

CENTER *for* RURAL POLICY and DEVELOPMENT

MINNESOTA STATE UNIVERSITY • MANKATO

Seeking Solutions for Greater Minnesota's Future

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Policymakers Discuss Telecommunication Reform

Reform of the telecommunication industry is important to the success, growth-and vitality of rural Minnesota. On July 24, Minnesota policy makers met at the Kahler Hotel in Rochester to learn about these issues and openly discuss possible methods of addressing them.



Participants engaged in an active working lunch.

Facilitated by Don Bargaen, former vice president of the Blandin Foundation in Grand Rapids, the legislative discussion began with a presentation by Bruce Brorson on the telecommunication needs of Rural Minnesota. Brorson serves as associate professor of management and senior technology advisor at the Center for Business and Technology, University of Minnesota-Crookston Campus.

"The Internet is full of competitive intelligence. Companies are embracing the Internet for the consumer side - billions are spent through e-commerce," he said. "As of December 1999, greater than 50 percent of U.S. households have personal computers and of those, 90 percent have access to the Internet. Sixty-four percent of Americans 12 and older have used the Internet in the past and almost half of those users go on line daily."

Through Internet-based business services, companies are expanding the global market place and new business relationships are being formed. It's cost effective, and the need for access to fast information has become a mainstay. "Consumers spent an estimated \$7 billion online in the first quarter of 2000," he said. Banking is also going through change. Now direct banking can be accessed online, without the restriction of local chains. On the business end, much business to business e-commerce gives suppliers and buyers many more options-and competition. Business to government transactions like online licenses, application services and information centers are becoming commonplace. Businesses and individuals without necessary access to such resources are at a great disadvantage.

"There's a gap in trained, high-tech people," he said. "Many good marketing ideas are being moved from rural settings to urban areas to take advantage of the technical support available in the business communities. There's a 'computer guy' people turn to. To keep those people in the rural areas, they have to have competitive telecommunications service. But by who?"

Internet service is provided by a number of entities. Telephone companies, cable companies, wireless companies, along with ISP (Internet Service Provider) CSP (Commerce Service Providers) and ASP (Application Service Providers) companies all share common grounds-with-varying degrees of regulation.

"I never would have expected this service to develop so quickly," Brorson said.

Regardless of who provides access or how they are regulated, fast broadband service stimulates business growth. For the first time, home-based businesses have access to cost effective global marketing and communications capabilities. They can participate, buy and sell on the web. Electronic dot com companies emerge daily and their growth will not slow down. If rural Minnesota is to be economically robust, broadband services must be readily available.

Tom Bonnett of Public Policy Consulting, a consulting firm in New York, addressed the issue of telecommunication reform. Bonnett served as state legislator, policy analyst and as advisor to public officials and organizations.

"There is a need for regulatory reform," Bonnett said. "The current regulations were addressing a different type of economy." He explained that the 1930's tax structure was product based. Now, it's based on information. "Will the states provide sufficient revenue or taxing authority that local governments can do what must be done to ensure economically viable communities? Will the Federal government?"

Less than 20 percent of the economy is in the product sector now, Bonnett explained. Knowledge-based service skills is 80 percent. This means the

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Rural Perspectives...

*Dr. Charles Casey, Dean & Director
University of Minnesota Extension Service*

A key resource in rural Minnesota is the University of Minnesota Extension Service. In this issue of Rural Perspectives we talk with Dr. Charles Casey about the Extension Service and its changing role.

Q *Please take a moment and briefly discuss the size and scope of the University of Minnesota Extension Service.*

A The University of Minnesota Extension Service has nearly 1100 full and part-time employees. They serve in offices in all 87 counties, 6 Research and Outreach Centers, 4, soon to be 5, Regional Agricultural and Natural Resource Sustainable Development Partnerships, and 3 coordinate campuses around the state. We also have faculty with Extension appointments in 11 colleges on the Twin Cities campus of the University of Minnesota. This statewide network of campus and field faculty serves as an effective means of connecting community needs and University resources.

