

# CENTER *for* RURAL POLICY and DEVELOPMENT

*Seeking Solutions for Greater Minnesota's Future*

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Winter 2008

## *Editor's note*

For this quarter's newsletter, we decided to try something new: we have invited guest writers to write about their initiatives for rural Minnesota, the upcoming legislative session, and new developments at the Center. We hope you enjoy the issue.

## *Center awards wind energy grant to Southwest Initiative Foundation*

The Center for Rural Policy and Development is pleased to announce that it has selected the Southwest Initiative Foundation to receive a grant for \$950,000 over two years to manage and implement the Rural Wind Energy Development Assistance Program (RWEDAP). The Minnesota State Legislature appropriated funds for RWEDAP to the Center in 2007 to be awarded to a nonprofit organization that would work statewide to provide assistance to rural entities seeking to develop wind energy electric generation projects and sell the energy from those projects.

The Southwest Initiative Foundation is a regional community foundation with a focus on advancing southwest Minnesota through leadership, relationship building, program development and philanthropy. Over the years, the Foundation has contributed over \$43 million through its grant and loan programs in southwest Minnesota.

The Center selected SWIF to receive the grant based on the foundation's experience dealing with energy and community wind issues and the solid understanding and comprehensive approach it demonstrated through its proposed program model. Through the RWEDAP program, SWIF and its partner organizations will support rural wind energy generation projects by providing the technical assistance in areas such as organizing, legal, engineering and financial services required to launch

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## *SEED Initiative: Building and Strengthening Minnesota's Small Businesses*

After a summer of visiting with and listening to business and community leaders, the Department of Employment and Economic Development will be presenting its newest initiative to the Legislature this February: the Strategic Entrepreneurial Economic Development, or SEED, initiative. Gov. Tim Pawlenty and DEED are proposing the comprehensive new program to stimulate rural economic development and to help strengthen communities and expand the small business base throughout Minnesota.

The governor's proposal calls for an investment of \$20 million from the state's general fund and another \$50 million in one-time bonding.

"Investing in small business will bring lasting value and economic growth to our entire state and especially rural communities that need it most," Gov. Pawlenty observed. Companies with fewer than 100 employees account for 97 percent of the state's businesses and generate most new jobs. The SEED proposal would help new businesses, existing companies, and rural communities by providing a variety of economic development tools that can be matched to each situation.

SEED is designed to help small business development across Minnesota through 22 new or expanded programs targeting three key strategic areas:

1.) **Developing and Growing Entrepreneurs:** Small business success begins with solid planning, strong leaders, and access to a network of information. These SEED programs would do several things, including:

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## *Center for Rural Policy and Development: Plans for Growth*

*Sandy Layman, Chair  
Strategic Planning Committee*

The Center for Rural Policy and Development celebrated its 10th birthday in 2007. Created by the Legislature a decade ago, the Center has since made a name for itself as a distinct nonpartisan voice for rural Minnesota to policymakers and elected officials at the state level. Under the leadership of former president Jack Geller and board members from across the state, the Center has produced quality research and developed well-regarded products such as the web-based *Atlas of Minnesota* and the *Rural Minnesota Journal*.

A ten-year rear view mirror perspective would lead one to surmise that we at the Center for Rural Policy and Development have built a pretty good organization. Jim Collins, well-known author of *Good to Great*, would offer another view. Collins writes, "No matter what you have achieved, you will always be merely good relative to what you can become. The moment you think of yourself as great, your slide toward mediocrity will have already begun."

And so, in the spirit of moving the Center to its next stage of development and making a good organization even better, the board of the Center devoted its tenth year to crafting a plan for the future. No confetti and noisemakers to celebrate our tenth birthday, just some serious self-assessment and visioning for what the Center could become in its second decade.

