

CENTER *for* RURAL POLICY and DEVELOPMENT

Seeking Solutions for Greater Minnesota's Future

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Developing from the inside out Owatonna firm partners with college to enhance its workforce

One of the biggest concerns of any company anywhere is finding and keeping a skilled workforce. In 1998, glass fabricator Viracon's concern was the record low unemployment rate. This Owatonna company, supplying glass to major commercial building projects around the world, was looking at a shortage of workers. How to find and retain employees, especially supervisory positions, for the growing company was a major headache, said Jim Wendorff and Tom Donnelly.

"Recruiting was very difficult in 1998 and '99," said Donnelly, human resources manager at Viracon. How would they get qualified employees to come to rural Minnesota and convince them to stay?

On a trip to their plant in Georgia, however, Wendorff, Viracon's vice president of human resources, came across an intriguing program called Quick Start, already in operation in that state. That program got him thinking about how Viracon could have a closer relationship with their local community college, Riverland, how they could train the people they already had, and train them right there at work.

"[The employees] were here already and they knew the industry," said Wendorff. "We could try to get people to move to Owatonna, or we could invest in our current people. They're loyal, they deserve to grow and move up in the company."

Thus was born "Viracon U," a partnership between Viracon and Riverland Community College, which has campuses in Albert Lea, Austin and Owatonna. The central component of the program is an associate degree from Riverland. Classes are taught by Riverland faculty, they are offered at Viracon at times that are convenient to the employees, and Viracon covers the expenses. The courses don't have to be job-related, and while the curriculum is designed so students can earn a two-year degree in about five years, there are no limits on when they need to finish. If students want to go faster, they can take additional classes at the college.

"This way we've taken care of both of the most common excuses: I can't afford it and I don't have time," said Wendorff. "They just have to put in the effort."

Viracon opened in Owatonna in 1970 with 30 employees. Today the company employs 2,000 workers at its plant in Owatonna and another 500 in Statesboro, Ga., providing glass for major commercial building sites across the country and around the world. Some of its projects have included the Owatonna College & University Center, Midwest Wireless headquarters in Mankato, Best Buy headquarters in Richfield, the new Trump tower in Chicago, Las Vegas casinos and buildings in

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Projects are Heating up this Summer at the Center

Now that the summer solstice is past us, things are really heating up here at the Center. Several new projects are in the pipeline and a few are quite close to completion, so start to look for these new project reports beginning in August.

JOBZ in Uncertain Times

The Job Opportunity Building Zone program was initiated in January 2004 and without question came out of the gate at a quick pace. The program generated over 100 business subsidy agreements and with it thousands of jobs and substantial capital investment across rural Minnesota in its first year. But beginning in 2005, the program has come under scrutiny, creating a degree of uncertainty.

In the fall of 2004 the Attorney General offered an opinion that the program was subject to Minnesota's prevailing wage statute. Then, efforts in the 2005 Legislature to modify the program, as well as a bill originating in the Senate to terminate the program, created further concern among local economic developers. This was followed by a lawsuit filed in Ramsey County challenging the constitutionality of the JOBZ program. Needless to say, all of these events created an overall degree of uncertainty for local economic developers regarding how, or even if, they should continue to promote the program.

How do local economic developers handle this uncertainty? What do they say to local business prospects regarding these issues? To find out, we have been interviewing throughout the month of June all the JOBZ subzone administrators who completed a business subsidy agreement in 2004. Look for the answers to these questions in our August report.

Alternative Energy and Rural Economic Development

With the success of Minnesota's ethanol industry, a growing wind industry, and an emerging biodiesel industry, there has been much discussion about the economic impacts of these alternative energy industries on our rural economy. Such activity was highlighted with the Legislature passing and Governor Pawlenty signing the E-20 legislative mandate this session.

