

CENTER *for* RURAL POLICY *and* DEVELOPMENT

MANKATO • MINNESOTA

Seeking Solutions for Greater Minnesota's Future

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The new class of 2003

As 20 percent of legislators give up their seats, what does it mean for rural Minnesota?

The repercussions of redistricting combined with a tough legislative session are continuing to be heard across the state as one member after another has announced that he or she will not be running again for the Minnesota State Legislature this fall. While such a turnover in legislators could be considered a good thing - fresh new faces, fresh new opinions and viewpoints, fresh new committee chairs - it can also be looked at as a serious loss of experience. And for rural Minnesota, which is losing one Senate and two House seats to the Twin Cities, there is also a significant loss of seniority.

As of press time for this newsletter, 37 senators and representatives, nearly 20 percent of the 201-member legislative body, have announced they will not seek another term. Then there are a number of incumbent legislators who will be running against each other, thrown together into newly redrawn districts. Add in those incumbents who lose their elections, and a substantial freshmen class of legislators is guaranteed when the session is gavelled in on Jan. 7.

Legislators are leaving for a variety of reasons. Some were paired up with incumbents of their own party and opted to step aside. Some are moving on to other things. Sen. Dan Stevens of Mora is running for Congress in the 7th District as the Republican candidate against Congressman Collin Peterson. Rep. Doug Peterson of Madison was recently given the nod to take over as president of the Minnesota Farmers' Union.

A look at the list of retiring legislators shows just how many years of experience are leaving with them: those 23 legislators who could be considered "rural" (living outside the seven-county Twin Cities area) have a total of 314 years in the legislature with an average of 13.7 years apiece. The 15 "urban" (or Twin Cities) legislators retiring contributed just half as many years, 168, for an average of 10 years each. Of the seven retiring legislators with 20 or more years of service, all are or have been committee chairs, and all but one are from outside the Twin Cities.

"We like to think of turnover in the legislature as a good thing, because it heralds in new people with new ideas, and they're fresh and

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Tupelo, Mississippi: Leadership, Social Capital, and Decades of Hard Work

By Paul Olson

Once one of the poorest towns in the country, Tupelo has become "a national model of community and economic development," Robert Putnam reported in his best selling manifesto on the collapse and revival of American community, *Bowling Alone* (Simon and Schuster, 2000).

We had to see for ourselves whether the Tupelo story had legs. In February, a delegation of 15 — mostly Grand Rapids-area business people - headed there. The delegation, organized by Sandy Layman, president of the Itasca Development Corp., also included representatives from local and county government and the Blandin Foundation.

In departing, we knew the story was strong. To wit: Tupelo's per-capita income is the second highest in Mississippi and its industrial development program ranks among the ten best, adding more than 1,000 new manufacturing jobs per year in the last 13 years. Pretty impressive for a hill town of 34,000 that possesses few tangible competitive advantages.

Even so, we were skeptical about Tupelo's shortcomings such as the relatively weak involvement of minorities and unions in the development effort. Some were skeptical about the prominent role of business there. In fact, one businessperson wondered aloud why he was even invited — doubting that business had much to contribute and gain from community development.

Once there, we asked a lot of tough questions. Yet, we returned energized and particularly resolute about three essential elements witnessed first hand: homegrown leadership; that intangible good called *social capital*; and the importance of a solid organizational structure to lace things together.

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Rural Water Resources: CRPD holds fourth annual rural policy forum in Alexandria

Because water is a growing issue in rural Minnesota, the Center for Rural Policy and Development tackled the topic of rural Minnesota's water resources at its fourth annual policy forum. The issues were well covered, from drainage to drinking water.

The forum took place June 11 at the Arrowwood Resort in Alexandria. A group of about 65 participants representing local, state and federal water planning agencies attended to listen to and take part in discussions. Morning and afternoon breakout sessions covered the subjects of rural water management concerning drinking water supply and protection, drainage, storm water and flood control, wastewater treatment in small communities and shoreland development. During the sessions, experts gave presentations on their respective topics, then answered questions from the audience, and in some cases took part in discussions among themselves and audience members.

After opening comments by state Senator Cal Larson of Fergus Falls, keynote speaker Michael Donahue discussed the issues of water policy and planning over multiple jurisdictions. Donahue used his experience as president and CEO of the Great Lakes Commission to illustrate how environmental and economic issues are

balanced and reconciled for the world's largest freshwater system, which affects eight states and two provinces. The Great Lakes Commission, based in Ann Arbor, Mich., has worked for fifty years to develop research and policy advocating the protection and prudent development of the Great Lakes and St. Lawrence Seaway system.

The forum ended with a panel of water management experts representing different levels of government and institutions to discuss with the audience and each other how water management can be better coordinated among the different entities.

The Center has held forums on high-speed telecommunications and ethnic diversity in the past, but this year's topic cast a wider net in terms of information. "Water resources are such a very big issue in greater Minnesota. It's crucial to economic development and quality of life. But there are so many issues within the one issue that it can be hard to develop policies that address the whole," said Jack Geller,

president of the Center. "By bringing together people who play different roles in water management, we can help break down those barriers across jurisdictions and disciplines that can make water management and planning difficult."