### **Self Assessment**

Early in the year, board chair Dan Reardon asked me to chair a newly formed Strategic Planning Committee comprised of Dan as chair, Lois Mack as vice chair, and newly appointed board member Tim Houle. We launched the yearlong planning process with a period of self-assessment, starting with an environmental scan. Individual, in-depth interviews were conducted with key stakeholders from across that state including current and former board members. During the interviews, we asked about the Center's strengths, weaknesses and opportunities and attempted to measure the use of our products. Five attributes commonly ascribed to the Center by interviewees are as follows:

**Credible.** The Center is well positioned as a credible source of objective, nonpolitical information regarding major issues affecting rural Minnesota. Elected representatives and other policymakers consistently pointed to a high level of trust.

**Resource.** The balanced role the Center plays is accepted and viewed as a valuable resource for future development. The organization is seen as being at the forefront in identifying emerging issues that confront rural Minnesota.

**Independent.** The fact that the Center is not connected to another organization with a competing mission sets it apart. Often times other research and data provided to policymakers has been funded and/or sponsored by organizations having a self-serving agenda.

**Focus.** The Center's focus on rural is considered to be an important strength. This focus allows the organization to be at the forefront in understanding and providing information on emerging issues facing rural Minnesota.

**Quality.** Chief among the Center's strengths, in the view of interviewees, is the quality of its information and research. And there is a high level of awareness and utilization of all of the products. Of those having an opinion, a full 85% believe that the Center's publications are well utilized, 89% had used one or more research products, and 75% had used the web-based *Atlas*.

### **Opportunities for Growth**

A majority of those we talked with felt the Center should expand its focus on research and that future growth should be organic — "doing it better and more of it." At the same time, interviewees expressed a desire to see the Center

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## *From the Capitol*

Rep. Kathy Brynaert (DFL-Mankato) is a member of the Center's board of directors and is providing a preview of the major issues for the upcoming legislative session, which opens Feb. 12.

### **Bonding**

A top priority of the 2008 session will be to pass a comprehensive and extremely important capital investment bill.

Three priorities identified for this year's bonding bill all apply to Greater Minnesota:

- Higher education: Many state colleges and universities included in the bonding bill are outstate institutions. One category of funding, Higher Education Asset Preservation and Replacement (HEAPR), will be especially helpful in the short term because the money is spread out across the state and can be used immediately.
- Transportation: Largely made up of local roads and bridges that are not funded by the federal government, most of these projects are located in rural Minnesota.

- Clean water: The bonding committee received over \$2 billion in wastewater project requests with the majority of these coming from rural communities.

### **Transportation**

The tragic collapse of the I-35W bridge this past summer brought statewide attention to the declining condition of our state's roads and bridges and the need for a comprehensive and sustainable transportation-funding bill.

One focus of this legislation will be to address the structurally deficient and fracture-critical bridges, many of which are located in rural Minnesota. Improving and maintaining the infrastructure in Greater Minnesota is vital for farming and industry not only to survive, but to thrive. It also supports the creation of badly needed jobs.

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## Layman Strategic Plan

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leverage its work by reaching out and building a stronger network. Seeking input from individuals as well as building new alliances with an expanded group of organizations, foundations, agencies, and the academic community was viewed as critical to the Center's future.

Moreover, many suggested the Center play a more visible role in policy discussions by organizing "town hall" meetings and partnering with organizations like the Citizens League, the League of Minnesota Cities, the Minnesota Association of Counties and others.

### A Vision for the Future

The work this past year has led the Center to establish a new vision for the future. Importantly, quality research that advances policy and decision-making is recognized as the heart and soul of the Center. Jim Collins would call it the "Hedgehog concept" —an understanding of what we can be best at. Our new vision simply states: *The Center for Rural Policy and Development will be the leading and most trusted source of research and recommendations to advance policies that improve the quality of life in Greater Minnesota.*

At its November 8, 2007, meeting, the board adopted five strategic goals to help us realize the vision. The five are:

- Expand and enhance CRPD's **research capability**, scope and resultant impact on issues and priorities of vital importance to rural Minnesota.
- Increase **public accessibility** to the Center; improve brand awareness and recognition; enhance and improve all communications initiatives.
- Develop key strategic **partnerships** that will leverage CRPD's capabilities, expertise, credibility and knowledge base to the benefit of rural Minnesota.
- Strengthen governance practices by the board of directors to enhance the **effectiveness of the board** and its contribution to the development and growth of CRPD and to the benefit of rural Minnesota.
- Build **organizational capacity**, functions and infrastructure that will fully support CRPD's goals for growth.

