

# CENTER *for* RURAL POLICY and DEVELOPMENT

*Seeking Solutions for Greater Minnesota's Future*

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## *New Report Gives a Business Perspective of Greater Minnesota*

In the world of attracting and retaining businesses, a community's biggest concern is what assets it has and whether they will impress the potential relocating firm. In a new report released by the Center in March, researchers tackled the issue of business location decision making among Twin Cities businesses in the high-tech services and manufacturing sectors, to better understand why these firms may or may not consider Greater Minnesota in their plans.

"Twin Cities and Greater Minnesota Connections: A Business Perspective" surveyed 165 metro-area firms in fields such as electronics, medical technology, biosciences, and information technology to find out how they view Greater Minnesota as a place to do business. Funded by the Center for Rural Policy and Development, the survey was administered by Minnesota Technology Inc. between October and December 2003, with assistance from the Department of Employment and Economic Development. The respondents represented a range of sizes in terms of employment and sales.

The survey found a number of interesting points:

- Businesses ranked skilled labor, labor costs and overall tax rates the most important factors in determining locations for new investments. Over half the respondents ranked Greater Minnesota good or excellent in terms of skilled labor and labor costs, but only 18% said the same about tax rates.
- Those Twin Cities businesses with assets already in Greater Minnesota were far more likely to consider Greater Minnesota first for new production investments than businesses without a presence outside the Twin Cities.
- A strong majority of respondents said they were "very likely" or "somewhat likely" to make new investments this year — 86% in new capital equipment and 88% in increased employment. At the same time, 32% said they would be investing in new or expanded facilities.

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## *High-Speed Internet Access Continues to Spread Across the State*

### *Wireless Access Makes Big Advance*

High-speed Internet access continues to advance throughout rural Minnesota, according to the new brief released by the Center in April. Of the 780 rural places examined in the new study, 85 percent were served by at least one broadband provider, while 15 percent had no access to broadband technology. And of those communities that had access to broadband, 35 percent had competitive services in the form of two or more providers serving the community.

This new survey of rural telecommunications providers is the second part of the 2003 Rural Internet Study. The first part, a survey of consumers, was released last fall, while the third part, a survey of businesses, will be released later this spring. The survey asked telephone and cable companies serving rural Minnesota about the services they offer their customers and about the extent of their high-speed Internet service. Growth in the demand for broadband among rural Minnesotans still appears to be strong, although not growing as fast as last year. Between 2002 and 2003, the number of DSL subscribers grew 77.4 percent, compared to 143.6 percent between 2001 and 2002, while growth in dial-up Internet service slowed from 26.5 percent the year before to 5.5 percent. The number of cable modem subscribers grew 77.0 percent between 2002 and 2003.

Some other findings:

- While DSL and cable providers have the majority of rural broadband customers, fixed wireless broadband providers have taken hold in rural Minnesota. The study found that more than 140 rural communities are being served by wireless providers, and 41 rural communities have wireless as their only access to broadband technology.
- Residential broadband prices, while coming down, are still high, with average monthly rates for DSL at \$38.95; cable modem at \$39.95; and wireless broadband at \$50. In addition, median installation fees for wireless broadband were \$150.
- About 40 percent of telephone companies were bundling their broadband with another service, such as dial tone, long distance or video. Cable companies were also bundling: 40 percent bundled broadband with cable service, while 17 percent bundled it with dial tone (basic phone service).
- Among telephone companies, 11 percent were offering fixed wireless service, while 19 percent were offering digital video service and 23 percent were offering cell phone service.

Overall, the report suggests that rural Minnesota appears to be outpacing the rest of rural America in its adoption of both Internet and broadband technology. The report compared Minnesota data collected during June and July 2003 by the Center to national data collected between March and August 2003 by the Pew

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## *Rural Perspectives*

### *Entrepreneurialism: A Key Economic Development Strategy for Rural Communities*

**Colleen Landkamer**  
Blue Earth County Board Chair and National  
Assn. of Counties 2nd Vice President



Rural economic development is vital to growth and prosperity across all counties in America. However, economic development strategies are often complex and require difficult decisions, especially when deciding which businesses you should attract to your community. Sometimes community leaders are left wondering, "Are we helping or hurting our community?"