But what do we really know about the economics of these growing or emerging industries as commercial enterprises? How do these industries impact the rural economy in terms of local jobs, revenues and taxes? Is the further development

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"Strengthening America's Communities"

Proposed new overhaul of grants program creates uncertainty for community and economic developers

Amid budget cuts and various fiscal crises this spring, the Bush administration has proposed a major overhaul of the federal government's community and economic development funding policy. Arguing that many of the federal programs are repetitive and downright ineffective, President Bush proposed in his FY2006 budget the "Strengthening America's Communities Initiative," a complete overhaul of the federal government's community and economic development programs. The initiative would consolidate 18 programs into one, including the Economic Development Agency and the Community Development Block Grant program. According to the Initiative outline, along with the consolidation would come stronger accountability measures, more flexibility for how communities can use the funds and new eligibility criteria to target funds to the communities most in need.

This proposal has raised the ire of many economic development advocates, however, especially in rural circles. Several programs aimed specifically at rural needs would be among the 18 eliminated, including the Department of Housing and Urban Development's Rural Housing and Economic Development, HUD Empowerment Zones, Rural Business Enterprise Grants, Rural Business Opportunity Grants, USDA Economic Impact Grants, USDA Enterprise Community Grants and Health and Human Services' Rural Community Facilities. Overall funding levels would be reduced from the \$5.6 billion budgeted in FY2005 for the 18 programs to \$3.7 billion in their new consolidated form, and the focus would turn more toward jobs creation and economic development in the form of tax incentives, opportunity zones and education and job training programs.

At the heart of the controversy is the elimination of the Community Development Block Grant program, which would be rolled into the new Strengthening America's Communities Grant Program under the Department of Commerce. CDBG, which is currently administered by the Department of Housing and Urban Development, accounted for 74 percent of the \$5.6 billion budgeted in FY05 for the programs in

question, according to a report by the non-partisan Congressional Research Service. Representing the largest source of federal funding for community and economic development programs in both urban and rural America, CDGB funds go directly to states and communities, which then use the dollars for economic and community development in distressed areas, either directly or through a secondary distribution to non-profit and faith-based organizations that do the work directly.

There is little argument that some overhaul of the system, including the CDBG program, is needed. In the last 50 years, the federal economic development policy has become overly complex and duplicative, said Mark Drabenstott of the Federal Reserve of Kansas City's Center for the Study of Rural America in a recent paper. In his testimony to Congress on the Strengthening America's Communities Initiative, Charles Fluharty, director of the Rural Policy Research Institute, said the policy rationale for reorganization is certainly not in question and that programs need to be re-targeted to assure that the communities most in need of assistance receive attention. Under the current system, about 70 percent of CDBG funds go automatically to "entitlement" communities, i.e., metropolitan areas with cities larger than 50,000 or counties larger than 200,000 in population. The remaining 30 percent is allocated to states, which then distribute the funds to smaller communities through a variety of mechanisms. (For example, in Minnesota, rural communities compete for funds through the Small Cities Grant Program administered by the Department of Employment and Economic Development.)

Part of the argument for the proposed SAC Initiative is that it will refine the eligibility requirements to ensure that those communities most in need will receive a greater share of funds. However, the Bush Administration has not revealed yet what factors will be used in calculating eligibility for funding under the new program, and the uncertainty is creating concern. The Administration's overview mentions measures such as poverty and unemployment rates, but such indicators are too

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Regional meetings

The Center for Rural Policy and Development has gained new friends and new members through a series of regional meetings held throughout Minnesota the past few months.

Luncheon meetings, hosted by CRPD board members in Fergus Falls, Duluth and Mankato, have given the CRPD staff an excellent opportunity to get to know and visit with community and business leaders. These gatherings have attracted a variety of business, school, healthcare and government leaders. Visiting with local folks throughout rural Minnesota provides an excellent opportunity for the Center to hear and understand local issues in all corners of Minnesota.

The regional meetings also offer the Center an important opportunity to share what we have learned with the people of Minnesota. The Center is committed to making the results of its research available to policymakers at the local as well as state level.

We welcome our new members and look forward to getting to know them better. Membership in CRPD is not the end of a campaign, but the beginning of an ongoing relationship that we value greatly.

We invite those of you who have not yet joined the Center to consider becoming members. You help make us stronger. Together we can help make rural Minnesota stronger.

— Larry Anderson

Coordinator of Outreach and Member Services

With the close of our fiscal year, we would like to recognize and thank all those who have chosen to partner with the Center in the last twelve months. Below, for the first time, is a complete list of our members.