## From The Capitol

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### K-12 Education

Despite the fact that 2008 is a non-budget year, the House will continue to work for improved funding for our schools. This past year, we saw the second highest number of levy referendums in recent years. Out of a total 133 referendum questions, 99 of those came from outside the metro area; close to 80 percent of the questions that passed overall were approved by rural voters. These numbers are reflective of both the funding needs in rural Minnesota and the support outstate schools receive from their communities. This is not a sustainable funding solution, however, and a top priority will be to increase our state's commitment to our schools.

Since the end of the 2007 legislative session, several working groups have been meeting to consider the funding challenges our schools face. The Finance Reform committee is specifically considering funding changes for small, isolated schools (sparsity funding) as well as working to address declining enrollment. In light of the budget deficit, it may be difficult to make any immediate changes in this regard; however, these efforts will continue.

### Health Care

Since the end of last session, the House Health and Human Services Committee has been holding hearings in rural Minnesota to examine two critical issues: the unique challenges rural areas face with regard to health care, and the funding crisis that is crippling long-term care facilities. The information gathered at these hearings will be used to help shape health care reform legislation that will be introduced next session.

The need for fundamental reform is evident in Greater Minnesota. More rural Minnesotans lack health insurance than those living in urban areas, and Minnesotans outside the Twin Cities are more likely to rely on public programs to pay for health care. More alarming, a full 25% of rural Minnesotans who do have private health insurance spend themselves into medical debt because their coverage is too limited or their deductibles too high to provide meaningful coverage when it is needed. Clearly, the work the legislature is now undertaking to make health care less costly will have a big impact all across the state.

The legislature will also look for reform measures that will attract more primary care professionals to rural Minnesota, where they are in short supply. We are also exploring

ways to remove licensing and regulatory barriers so that nurse practitioners and physician assistants can use all of their skills to provide high quality care for less. Nursing homes and other long-term care facilities in our state are in crisis. As the result of funding changes over the past few years, dozens of homes have closed and dozens more are in danger of closing before another year passes. It is especially important that we work to keep rural homes open, as they not only allow our loved ones to stay close to home, they also provide critical jobs. Increased funding for long-term care facilities is a key component of the 2008 legislative health care agenda.

**Mission:** The Center for Rural Policy and Development provides high quality and objective research to examine and advance policy and decision-making, advocacy, and civic engagement for Greater Minnesota's development.

**Vision:** The Center for Rural Policy and Development will be the leading and most trusted source of research and recommendations to advance policies that improve the quality of life in Greater Minnesota.

#### Values:

**Research Excellence.** We endeavor to strive for excellence in every project in which we engage.

**Political Non-partisanship.** Political non-partisanship is the historical foundation of our work. We are committed to maintaining that reputation.

**Collaboration.** Collaboration will be the hallmark of our future work. Our success will be defined by the partnerships we create.

**Commitment to Minnesota.** A strong Minnesota requires a healthy and vibrant Greater Minnesota. We are committed to supporting quality decision-making that will positively impact Greater Minnesota's ability to thrive.

## Center awards wind energy grant

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successful projects. RWEDAP is intended to maximize rural economic development and stabilize rural community institutions by increasing the income of local residents and local tax revenues.

As the recipient of this grant award, the Southwest Initiative Foundation will administer the program and deliver the objectives through partnership with other organizations and individuals. The Southwest Initiative Foundation is working closely with the C-BED Initiative, North American Water Office and other partners to create a framework and implementation plan for RWEDAP that presents an opportunity for true collaboration and a model that is both sustainable and replicable. In addition to providing the required 35 percent grant match in the first year, SWIF is committed to leveraging significant additional resources and securing partners to sustain and expand the program throughout the state of Minnesota.