Q *It seems over the past few years Extension has branched out well beyond agriculture and family/youth programming, where now you are educating people about e-Commerce and website development. Is this a new trend that will continue?*

A Extension will continue to support agriculture and family/youth programming as a high priority. However, it is the responsibility of a land-grant institution like the University of Minnesota to bring information to the citizens of the state to improve the quality of their life, their family and their community. And needs change and new research is generated, Extension helps the University bring that information to citizens. The example you cite of e-commerce is an excellent example of Extension helping people adopt new technology for their benefit. To be a contemporary organization and of value Extension must be aware of changing needs and then respond to them.

Q *What are some of the exciting new initiatives on the drawing board for Extension?*

A We are defining our work in what we are calling capacity areas. They are: Agriculture, Food and Environment; Community Vitality; Natural Resources and Environment; and Youth and Family Development. We are engaged in a statewide assessment process to identify important trends and issues. We will use this information to develop programs to meet the needs of citizens.

Some current programs include e-commerce training, 4-H Youth Development programs, Master Gardeners, nutrition education, manure management, risk management, master marketer, water quality education, positive parenting, leadership training and diversity education just to mention a few.

Q *Once the 2000 Census results are tabulated, it is likely that it will document a significant increase in the racial and ethnic diversity of rural Minnesota. What programs or activities does Extension have to address these changes?*

A Diversity education is a major emphasis of Extension. We are working with the Association of Minnesota Counties (AMC), Extension Committee members and county commissioners to be strategic about our role in this area. We are asked to work in many communities that have significant increases in minority populations. An Immigrant Farmer Program at Rosemount has been in place for a number of years. We are working with families on parenting education and have prepared a number of our publications in different languages. We have aggressive goals for a more diverse Extension staff to reach new audiences and we are doing diversity training as a high priority for our staff.

Q *The past few years have not been kind to Minnesota's agricultural economy. How does Extension hope to address the difficulties facing family farm operators?*

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Telecommunication Reform...

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economy is shifting in a big way. "It's changing the nature of work. There's been a death of distance. Now product and consumption are de-linked to geography" What does that do? If work is portable, what does that have to do with our communities? "We want people to choose our community," he said.



Assistant Commissioner (Commerce) Anthony Mendoza discusses the administration's proposal.

"Credit cards, wire money - electronic commerce - now the average person with a computer can do what they used to do on Main Street. Fourteen

million people were on Amazon .com in the month of January," he said.

"We know we want broadband, how are we going to get it? We have explosive technology. For rural Minnesota, how will we not be left behind?" Bonnett said. "The most important thing for your state to do is put together a Universal Service Fund. There are times when the infrastructure investments are important."

That fund would be used to encourage needed broadband service into rural Minnesota. Lawmakers met in smaller groups to discuss the details of telecommunication reform. A panel discussion followed with David Fisher, commissioner of Minnesota Department of Administration; Anthony Mendoza, assistant commissioner, telecommunications at the Minnesota Department of Commerce; Michael Martin, executive director of the Minnesota Cable Communications Association; Randall Young, executive director of Minnesota Association for Rural Telecommunications; state senator Steve Kelley; and Jerry Knickerbocker, director of government and regulatory affairs for the Minnesota Telephone Association.

Options discussed were the development of a Universal Service Fund, tax credits to firms providing broadband services to rural areas, grants to rural institutions to



Representative Doug Peterson (D-13B) emphasized the need to bring broadband services to rural Minnesota now.

develop new application, and educational programs for schools. All agreed more discussion and

communication between government and business sectors should continue.

"We need to be very careful how we structure funding so we don't do it wrong," said Anthony Mendoza. "We have to be careful we don't do something harmful to rural Minnesota."

"At this time, there is no clear-cut path to consensus," observed Jack Geller, president of the Center for Rural Policy and Development. "How do you deal with regulatory reform as technology races ahead? However, one thing I'd really like to see next session is the development of a State Universal Fund," Geller added. "However they decide to fund it, there needs to be a way to encourage the development of advanced services to all of our rural communities."