Benefactor (\$1,000 +)

Alliant Energy, Albert Lea
BENCO Electric Cooperative, Mankato, and Brown County REA, Sleepy Eye
Bremer Financial Corp., St. Paul
City of Fergus Falls
Minnesota Power, Duluth
Minnesota State University, Mankato
Northland Foundation, Duluth
Qwest Foundation, Minneapolis
Southern Minnesota Initiative Foundation, Owatonna
Southwest Minnesota Foundation, Hutchinson
West Central Initiative, Fergus Falls

Businesses & Organizations

BEVCOMM, Blue Earth
Blue Cross Blue Shield of Minnesota Foundation
Blue Earth Area Schools, Blue Earth
Bowling Proprietors Association of Minnesota, New Hope
City of St. Peter
Faribault County EDA, Blue Earth
Federal Home Loan Bank, Des Moines
Fergus Falls Medical Group, Fergus Falls
Greater Mankato Economic Development Corp., Mankato/North Mankato
Gustavus Adolphus College, St. Peter
Hibbing Area Chamber of Commerce, Hibbing
Hickory Tech, Mankato
Hormel Institute, University of Minnesota, Austin
Independent Community Bankers of Minnesota, Eagan
Itasca Development Corporation, Grand Rapids
Lake Region Healthcare Corp., Fergus Falls
Midwest Wireless, Mankato
Minnesota Association of Small Cities, Litchfield
Minnesota Pharmacists Association, Roseville
Minnesota State Colleges and Universities, St Paul
Northeast Entrepreneur Fund Inc., Virginia
Northland Institute, Minnetonka
Northwest Minnesota Foundation, Bemidji

Otter Tail County, Fergus Falls
Park Region Telephone Co., Underwood
Pioneer Retirement Community, Fergus Falls
Praeland EDC, Slayton
Queen City Federal Bank, Virginia
Quinlivan & Associates, LTD, Blue Earth
Sawbill Outfitters, Tofte
South Central College, North Mankato
Southern Minnesota Advocates, Mankato
St. Luke's Lutheran Care Center, Blue Earth
United Hospital District, Blue Earth
Victor Lundeen Company, Fergus Falls

Individual

Larry K. Anderson, Frost
Robert J. Bunker, Milaca
Kathie Davis, Mankato
Garfield Eckberg, Nicollet
Neil Eckles, Blue Earth
Ed Frederick, Waseca
Jack Geller, Mankato
Rep. Bob Gunther, Fairmont
Robert L. Hammond Jr., Blue Earth
Louis Hohlfeld, Minneapolis
Cynthia Johnson, Fergus Falls
Lenore M. Johnson, Two Harbors
Colleen Landkamer, Mankato
Nancy Larson, Dassel
Tim Lidstrom, Mankato
John MacFarlane, Fergus Falls
Lois Mack, Waterville
Leonard Pederson, Waterville
Kenneth Petzold, Owatonna
Daniel Reardon, St. Paul
Anthony Schaffhauser, Bemidji
Gary Spies, Fergus Falls
Brett M. Taylor, Mankato
Marnie Werner, Mankato

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.

“Strengthening America’s Communities”

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general and ignore pockets of distress within communities, said RUPRI’s Fluharty. According to Jack Geller, president of the Minnesota Center for Rural Policy & Development, regardless of the indicators used, it is likely that rural communities will see fewer resources available through these programs than they have in the past.

“First, it’s clear that the proposed cumulative level of funding for these programs will be substantially reduced from current levels. But secondly, you must understand that this is an inherently political process. Simply put, policymakers from larger entitlement communities will not allow their funds to be siphoned off to benefit rural communities. So the consequences of lower funding and political advocacy on the part of larger metropolitan areas suggest that if this proposal goes through, some additional level of pain will be felt throughout rural America,” Geller said.

Whether the program goes through is the question. At this early stage, the program is still a somewhat vague outline. But it is certain that community and economic developers, both rural and urban, will be watching the initiative’s progress with some anxiety to see how and if it will replace programs that have benefited their communities for so many years.

Sources:

“Strengthening America’s Communities: An Overview,” United States Department of Commerce, February 2005: www.commerce.gov/SACI/index.htm.