SWIF has been working with renewable energy since 2003, with all efforts focusing on creating wealth retention in southwest Minnesota. In 2007, SWIF developed a \$3.5 million Renewable Energy Loan Program offering loans to businesses engaged in renewable energy activities, whether directly or indirectly, that help build the renewable energy industry. This program provides financial support for rural wind energy development and directly lowers the market risk for potential wind investors. "This loan program exemplifies what the Foundation has already done to help advance community wind projects," said Scott Marquardt, SWIF Senior Program Officer and statewide administrator of the RWEDAP project. "We're well positioned to ensure the successful implementation of RWEDAP across the state, engaging an extensive network of public, private and non-profit partners."

SWIF also played a leadership role in convening groups of stakeholders across Minnesota this fall in collaboration with the Minnesota Department of Commerce and other partnering organizations. The meetings covered recent renewable energy legislation and engaged attendees in working sessions to gather input for community-based energy development in Minnesota.

To learn more about the Foundation, visit [www.swifoundation.org](http://www.swifoundation.org). Cheryl Glaeser, Sarah Libbon and Diana Anderson are with the Southwest Initiative Foundation in Hutchinson, Minn.

## CENTER for RURAL POLICY and DEVELOPMENT

### Seeking Solutions for Greater Minnesota's Future

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The people, communities and natural amenities of Greater Minnesota make it a great place to live. For most of the state's history, Greater Minnesota's abundant resources have provided a strong foundation for economic development. When these were combined with the values, leadership and entrepreneurial spirit obvious in Greater Minnesota, its economy found a successful formula. However, in an environment of global competition Minnesota needs a new approach to economic development, one that increases real wealth and gives rural areas a competitive advantage in the world's markets.

The Regional Economic Development Group (RED) has developed some new approaches to community and economic development. RED is a private-public collaboration of representatives from businesses, foundations, education systems, public sector agencies, nonprofits and others. RED promotes a set of principles it successfully tested in six regions of the state over the last three years. It believes the principles offer a key to successful economic development.

RED advocates for regional development. The days when small communities can consistently compete on their own are gone. Small towns need to work together if they are going to find a competitive advantage. The marketplace isn't as kind to the budding entrepreneur as it used to be. Success takes resources and assets. Communities need to start with and build on their existing assets. What better way to build than to combine capacities. There are exceptions of course, but for most communities it takes considerable investments of resources and assets to build its economy. RED found that communities succeed more often if they think regionally, establish mutually beneficial relationships, and start with their existing assets. The whole is greater than the sum of its parts.

RED has also found that a good many systems need to change if we are serious about effectively supporting economic development in Greater Minnesota. (See the November 2007 issue of the *Minnesota Rural Journal* for an in depth look at possible changes.) One of RED's key principles is to encourage private, public and nonprofit entities to work together. Sounds easy. It's not. But in time smart people make smart choices, and systems begin to change in how things are done in response to a challenge or an opportunity. It takes a commitment by institutional leaders to work collaboratively. Once that commitment is made, cooperative approaches tend to take hold.

To be successful economically we also need to make certain the business sector is involved and the public sector is responsive to its needs. We need to fully integrate our education and training capabilities from preschool to the state universities to the world of work. Businesses are increasingly reliant on our higher education system, especially its technical education branches. Our educational system and public agencies need to be as seamless and responsive as possible. Every step in an economic development plan needs a bridge.

RED found that local leadership is another key. At the front of every successful enterprise, business, or community is a leader, someone who gets others to jump

## Developing Communities

Louis G. Hohlfeld, Ph.D.  
Interim President

on the train, to get the community excited about its opportunities, and to mobilize action. Some leaders are born but most are trained. The Blandin Foundation has been developing leaders for decades and the six Minnesota Initiative Foundations are also a good place to start.

Probably one of the most important approaches to economic development is a community's goals or targets. The end result you want tends to direct your actions. Goals work like magnets pulling your actions toward it. The traditional goals of economic development were to create jobs or businesses. RED found that successful communities start by wanting to *create new wealth*, not just develop jobs and businesses.

By focusing on wealth creation, communities take more innovative approaches to economic development. For example, you build a community's capacity by training workers—more jobs, higher wages and greater profitability result from training, an investment yielding considerable returns.