Dr. Charles Casey...

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A The issues affecting Minnesota's agricultural economy are very complex involving everything from local competition for agricultural land to globalization of the economy. Extension will continue to provide information and educational programs to help producers make their operations effective and efficient. Information to keep cost of production low, improve performance of livestock, improve crop yields, marketing programs to achieve higher returns as well as information to produce safe, wholesome products to market. We need to help producers who are interested in alternative crops and livestock systems as well. Significant income can be achieved through some of these enterprises.

Q Given the tremendous changes in the structure of Minnesota agriculture over the past few decades, what do you think the structure of Minnesota agriculture will look like in the year 2020? And what will the role of Extension be?

A As I reflect on changes in agriculture over the past 40 years, I doubt that I could have predicted the current structure. Likewise, I don't pretend to know what it will be in 2020. What I do think Extension can do is adapt to changes. Information will certainly be disseminated much differently than in the past. Using technology to reach industry personnel as well as directly reaching producers will be increasingly important. I predict an increased emphasis on food safety, biotechnology that will result in production of foods with human health benefits, increased production of organic foods, and protection of land and water resources will be a high priority. University research will continue to be important to the future of Minnesota agriculture and Extension will help deliver that research information to those in production agriculture.

Q What are your one or two key priorities to accomplish as Dean and Director of Extension over the next year or two?

A My top priority is to complete our Program Development and Support System. Extension has developed five goals which are: 1) Focused high quality programs, 2) effective mobilization around critical issues, 3) flexible and adequate program resources, 4) efficient use of time and money, and 5) accountability for impact. Other priorities include maintaining an adequate resource base for Extension and building relationships and partnerships both within and external to the University.

CRPD to Co-Sponsor Regional Telecommunications Workshops

As the telecommunications industry and the regulatory environment changes, local community leaders are coming to understand that they will have to become more proactive in ensuring that their community has access to advanced services and the benefits such infrastructure can bring. This is especially true for smaller rural communities who are less likely to be competitively marketed to by telecommunications carriers.

Many rural communities will find that they have to plan their telecommunications strategies. Assessing both public and private telecommunications demand, understanding what infrastructure they have and need, exploring regional partnerships with neighboring towns and learning how to work with local and/or competitive carriers is all part of the new environment. And as more communities explore the potential of establishing a municipal telecommunications utility, more and more options seem to emerge. For some local leaders the process and prospects can seem overwhelming.

In response, the Center for Rural Policy and Development has teamed up with several organizations and agencies to conduct regional workshops on "Telecommunications for Local Leaders." Organizations partnering with the Center on these workshops are the League of Minnesota Cities, Blandin Foundation, IRRRB, Minnesota Municipal Utility Association, Northern Great Plains Initiative for Rural Development, and the State and Local Policy Program at the Humphrey Institute. These workshops are designed to help local leaders better understand the new competitive telecommunications environment, how it affects their local community and what they can do to ensure that their community has affordable access to advanced telecommunications services.

"Community leaders can no longer afford to sit around and wait to see if their local telecommunications carrier is ready to bring advanced services to their community. We must be proactive, stick our own neck out and help chart our own destiny," notes Mark Erickson, city administrator for the city of Lakefield, who is helping lead the

effort to bring high speed services to five southwestern Minnesota communities. "These workshops are designed to put tools in our local leaders' tool belt and get them started down the right path," Erickson added.

Workshops are currently scheduled for the following dates and locations:

**October 4: Grand Rapids
Sawmill Inn**

**October 11: Crookston
Bede Ballroom, UMC**

**October 17: Windom
Windom Community Center**

**October 24: Owatonna
Ramada Inn**

For information on workshop registration and general information regarding these workshops, contact Cynthia Hanson at the Center for Rural Policy and Development (507) 389-2599. Or to register, call our automated line at (507) 389-2947.