Conversely, the promotion of entrepreneurialism as a key economic development strategy isn't complicated or confusing. Supporting entrepreneurialism is easy, and it has proven to be effective in creating and sustaining jobs in Blue Earth County.

Aside from economic impact, entrepreneurialism allows people to turn their strengths into their livelihood. It's the "quality of life" aspect that makes entrepreneurialism appealing to citizens and their communities. Here are some of the reasons Blue Earth County residents gave on why they took the risk and started their own business:

- Tired of working to make someone else wealthy.
- To escape a dead-end job that is not fulfilling.
- The belief that there is more to life than the daily 8 to 5 routine.
- Hit the proverbial career "glass ceiling" and are frustrated.
- Yearn to express their creativity and talents.
- Dream that their passion and work can be one and the same.

Cultivating entrepreneurialism in rural communities can be achieved when the following is recognized:

- 1. Entrepreneurialism should be supported and encouraged**  
This begins with recognizing entrepreneurialism as a viable and effective economic development strategy. Putting dollars into entrepreneurial support programs requires little investment and can pay large dividends — primarily because entrepreneurialism is contagious. When one small business is successful, it creates excitement, inspiration and imitation (i.e. the "ripple effect" of entrepreneurialism). The existence of entrepreneur programs also reminds everyone of the value provided by existing businesses that demonstrate the entrepreneurial spirit in their growth plans.

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## *Center Receives Major Grants from Minnesota Foundations*

The Center was the honored recipient of two major contributions in March. The first was a grant of \$250,000 from the McKnight Foundation in Minneapolis, while the second was a grant of \$200,000 from the St. Paul-based Otto Bremer Foundation.

Center president Jack Geller said he was of course pleased and honored to have the Center receive these generous contributions, but that the grants really represent more than just donations.

"When we were raising private funds at our inception seven years ago, these types of contributions represented a hope for what the Center might someday become," Geller said. "But today, generous contributions like this mean that private corporations, organizations and foundations that care about the future of rural Minnesota have now had ample opportunity to fully understand our mission, have watched us grow, and want to support the important work we are engaged in. It is extremely gratifying."

Both foundations have a long history of interest in rural Minnesota. The McKnight Foundation created the six Initiative Funds that serve rural Minnesota regions through support for economic and community development. The Otto Bremer Foundation has its roots in the rural community banks of the Midwest, and seeks to promote human rights and opportunity through support of non-profits serving the community.

The funds from both awards will be used to support the Center's policy research programs in rural technology, rural education, rural economic development, and rural diversity.

## Rural Campuses and Economic Development

*New report discusses the possibilities for colleges and rural communities*

A new report from the Center for Rural Policy and Development examines the possibility that Minnesota's rural campuses can and do play a role in improving the rural communities in which they are located.

"Capitalizing on the Potential of Minnesota's Rural Campuses" asks the question, "Just how important are campuses to a region's vitality?" The report looks at ways to measure a campus' impact on its community and region and at models in the state and around the country of colleges and universities facilitating economic development locally. The researchers review the various levels of involvement an institution can have in its community, then discuss potential policy initiatives that could help colleges and universities become engaged in the community.

The study identified 32 campuses in 30 cities as rural: these campuses are located outside the Twin Cities area and at least 30 miles from a city of 30,000 or more. The campuses include community and technical colleges in the Minnesota State Colleges and Universities system, plus the two University of Minnesota campuses in Morris and Crookston. The study found several examples where campus leaders had set out to not only improve the "town and gown" relationship, but to involve the campus in the economic development of the area through cooperation with local business leaders and specialized programs for students.