Mike Donahue, president and CEO of the Great Lakes Commission in Ann Arbor, Mich., spoke to conference goers on the issues of managing water resources over multiple states.

Redistricting...

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ready to go. But it could also be a problem, considering the amount of leadership rural Minnesota is losing," said the Center for Rural Policy's Marnie Werner. "It will be more important than ever for rural legislators to work together and work with urban legislators to avoid the kind of gridlock we saw last year. No one benefits from that."

Indeed, the late session's contentious nature may have been a contributing factor to the number of retirements. Rep. George Cassell (R-Alexandria) said he could sense the frustration among a number of legislators toward the end of the session. "I think that did enter in," he said. "All of them [those who are retiring] have good reasons for leaving: other careers, young families." The time commitment is very demanding, he said.

A large turnover in a redistricting year is not unusual. According to information compiled by the Minnesota Legislative Reference Library, turnover was 40 percent in 1972, 31 percent in 1982 and 25 percent in 1992 (turnover includes retirees and those who lost elections). One unusual feature of the retirements this year, though, is the number of committee chairs who will not be coming back in the House, where the Republicans hold the majority. People like Rep. Bob Ness of Dassel, who chairs the Agriculture and Rural Development Finance committee, Rep. Tim Finseth, from Angus, chairman of the Agriculture Policy committee, and Rep. John Tuma of Northfield, who chairs Crime Prevention, have all announced they will not be returning. Eleven committee chairs and six DFL committee leads are leaving. In the Senate, where the DFL is in the majority, fewer committee chairs are leaving, but some of those who are

leaving are top people, like Senate Majority Leader Roger Moe and Finance Committee chairman Doug Johnson.

"You very seldom have that many committee chairmen quitting," said Rep. Henry Kalis (DFL-Wells), who has also opted to retire this year after 28 years in office. His decision was made two years ago during the last election, when he realized, "it just didn't feel right anymore." And now he doesn't envy the job of legislators in next year's session.

"It's going to be a nightmare," Kalis said, "a tremendous challenge." Legislators will be facing all the deficit problems that were not addressed this year, plus issues like the transportation bill, which was left on the table, all in the context of an economy that may or may not be recovering by that time.

Sen. John Hottinger also predicts the session will be "very challenging." He's surprised the turnover isn't higher considering the significance of the budget challenges ahead, which will be difficult even for experienced legislators, he said. On the upside, though, the Mankato-St. Peter senator said that the legislature is not as driven by seniority as at the federal level, and he is very impressed with the number of people willing to take on the complex job of being a legislator. "This is a remarkably talented group."

	Number of Legislators	Total years in office	Average number of years in office
Rural Legislators	23	314	13.7
Twin Cities Legislators	15	168	10.0

Some good news in rural health care this session

Although a good deal of attention has been focused on what wasn't accomplished by the end of the 2002 legislative session, there were two innovative developments in the field of rural health care.

In late April Governor Ventura signed a bill waiving selected state regulations relating to health maintenance organizations. The bill, sponsored by Rep. Maxine Penas (R-Badger) and Sen. Dallas Sams (DFL-Staples), clears the way for the formation of purchasing coalitions, which can be used to purchase health care insurance for rural workers. These coalitions would make it possible for individual employers to combine their employees to form a larger single purchasing pool, increasing their purchasing power. Spreading the risk among a larger group of customers would ideally lower the cost of health insurance to the group members.

A report released last year by the Center for Rural Policy and Development, "The Rural Health Care Marketplace," showed that one-third of the rural employers surveyed do not provide health insurance for their full-time employees. That number jumps to half among businesses with fewer than 10 employees. Forty percent of employers surveyed reported that their insurance premiums went up more than 20 percent between 1999 and 2000.

Earlier in the session, a waiver was obtained from the federal government that will allow farmers to take part in MinnesotaCare, a program for which most farmers have so far not qualified.

Rep. Mary Ellen Otremba (DFL-Long Prairie) and Sen. Dallas Sams (DFL-Staples) announced in May that the federal waiver will allow the state to change MinnesotaCare's income guidelines as they apply to farmers. MinnesotaCare, a state-supported health insurance program, was designed for low-income families without health care insurance or with health care insurance where the employer paid less than half of the premium.

Many farmers were not eligible for MinnesotaCare under the original rules, because they appeared to have high incomes even though they also had major operating losses, said Otremba. Waiving certain federal regulations now made it possible for legislators to include a provision in the budget bill that removes that operating loss prohibition. An attempt to remove the depreciation prohibition was unsuccessful, however.

Many farmers are struggling with the cost of health insurance, working extra jobs to pay for it or foregoing it altogether. "This is a very big deal," said Otremba, who also serves on a national health policy commission. Their success with this waiver now sets a precedent for farmers and state health plans in the other 49 states, she said.

Tupelo, Mississippi...