Advances in telecommunications technology are changing and will continue to change the way we work, transact business, access information and interact with the world around us. For everyone to take full advantage of these new technologies and services, all Minnesotans must be able to access a reliable telecommunications infrastructure with enough speed and capacity to handle the advanced applications needed now and in the future. Fortunately for Minnesota, a recent survey conducted by the Minnesota Department of Administration documents a significant fiber network already deployed throughout the State. In addition, the "Connecting Minnesota" project will soon bring additional fiber capacity to many parts of the State.

The challenge for many rural communities however, is to solve the "last mile" problem. Defined as the connection between the consumer (i.e., home or business) and the telecommunications fiber network, many of the "last mile" connections in rural Minnesota do not currently have the capacity to support advanced, or broadband services (defined by the FCC as infrastructure capable of supporting speeds in excess of 200 kilobits/second). Without a high-speed "last mile" connection, rural communities will be severely disadvantaged in their economic development efforts and increasingly be left behind.

For example, as I mentioned earlier, telecommunications technology is transforming the way business is being conducted. Forrester Research Inc, a leading Internet research firm, predicts "eCommerce" or business-to-consumer Internet sales will reach \$200 billion by 2003. However, that figure is dwarfed by their projection of business-to-business commerce reaching \$1.8 trillion in the same time frame. This will have an enormous impact on the hundreds and hundreds of manufacturers and service providers throughout rural Minnesota.

Many of Minnesota's rural manufacturing firms do not manufacture products for retail sale. Rather, they manufacture products that are part of a national, if not global supply and distribution network. And it is that global supply and distribution network that is increasingly utilizing advanced telecommunications technology to connect with both suppliers and customers. The consequence of these changes are if rural Minnesota businesses cannot be part of a "connected" product supply and distribution chain that is increasingly using telecommunications to transact business, they too will be left behind.

But the consequences go well beyond business retention and rural economic development. Telecommunications technology already plays a significant role in the delivery of rural health care, distance education, home health care and many other facets of our lives that are impacted by distance. Right now in many parts of the U.S. urban-based medical specialists are seeing and treating patients in "telemedicine examination rooms" set up in rural primary care clinics. Such telemedicine visits not only reduce travel time and inconvenience for the rural patient, but for the medical specialist as well. In emergency cases, such "telemedicine" consults between specialists and physicians located in rural emergency rooms could save lives. And how long do you think it might be before physicians, using telecommunications technology will be making house calls again, as they did when we were growing up?

From Hallock to Houston: Connecting all of Minnesota

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

In the field of education, telecommunications has the potential to significantly enhance teaching and learning resources that seem to be so scarce in many rural schools. Think of unlimited library resources; interactive learning across schools and school districts; and course offerings in 19th Century art and architecture, classical music appreciation, or Cantonese as a foreign language. For adult learners, it is already possible today to go "on-line" and enroll in the MBA program at the Wharton School of Business at the University of Pennsylvania. And how long do you think it will be before Minnesota's colleges, universities and technical institutions are providing customized training to rural businesses in their workplace via telecommunications?

The potential for telecommunications technology to breakdown the barriers of time and distance are staggering as you begin to explore the possibilities and talk to those who are on the cutting edge of this technology. But for any of these benefits to be realized, the infrastructure must be both available and affordable to rural Minnesota residents and businesses. And that's where telecommunications planning and regulatory reform comes in.

Unfortunately, most, of our rural city administrators and directors of planning and zoning never really learned much about telecommunications planning in their public administration courses in college.

It's not their fault of course, it was never (and still isn't) included in the curriculum. So trying to figure out a community's telecommunication needs, aggregating local and regional demand and working with local telecommunications providers is not as familiar of a task as planning a new sub-division or constructing a new road. In response, the MN Department of Administration, along with Minnesota Planning and the Department of Trade and Economic Development (DTED) recently released "NETPLAN: A Community Planning Guide for Advanced Telecommunications Services." While NetPlan won't solve all of your community's telecommunications challenges, it's a good place to start and a way for rural communities to become proactive in seeing and meeting their own future. I suggest that you check it out.