Dr. Monica Manning, the report's author, is executive officer of The Nova Group, the former executive director of the Minnesota Job Skills Partnership Board and former vice chair of Minnesota Technology Inc. The other authors of this report are Candace Campbell, a leader of and participant in several state economic development initiatives, including as a Fellow at the Hubert H. Humphrey Institute of Public Affairs; and Tom Triplett, former state Commissioner of Finance, Commissioner of Revenue and Director of State Planning.

"We believe the report provides both community and campus leaders with insight and ideas on how together they can leverage the resources of the campus to make the most of their opportunity to build a stronger foundation for the future of our rural regions," said Dr. Manning. Accordingly, the report does not recommend a one-size-fits-all approach: "It's essential that community and campus leaders determine together how they can leverage the resources of the campus to build a stronger foundation for the future of their region."

"Capitalizing on the Potential of Minnesota's Rural Campuses" is available in print or at the Center's web site at [www.ruralmn.org](http://www.ruralmn.org).

## Save the Date Aug. 18, 2004

Center for Rural Policy and Development and the Minnesota Department of Employment and Economic Development

**2004 Policy Forum  
JOBZ: The first year**  
Hibbing Community College  
(in conjunction with the 2004 Rural Summit)

## 2004 Rural Summit in Hibbing

**"Gearing Up for the Innovation Economy"**  
Aug. 18-20

Hibbing Community College  
[www.minnesotaruralpartners.org](http://www.minnesotaruralpartners.org)

## Symposium on Small Towns Rural Communities Adapting to the New Century

June 8-9

University of Minnesota, Morris  
Deadline to register is June 2  
For more information, call (320) 589-6451  
or visit [www.centerforsmalltowns.org](http://www.centerforsmalltowns.org)

## Community Wind Energy Conference

Presented by Windustry

June 23-24

Minneapolis Convention Center  
A national conference for new models of wind energy development  
For more information, call (612) 870-3462  
Or visit [www.windustry.org](http://www.windustry.org)

## The Economic Impact of Non-Profits in Northwestern Minnesota

One of the new reports released in April by the Center looks at the economic impact of nonprofits in northwestern Minnesota. Defining "economic impact" as revenue that enters the local economy from outside the region and is then re-circulated within the region, the study estimates that the not-for-profit sector in northwestern Minnesota contributed an additional \$322 per person, or \$831 per household, to the regional economy in 2001. The research also estimates an additional 865 jobs were created as both a direct and indirect result of the outside revenue flowing into nonprofits in the region.

"The Economic Scope and Impact of 501(c)3 Nonprofit Organizations in Northwest Minnesota" is authored by Anthony Schaffhauser, regional economic analyst for the Minnesota Department of Employment and Economic Development in Bemidji. Schaffhauser, with assistance from the Center for Research and Innovation at Bemidji State University, conducted a survey of 669 nonprofit organizations in the 12-county region to measure the extent of revenue collected from outside the region. The study looked mainly at grants, which constituted the majority of revenue received by nonprofits from outside the region.

"Whether it's in the performing arts, human services or political advocacy, I think we all understand how these nonprofit organizations bring value and improve the quality of life of a region. However, in this study we get a detailed look at the economic value these types of enterprises bring to a regional economy. The findings suggest that nonprofits are a key component to our economic well-being as well," said the Center's president, Jack Geller.

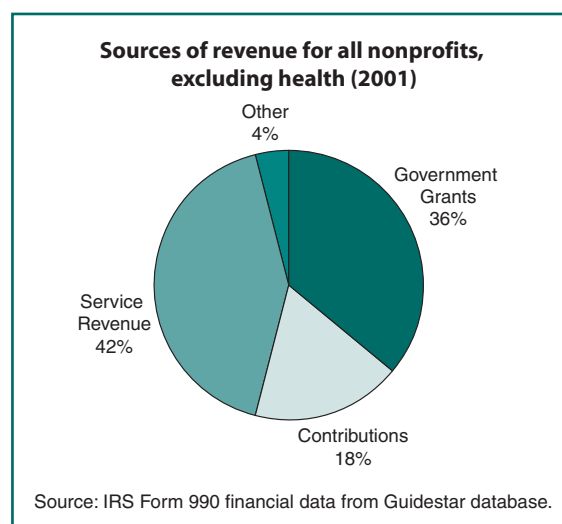
Nonprofits employed more than 6,200 people in northwestern Minnesota in 2001, accounting for 9.6 percent of total employment and 11 percent of total

