travel to their employment site each day, as well as the distances traveled to meet their consumer needs. This all reinforces the notion that if our rural economic patterns are regionally based, then our economic development efforts should be as well.

Wondering what rural folks are making of all this tax-free zone stuff, several weeks ago I requested from the Economic Development Association of Minnesota (EDAM) a copy of their membership list and randomly selected 35 rural economic development practitioners to call on the phone. Did they follow the tax-free zone legislation? Are they planning to apply for a tax-free zone? Are they thinking about jointly sponsored applications with neighboring communities or going it alone? And what did they think of all this? These were the basic questions I hoped to have answered.

Their responses made it clear to me that most rural economic developers were quite interested in the legislation. Only 6 percent of the economic developers told me that they did not follow the legislation at all. Approximately three out of four (74%) reported that they followed the legislation "very closely" or "somewhat closely." The remaining 20 percent reported that while they didn't follow the legislation closely, they did "keep an eye on it."

Of course, I was most interested in whether they were planning to

JOBZ ... Here we come!

by Jack M. Geller
President
Center for Rural Policy
and Development

actually submit an application for one of the tax-free zones. To that question, 69 percent reported that they were planning an application; 11 percent were not planning to apply (mostly because they thought the relatively good economic health of their area would make them uncompetitive); and 20 percent reported being uncertain at this time. When asked what type of geographic configuration their application for a tax-free zone would comprise, 70 percent reported that their application would delineate a multi-county tax-free zone with multiple sub-zones. Several economic developers reported that they were working with their Regional Development Commissions in this effort. Only one respondent reported that his application would contain a multi-county configuration; and the remaining economic developers stated that they were uncertain of the geographic configuration of their application.

So what did I learn from these conversations?

Well, first, it is clear that there is a great deal of interest as well as a great deal of uncertainty about these tax-free zones. While the majority of economic development practitioners reported that they planned to apply for a zone, most did not have any real strategies or plans developed yet. In fact, many respondents noted that they had yet to review the final version of the legislation and that it was too early to start developing the application. This was a little disconcerting, as the deadline for applications is October 15: time passes quickly when one is developing innovative development strategies and joint powers agreements across multiple county lines.

Second, when asked why they were planning to apply for a tax-free zone, most economic developers appeared to be quite realistic in their approach and expectations. None thought it was going to transform their community or county in a significant way. Instead, they viewed it as another economic development tool worth having in their tool belt. However, several respondents appeared to be more concerned with the possibility of being left out than actually creating new and innovative development strategies. This, too, was disconcerting, while not totally unexpected.

Like it or not, rural development tax-free zones are here, and now it is up to local units of government throughout rural Minnesota to make it work. As I suggested above, while many are skeptical, I sincerely hope that such a program may help shift the paradigm of rural development from its traditional community-based approach to a truly regional approach. While some of these multi-county applications will likely treat their sub-zones as autonomous community-based development opportunities, I am hopeful that others may in fact take a truly regional approach in their design, development and marketing. Now we get to wait and see.



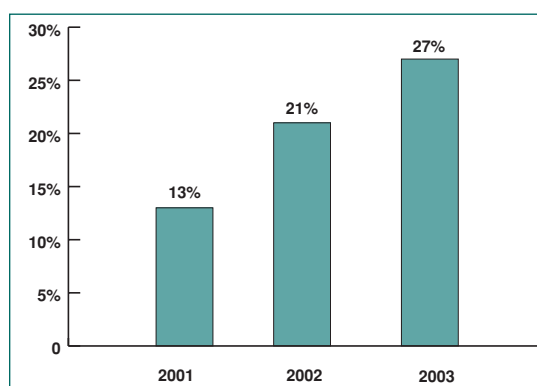
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Rural Internet Survey

dramatic difference in computer ownership, Internet use and broadband use between the highest and lowest income brackets and between those 55 and younger and 55 and older.

Overall, rural Minnesotans appear to be keeping up with national averages. A national survey by the PEW Internet and American Life Study in April and May of this year reported that 58% of American households were connected to the Internet and 16% were accessing the Internet using broadband. The Rural Internet Survey found that 57.5% of rural Minnesota households connected to the Internet and 15% of households used broadband connections.

Access to the Internet and broadband among rural residents is important, not only for their own use, but for rural businesses as well. Use of the Internet and broadband can be important in helping a business be more efficient and productive, but in rural Minnesota, economies of scale often



Broadband use among rural internet users has increased steadily.

make access too expensive for providers to offer and therefore for customers to purchase. The residential market is needed to expand the customer pool and help bring down per-customer costs for everyone.

But while the survey found that broadband use is increasing among households, about 40% of dial-up users said they

didn't purchase the service because it was too expensive, and 22% said they were satisfied with their dial-up and weren't interested in switching. This year's survey found that the average price for broadband is dropping, but it is still above the average target price at which dial-up users said they would switch.

The survey found that e-mail is still the universal online activity at 98%. And there were some activities that people were just doing a lot more of this year: researching medical information, playing games online, shopping and researching prices, visiting travel web sites and reading an online newspaper. A couple things people were doing less of: trading stocks online and downloading music and video files.

A difference, though, is starting to appear between dial-up and broadband in the things people do online. Some of the activities require broadband because they involve large files or streaming data that would take too long using dial-up, activities such as online gaming and downloading video and music files. For some activities, there was a difference of nearly 20 points between the percentage of dial-up users who engaged in the activity and the percentage of broadband users. In all of the categories except one, broadband users were more active than dial-up users.

Some of this activity may have something to do with time spent online. Respondents indicated that overall they spent more time on line in 2003 than 2002, but broadband users spent far more time on line than dial-up users, an average of 20.6 hours a week for broadband users as opposed to dial-up users, who averaged 11.5 hours a week.

These survey findings are just the first of three studies of Internet and broadband use in rural Minnesota being conducted by the Center this year. This installment, on residential use, will be released in August. The next two, surveys of rural businesses and Minnesota's telecommunications providers, will be released later in the fall.

2003 Rural Summit in Mankato

Entrepreneurship is the topic for the 2003 Minnesota Rural Summit. Minnesota Rural Partners conducts this annual summit, which brings together community leaders to discuss ways to strengthen rural Minnesota. The summit will take place in Mankato this year, where summit-goers will discuss various strategies using entrepreneurship to tackle economic development issues in rural communities.

The summit will be held Aug. 3-5 on the campus of Minnesota State University and will once again feature listening sessions and learning stations, along with speakers featuring enterprising small businesses and enterprising communities. Talks and discussion will center on the four "cornerstones" of public and private entrepreneurship: community design, health care, creative capital, and financial resources. These four components, combined with basic infrastructures like power, water, telecommunications, housing and transportation, will be combined to help community leaders find ways to build their local and regional economies.

Speakers at the summit will include Chuck Fluharty from the Rural Policy Research Institute, Mary Matthews of the Northeast Entrepreneur Fund and

entrepreneur Jerry Johnson. Gov. Tim Pawlenty has also been invited to speak. Some events have been coordinated with the Vikings training camp, which is taking place on campus at the same time.

For more information on the summit, visit www.minnesotaruralpartners.org/2003_summit or call Minnesota Rural Partners at 507-637-5929.

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