“An Overview of the Administration’s Strengthening America’s Communities Initiative,” Congressional Research Service, March 24, 2005: www.nado.org/saci/crs.pdf.

“Written Statement for the Record: Charles W. Fluharty, Before the Subcommittee on Economic Development, Public Buildings and Emergency Management, U.S. House of Representatives,” Rural Policy Research Institute, March 17, 2005: www.rupri.org.

“A Review of the Federal Role in Regional Economic Development,” Mark Drabenscott, Center for the Study of Rural America, Federal Reserve Bank of Kansas City, May 2005: www.kc.frb.org/RuralCenter/RuralMain.htm.

“Strengthening America’s Communities Initiative: Weakening Rural Communities,” Rural Action Brief, Volume I, Issue 4, Center for Rural Affairs, Lyons, Neb., April 2005: www.cfra.org/briefs/rab_saci.htm.

Like thousands of other Minnesotans, last month I had the pleasure and experienced the parental pride of watching one of my kids walk across the stage to receive her high school diploma. And since this is my kid (and my column) I also feel compelled to tell you that she graduated with honors!

For me, like many other parents, this event was filled with an emotional mix of pride, accomplishment and concern, because like many other kids from rural Minnesota, she is currently preparing to leave our rural community to go off to college. Did we prepare her well enough? Will she succeed? Will she come back? Or will she just be one of the endless number of kids from rural Minnesota who simply find the opportunities and lifestyle of a larger community too irresistible? I not only felt this mix of emotions, but also knew that many other parents were having exactly the same thoughts as we all sat in the football bleachers and applauded these newly minted graduates.

As I travel throughout rural Minnesota, I think it's fair to say that the question, "How do we keep our kids from leaving our rural community?" is one of the most common ones I get asked. But now, after experiencing two of my own kids leaving, I feel the angst and fully understand the emotions that are truly behind those questions. And I have to admit that it hurts a little.

Yet, at the same time I am reminded of the response that was given by a retired economics professor to a rural county commissioner who asked a similar question. He responded, "It's not about keeping our kids in our home communities, but rather it is about making our communities attractive to other people's kids." And in fact, the more I have thought about that response over the years, the more I have come to agree with it.

For our rural communities to not only survive, but to actually thrive, we need

A walk across the stage

Jack M. Geller, Ph.D.,
President

to think about history, vision and leadership. History is required to fully understand that many of our rural communities were founded for reasons that simply may not be all that valid today. For example, many rural communities were established as railroad stops along the line more than 100 years ago. History is also needed to fully understand the community culture—what makes it tick—and a community's willingness to explore change.

Vision is required to chart a new future. As the Cheshire Cat told Alice, "If you don't care where you're going, any path will take you there." Community members need to look forward and seek new opportunities in the creation of a new community vision. That may mean exploiting cultural and economic niches in an attempt to create a sense of place that is attractive to newcomers; or as the economics professor said, being attractive to other peoples' kids. To be honest, it's easy to talk about, but quite hard to do.

And lastly, rural communities need the leadership to move the process from a vision or idea into strategic goals and a plan of action. I've watched many community officials discuss for years how it would be so nice to see their historic downtown area develop into a boutique shopping district, cultural district, or niche market. But a far smaller number of communities, like Lanesboro, Red Wing, Ely, Grand Marais or Northfield, have actually done it. I believe the difference is leadership.

Change is never easy, and it is seldom that a community can find complete consensus around a new vision or idea. There are always people who will tell you that "it could never work," or maybe they simply feel comfortable with the way things are. But if we want to create the kind of place that is attractive to other peoples' kids (and maybe watch a few of our own return in the process), we need the vision and leadership to change. After all, what choice do we really have?



Projects are Heating up

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of these alternative energy industries a sound economic development strategy in addition to sound environmental policy? We turned to Brendan Jordan and Steven J. Taff from the Applied Economics Department at the U of M to explore some of these questions. Look for their report, *Minnesota's Commercial Alternative Energy Industries: Production, Policies and Local Economies* in August. And look for an announcement about a policy forum on alternative energy and economic development in late September.