wages. The study concentrated on grants since the other chief form of income, payment for services, generally came from within the region. These grants could come from the state or federal government or from private foundations and other sources outside the region.

Health care facilities, which are by law nonprofit organizations in Minnesota, were excluded from the final economic impact analysis since they provide services that could be provided by a for-profit company as well. The health care facility overwhelmed the nonprofit sector in the region, where it provided 75 percent of the nonprofit employment and 82 percent of the payroll.

"Rather than counting all nonprofit expenditures and employment, which are dominated by healthcare and funded mainly by fee-for-services paid with money already in the regional economy, we tabulated regional economic activity that would not have occurred without nonprofits bringing in money from outside the region. That's where this study goes beyond past efforts to quantify nonprofit economic activity: it identifies economic impact," Schaffhauser said.

Nonprofits have been traditionally looked upon as the organizations that provide the services that are unprofitable to provide but contribute to a community's overall quality of life. This report maintains that, although nonprofits may not be a financial engine like manufacturing, they do have a tangible economic impact similar to retail shops, restaurants and infrastructure and that they should be encouraged in similar ways, such as with development programs similar to those offered to small businesses. To read more about the economic impact of nonprofits in northwestern Minnesota, download the full report from the Center's web site at [www.ruralmn.org](http://www.ruralmn.org).



## CENTER for RURAL POLICY and DEVELOPMENT

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In February 2000 the Center for Rural Policy and Development released a report documenting the findings and recommendations of its first task force on rural telecommunications in Minnesota. The task force, which was convened in 1999, was clearly able to see a day in the fast-approaching future when high-speed Internet access would be viewed as a necessary component of a community's infrastructure, similar to water, sewer, roads and bridges. Further, they recommended that within three to five years all of Minnesota's communities should have affordable access to this important technology.

Accordingly, now that it has been four years since we issued that report, it seems appropriate to ask the question, "Are we there yet?"

Well, as with most things in life, there is no clear-cut answer. However, after we issued that report in 2000, the Center began to annually monitor both the adoption and deployment of broadband services throughout the state. It's clear that the state has made extraordinary progress over the past four years. Our latest reports, released over the past few months, document that rural Minnesotans have indeed embraced the Internet, with 57.5% of rural households now reporting a home Internet connection. Further, as rural broadband providers continue to deploy high-speed services throughout the state, the percentage of home Internet users connecting with a broadband connection has grown from 13 percent in 2001 to approximately 30 percent today.

So has the digital divide, that metaphorical gap between the digital haves and have-nots been closed? Well ... not exactly; but the progress is undeniable. As documented in our latest report, new data from the PEW Internet and American Life Project reveals that Internet adoption rates in urban America of 67 percent are still approximately 10 percent higher than those found in rural Minnesota (57.5%); and broadband adoption rates of 36 percent certainly best our rate of 30 percent. However, the really impressive news is that rural Minnesota appears to be well ahead of the rest of rural America. That same data from the Pew project reported that Internet adoption rates for the rest of rural America at only 52 percent (almost 6 percent behind rural MN) and broadband adoption rates at 19 percent; well below the 30 percent found in rural Minnesota.

Why are we apparently ahead of the rest of rural America? Well, the simple answer, as reported elsewhere in this newsletter, is that broadband providers, whether DSL, cable or fixed wireless have been fairly active deploying their technology across the state. Of the 780 rural places that we examined for our most recent study, only 113 (or 15%) reported that they did not have broadband access of any kind. And when we closely examined those 113 places, the 2000

## Are We There Yet?

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

Census data indicated a cumulative population of slightly over 39,000; which translates into an average community size of 351.