Last is the issue of affordability. Unless connectivity to advanced telecommunications services is affordable to rural residents and businesses, there is little likelihood that rural communities will see any of the benefits mentioned above. This is where regulatory reform and our state policymakers will be needed. Minnesota clearly needs a mechanism that gives telecommunications carriers economic incentives to invest their financial capital in building infrastructure throughout rural Minnesota. The simple truth is that it costs more per customer to build and operate these "last mile" connections in rural places. Many believe that the development of a state "Universal Service Fund," that recognizes and subsidizes providers who deliver advanced services to higher-cost, lower-demand (i.e., rural) areas would provide that incentive. It may also provide an incentive for competitive carriers to re-look at competing for customers in smaller, rural markets. While such an approach makes sense to me, others have different ideas that are worthy of legislative consideration as well. Regardless of what that mechanism turns out to be, the discussion during this upcoming legislative session is going to be worth following. Because without regulatory reform, affordable connectivity in many of Minnesota's rural communities may be just a dream. Talk to your legislator and find what his or her thoughts are.



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New Study Highlights the Economic Impact of Latino Workforce

An estimated \$484 million annually, or slightly less than 10 percent of the total value added to the Region Nine economy can be attributed to the Region's Latino labor force. These are among the highlights of a study recently released by the Center for Rural Policy and Development at Minnesota State University, Mankato. Other important findings include:

- While state and local governments spend approximately \$24.5 million in additional governmental programs and services for the Latino population in the region, the Latino workforce generates \$45 million in state and local tax revenues.
- Approximately 33 percent of the region's employees in the food processing and packaging industry are Latino.
- Approximately 7,800 non-Latino jobs are created in the region due to the economic contributions of the Latino work force.

These findings, as impressive as they are, are actually somewhat conservative, according to Dr. Jack Geller, president of the Center for Rural Policy and Development. "The employment data used for this analysis came from the Equal Employment Opportunity Commission (EEOC), which

tracks labor force statistics by race. However, the EEOC does not require businesses with fewer than 100 employees to report such statistics. Thus, many of the region's Latino workers, who are employed in small business and farm settings, are not included in this analysis. Consequently, the economic impact is actually greater than the estimates suggest," Geller explained.

The study was conducted throughout the spring and summer by James Kielkopf, a market research manager for a twin cities bank holding company, in cooperation with Dena Nundahl Colemer of the Region Nine Development Commission in Mankato. The study analyzed data from the EEOC, U.S. Census Bureau, Bureau of Labor Statistics and the Bureau of Economic Analysis for Blue Earth, Brown, Faribault, LeSueur, Martin, Nicollet, Sibley, Waseca and Watonwan counties. Data used for the study were from 1997, but the results in the analysis have been adjusted to 2000 dollars.

"It's clear that Hispanic workers play a critical role in the economy of South Central Minnesota. They are particularly important in the food processing industries, which are responsible for bringing outside wealth into the area and thus, providing work to people who service that industry and its employees; such as doctors, lawyers, bankers, grocers, and teachers," Kilekopf noted.

Reviewing the report Russ Wille, executive director of the Region Nine Development Commission notes, "This study clearly illustrates the benefits the Latino population brings to the region. Their contributions to the labor force and the local tax bases in Region Nine communities are evident. The total estimated value added to the Region Nine economy due to the Latino workforce is \$484 million per year. The presence of the Latino workforce causes an estimated \$121 million in additional tax revenue to be generated in the region; \$45 million of which is state and local tax revenue."

"In addition, the Latino population shares their rich history and cultural traditions which allow persons of all ages the opportunity to expand their knowledge and understanding of the Latino population. We must continue to help integrate the Latino population into all levels of our communities in southern Minnesota including the regional workforce, educational and medical arenas."

Copies of the report are available by calling the Center for Rural Policy and Development at (507) 389-2599, or downloading it directly from the Center's website at www.ruralmn.org




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