The Atlas of Minnesota – Online

In 2000 the Center published its first *Atlas of Minnesota*, and in 2003, in partnership with Blandin Foundation and the U of M Extension Service, we published the second edition of the Atlas with an accompanying CD. This publication has been by far the most popular and cited resource the Center has ever created. Now it's time to take the next step by offering an updated version of the Atlas of Minnesota – online. View and print one map, or print a dozen. It's all up to you and it's all free!

We are currently in the process of updating these data maps and will launch the new online version once this process is completed later this fall. All maps will be easily viewed as HTML files and downloadable as PDF files. Then once the Atlas is published on the web, each chapter will be annually updated to ensure that the maps reflect the most current data available. When we have a firm date to "go live" later this fall we will publish it in our newsletter and on our website at www.ruralmn.org.

RMJ: The Rural Minnesota Journal

In early 2006 the Center will launch a new publication entitled, *The Rural Minnesota Journal*. The inaugural issue of **RMJ** will house a collection of articles regarding the status and future of rural Minnesota from some of our state's most well-known and respected researchers. Individuals such as MnSCU's Senior Vice Chancellor Linda Baer, Distinguished McKnight Professor C. Ford Runge, State Economist Tom Stinson, Humphrey Institute Senior Fellow Joe Nathan, and University of Minnesota, Duluth, School of Medicine's Raymond Christensen will all be featured contributors, along with other prominent scholars. So what's the status and future of our rural schools and colleges, rural health facilities, rural economy and farms? Look for the inaugural issue of **RMJ: The Rural Minnesota Journal** in early 2006.

So as you can see, while the weather is hot and the lake is inviting, here at the Center we're busy creating new resources for rural Minnesotans and policymakers, as we all seek solutions to Greater Minnesota's future.

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Developing from the inside out

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Australia, South Korea and Taiwan.

Developing such a new kind of training strategy was a challenge for both sides. Viracon, which didn't have much capacity for training employees itself, was looking to the college for assistance. Plus, the program that eventually developed was a general education program, not the more standard specialized training program found in business/college partnerships around the state, said Steve Bowron, Dean of Training and Development at the college. Riverland, like most colleges, had traditionally offered evening general education courses through continuing education, putting together a catalog and hoping people would come to them. With this new program, they were taking the teaching to the students. Going off campus had some faculty a little leery, and Viracon management was a little concerned about how many employees would show up, but, most of the seats were filled the first night.

Since then, Viracon U has expanded to include a two-year supervisory management program that lets employees on the line train to move into supervisory positions. "We have people who know glass and are great natural leaders but have no training [in management]. We can see they have the potential to be outstanding supervisors," said Wendorff. Viracon now has a strong core of employees who have moved up within the company: 90 percent of their managers have advanced through the ranks. "The commitment to our current workforce is that if you want to move up in the company, we're going to help you."

The success of Viracon U has generated inquiries from three or four other companies. For example employees from Wenger Manufacturing, located across the street from Viracon, can now come over to Viracon U when there is space available.

"We're starting to see a lot more interest from companies that are starting to think through an investment in education, what it can do for their companies and for their bottom line," said Bowron

Riverland is now involved in some new ventures, such as a supervisor/management program with several companies in Fairmont and with Southwest Minnesota State University to offer a four-year degree at Brown Printing in Waseca. Wendorff and Bowron are also working with the Minnesota State Colleges and Universities system and the Department of Employment and Economic Development to get officials down to Georgia to take a closer look at the Quick Start program.

Business/college partnerships are not unique by any means in Minnesota: there are many around the state that are turning out much-needed skilled training programs, tailoring their curriculum to the needs of the business, and that's key, said Bowron. Colleges are really learning that in this new market, they have to be more proactive about their programs, working directly with companies and analyzing what they need.

But Viracon U is different in that it offers a general education degree. It's a full-fledged A.A. degree from the community college. A lot of the students are first-time college students who have found Viracon U the right risk level for them, said Bowron. "They're learning they're pretty smart and that they can enjoy college," he said.

Some of Viracon U's students graduated with their degree from Riverland this spring, people who had never thought of going to college before, said Wendorff. "That's very empowering.

"There's nothing really special about what Viracon does, so we have to distinguish ourselves through our workforce. That's going to make the difference if we're to be successful in the long run."

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SUMMER 2005

Letter
NEWS

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