So again, "Are we there yet?" Well ... unfortunately, the answer is still not yet; and I say that for two reasons. First, you may be surprised to learn that in Minnesota approximately 900,000 of us currently live outside the municipal boundaries of our incorporated cities both large and small. Data on the accessibility of broadband services for these Minnesotans who live in the countryside is not as available or clear. While we know that many rural DSL providers have been able to move their technology well beyond the municipal boundaries, we really do not know how far. And while fixed wireless providers have really grown and expanded their reach across the state, good data defining their service territories is still lacking. Consequently, it is likely that significant access problems still exist for some of these countryside residents. Second and equally important; let's not confuse accessibility and affordability. Data from our studies seem to indicate that while DSL prices have been lowered somewhat, prices are still too high for many rural residents, especially those older or lower-income Minnesotans. Accordingly, if the technology is available but unaffordable, it's still inaccessible.

So while it is clear that broadband providers have been actively engaged in deploying their technology and the news is generally good, it is still premature to claim victory and suggest that broadband is ubiquitous throughout Minnesota. But rather the new question we have at hand is what do we do now? Is there still policy work to be done? By this I mean:

- Can we assume that the "market" actually works and that those Minnesotans that still do not have broadband access are simply at the end of the line? After all, regardless of the technology examined (whether it's cell phones, microwave ovens or even electricity), someone has to be the last person to adopt a new technology. So do we do nothing and let the technology to continue to diffuse itself.
- Or do we assume that the "market" has failed in some of these rural places? That given the aggressive deployment of broadband services statewide it is reasonable to assume that if you do not have access to broadband in your location by now, it is unlikely that the private sector will deliver it any time soon. This implies that the time for some policy remediation is at hand.

The answer to that question will be left for another column.



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### Rural Perspectives

#### 2. Technology is key

Technology plays a significant role when it comes to entrepreneurial opportunities in rural areas. Broadband Internet access allows people to continue to work in rural areas and compete with metro-based companies. Technology also allows efficient global communication, offering an expanded pool of clients and customers to the rural entrepreneur. In 2001, the State Legislature made grants available to rural communities to deploy high-speed Internet access. Rural communities are a risk for local telecommunications providers, and wouldn't have otherwise received this superior technology service. Subsidies like these allow more people to fully leverage opportunities provided by the digital age.

#### 3. Make capital available

And finally, revolving loan funds provide the financial foundation that is often the barrier for entrepreneurs. For example, in 1984 Blue Earth

County designated \$200,000 to establish the Small Cities Economic Development Fund. The purpose of this revolving loan fund is to promote economic development in rural Blue Earth County through low-interest loans, with amounts ranging from \$5,000 to \$50,000. On the private side, "adopt-a-business programs" by larger corporations and lenders have recently come about through grass-roots support for local entrepreneurial efforts.

By applying each of these simple ingredients, everyone has the opportunity to consider entrepreneurialism as a way of life, and communities can be assured they are doing what they can to invest in entrepreneurs as a catalyst for their local economies.

Colleen Landkamer welcomes your comments and questions. She can be contacted at (507) 389-8283 or [colleen.landkamer@co.blue-earth.mn.us](mailto:colleen.landkamer@co.blue-earth.mn.us)

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### New Report Gives a Business Perspective...

The extent of plans for growth was an eye-opener, said Center president Jack Geller. "The fact that over 80 percent of these Twin Cities businesses are poised to spend money this year on new investments in jobs and equipment really shows their confidence in the economic recovery.

"On the other hand, the survey also revealed that Greater Minnesota's economic strength may very well lie in concentrating more on growing and enhancing those businesses that are already operating successfully in Greater Minnesota, rather than luring businesses in from the Twin Cities," Geller said.