Simply stated, wealth creation is the increase of existing assets and/or an increase in their exchange value, or the development of new assets that have exchange value. Wealth can be created in three areas: individuals, businesses and communities.

We can increase the wealth of *individuals* by building on their technical expertise, leadership, knowledge, and/or their social and political capital. These assets are often exchanged for higher wages, social or political objectives, and provide an enhanced quality of life.

*Business wealth* can be increased by making production systems more efficient; supporting innovative technology; creating more effective and efficient distribution systems and market penetration; producing a better trained and motivated workforce, etc. These assets are often exchanged for profit, more and higher paying jobs, or a sustained competitive advantage.

We can increase *community wealth* by helping to improve the capacity of its leaders and planners, its infrastructure, physical amenities, public services, natural resources, or tax base. These assets are often exchanged for a strong work force, more desirable physical and social amenities, community cohesion, and access to services that satisfy the community's humanitarian needs.

By changing the results you are shooting for, you change the questions you ask and the actions you take. For example, if your goal is to create jobs, you ask what kinds of jobs, what businesses can be developed or expanded, what kinds of incentives we need to entice businesses to come. On the other hand if your target is to develop training programs that build on the capacity of businesses already present (assets), those businesses will grow, wages will increase, your community will look a lot more attractive to businesses looking to relocate (and probably without painful incentives) and the tax base will rise.

The Center for Rural Policy and Development did an analysis of the RED group that provides more detail if you want to pursue these ideas in more depth. It can be found on our website at [www.ruralmn.org](http://www.ruralmn.org).



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### Institutional Change: Possibilities for the Future

Fall 2007

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## SEED Initiative

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- Creating a new Office of Entrepreneurship in the Department of Employment and Economic Development to help entrepreneurs by sharing information about small business services and best practices through an Entrepreneurial Network.
- Giving rural businesses access to international trade workshops conducted by the Minnesota Trade Office to gain an understanding of international trade opportunities.
- Engaging local WorkForce Centers to serve dislocated workers and other job seekers who have an interest in starting their own businesses.

2.) **New Capital for Rural Businesses:** SEED provides an infusion of \$13.5 million to encourage entrepreneurs, fuel existing business development, and encourage private investment in Greater Minnesota. These programs would:

- Provide a 25% tax credit when investors put money into regional “angel” funds that focus on emerging businesses and new technologies.
- Create a revolving micro loan fund for new and expanding small businesses in rural communities. This new fund will provide small business loans of approximately \$10,000 to \$50,000 through non-profits, foundations, or community organizations.
- Create the Small Business Product Development Grant Program to provide matching grants for entrepreneurs to access resources at qualified research and education institutions.

3.) **Sustained Competitive Advantage for Rural Minnesota:** SEED improves community infrastructure and reinforces competitive advantages in rural Minnesota through these programs:

- Enhance Job Opportunity Building Zones in Greater Minnesota by extending local and state tax exemptions for new and expanding businesses.
- Provide Main Street Minnesota Grants to help revitalize downtowns. The grants would be awarded to individual cities or groups of qualifying communities working together on business creation and retention, job creation and general economic vitality.
- Help more small cities with critical infrastructure needs by providing financing through revenue bonds for clean water, sewer, streets or other publicly owned facilities through the Public Facilities Authority.

“During eight Minnesota Competes forums held throughout the state this summer, business and community leaders in Minnesota told us what they need to be successful, and we listened. SEED is a direct result of the input we received at these forums,” said DEED Commissioner Dan McElroy.

SEED also emphasizes “targeted rural opportunity communities,” which are located in one of 64 Greater Minnesota counties. These counties have either experienced population decline or have unemployment rates greater than the state average. With more than 60,000 small businesses currently in rural Minnesota, DEED officials intend to make strategic and significant new investments through SEED to grow that base and expand business development in rural Minnesota communities.

To learn more about SEED, visit the DEED web site at [www.positivelyminnesota.com](http://www.positivelyminnesota.com).

*Commissioner Dan McElroy heads up the Minnesota Department of Employment and Economic Development.*

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WINTER 2008

NEWS  
Letter

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