The respondents ranked availability of skilled labor, labor costs, overall tax rates and telecommunications infrastructure as the most important factors when considering a place for relocation or expansion. When they were asked how Greater Minnesota rated in these factors, more than 50 percent said it rated "good" or "excellent" in skilled labor, labor costs, and telecommunications infrastructure, and 82 percent rated Greater Minnesota's quality of life as "good" or "excellent." However, only 18 percent said the same of the area's overall tax rates.

The low rating was not a comparison of rural Minnesota's taxes to the Twin Cities' taxes, said the report's author, Greg Schrock of Minnesota Technology Inc. Rather, it was a comparison of rural Minnesota to all the other locations where companies could do business, including places like South Dakota or Iowa, he said.

About one in five of the respondents had operations in Greater Minnesota, and these businesses tended to give the area higher marks than businesses operating exclusively in the Twin Cities. Availability of skilled labor drew a "good" or

"excellent" rating from 84 percent of businesses operating in Greater Minnesota compared to only 49 percent of businesses operating only in the Twin Cities. Companies operating in Greater Minnesota also rated the area higher in access to training, transportation and information technology infrastructure. On the other hand, they ranked it lower on labor costs and tax rates.

"The concern seems to be about costs. If you could neutralize the tax issue, the assets firms see Greater Minnesota offering have to do with workforce capabilities," said Schrock. "If that tax gap could be mitigated, those strengths would come through."

A new plan to address those tax issues was put into action at the beginning of this year. The JOBZ program, proposed by Gov. Pawlenty and approved by the Legislature, creates zones around rural Minnesota that offer relocating and expanding businesses tax breaks in exchange for jobs that pay above a certain wage. The survey found that while 24 percent of the business executives surveyed said the JOBZ program would make them more likely to invest in Greater Minnesota, nearly half the respondents (49%) said they had never heard of the program. Reaching these firms will be important, said DEED Commissioner Matt Kramer.

"We've known from the start that marketing would be key to our success, and JOBZ zones throughout the state have stepped up to the plate with aggressive outreach efforts," said Kramer. "Those efforts have paid off with many early successes, and the state will soon be leading a major campaign to target expanding companies in the metro."

This report and all of the Center's reports are available on the Center's web site at [www.ruralmn.org](http://www.ruralmn.org).

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### High-Speed Internet Access...

Foundation-funded "Internet and the American Life Project." In that comparison it was found that 57.5 percent of rural Minnesotans have a home connection to the Internet, while nationally only 52 percent of rural Americans have the same. Similarly, 19 percent of rural Internet users across the nation subscribe to a broadband service, while in rural Minnesota that rate was 27 percent.

But while the study found that 85 percent of the state's rural cities have access to broadband in one form or another, that finding also raised the question: What about those living outside city boundaries? The report suggests that not enough is known about access for those who live out in the open countryside. A quick check of the U.S. Census Bureau showed that nearly 900,000 Minnesotans, or 18 percent of the population, live outside the

boundaries of incorporated cities and therefore also fell outside the scope of this study.

"With almost 900,000 rural Minnesotans living outside of the municipal boundaries of our cities, it is likely that issues of broadband accessibility would be more prevalent there, given the technological limitations of providing broadband," said Center president Dr. Jack Geller. Since the signal degrades over distance and requires further equipment to extend it farther out, distance is a large factor in providing access to both DSL and cable broadband service. "This is the group [of people] that we know the least about in terms of broadband access, and consequently, our research and possible policy initiatives need to focus on that population."

The broadband providers report is available in print or at the Center's web site at [www.ruralmn.org](http://www.ruralmn.org).

## Membership drive

*Would you like to support the work of the Center for Rural Policy and Development? Would you like to get all our reports and newsletters automatically and receive preferred and discounted registration at policy forums and other Center events? The Center is inviting individuals and organizations interested in rural Minnesota and rural issues to get involved by becoming a member. Watch your mail and our web site this June for an invitation to join.*

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SPRING 2004

# Letter NEWS

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