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Leadership

The Tupelo experience underscores the pivotal role of private-sector leadership in creating vision, setting goals, holding people accountable and regularly communicating with stakeholders. In Tupelo, for example, leadership came in the name of the late George McLean, newspaper owner and publisher, who devoted his energy to the region's development. According to Putnam: "Through exceptional leadership [McLean] united Tupelo's business and civic leaders around the idea that the town... would never develop economically until they had developed community."

Social Capital

Though *social capital* was just an idea when McLean died in 1983, Tupelo actually was shaping its very definition - people forming and operating in dense social networks and pulling together in common self-interest for community good. As they say in Tupelo: "community development precedes economic development."

Unceasingly, McLean preached urgency in earthy and plain terms: "There is no Santa Claus in Jackson or Washington or anywhere else for this community. If you want a better community, you will have to do it yourselves. If you don't do it, it will never get done."

Structure

A third element we found equally essential — an organizational structure that holds everything together. In Tupelo, it's the Community Development

Foundation (CDF) founded in 1948. CDF involves just about everybody in its strategic planning, and implementation is widely shared among all sectors, including plenty of outside contacts. Networking is crucial to expanding the base to attract not only more but better jobs.

Consider CDF's economic development goals and you get the idea. "Create 5,000 new primary jobs with wages at least 5 percent above the state average." Or, "Increase personal income by \$107 million." And, "Assist in having 1,750 employees receive training in higher job skills."

Leadership, the *social capital* of people pulling together in community for community and a vital organizational structure is about hard work; Tupelo has been at it for five decades - focused staying power day in and day out, year after year.

At the Crossroads

Adopt the Tupelo model and all will be well? The jury is still out on whether *social capital* is a singular asset, or one of many, and whether economic development is the essential element of strong communities, as John McKnight would argue. I think critical adaptation and action are key. Especially now because rural Minnesota is at the crossroads - awaken and adapt, or die.

The 2000 Census dramatically underscores our situation: an aging population, fewer young people, depleting political power, and declining natural resource and agricultural-based economies, to mention a

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On March 15th a bill became law mandating that all diesel fuel sold in the state of Minnesota be blended with a minimum of two-percent biodiesel by 2005. Arguing that a biodiesel mandate is good for the environment, good for the rural economy, and maybe most importantly, will help us reduce our dependence on foreign oil, lawmakers passed the measure quite handily in both the Senate and the House.

There was opposition to it, of course. While the biodiesel mandate was being debated, opponents correctly pointed out that replacing almost the entire diesel fuel supply with a two-percent biodiesel blend will very likely raise the price of diesel fuel at the pump by as much as 5 cents per gallon. While that may not sound like much to you or me, consider the impact of such a price increase if your business owned a fleet of trucks, buses or other diesel-burning vehicles.

But a quick look at the news coverage over the last few months leads me to think that the Minnesota legislature was somewhat prophetic. Consider these news events:

- Citing economic retribution for events between the Israelis and Palestinians, the government of Iran suggested that the OPEC nations consider reducing and withholding oil exports to western countries siding with Israel, while Iraq, citing similar concerns declared that it would unilaterally withhold oil to the west for a month.
- In Venezuela (the fourth largest oil exporter to the U.S.), a military coup, shortly followed by the reinstatement of the country's president, greatly increased the instability of the political structure as well as its flow of oil to the U.S.
- The U.S. Senate passed an energy bill, with a renewed emphasis on ethanol and other alternative fuels.
- Just recently, OPEC voted to freeze production rates in an attempt to maintain prices.

There's no doubt that since the oil embargo of 1973, our dependence on foreign oil has been linked with national and homeland security concerns. And it is for this reason that, while we still import approximately 50 percent of the oil we consume annually in the U.S., our dependence on oil from the Middle East has decreased dramatically since 1973. And since September 11, a renewed emphasis on further reductions in our oil dependence from "unreliable" sources has clearly been on the agenda.

Securing our Energy Future

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

As a result, Minnesota, with its continuing legislative support of ethanol, E-85, wind-generated electricity, biomass, and now biodiesel, has an extraordinary opportunity to demonstrate to the nation how a series of rather small steps can culminate into one giant leap. By that I mean, each of these initiatives individually will only have a small if not minuscule impact on the total oil consumption in our state. But over time, and taken together, we may be able to reduce our oil consumption by as much as 5 to 7 percent.

Sound small? Well, consider that, according to the U.S. Department of Energy, all the crude oil imported from Algeria, Iraq, Kuwait, Saudi Arabia, Qatar, the United Arab Emirates, Brunei, Egypt, Oman, and Yemen combined totaled approximately 13.5 percent of the oil we imported in the year 2000. Does a 5- to seven-percent reduction still seem small? Tie these measures to some serious energy conservation efforts and we can effectively demonstrate to the nation how to make a real and meaningful impact on overall oil consumption.

As for the increased price to diesel consumers, the question has to be asked, "Is it worth it?" To me, the answer is clearly yes! Fueling up at the pump over the past 18 months had the feel of rolling dice. With price swings from 98 cents to \$1.91 per gallon, I liked the odds of catching the bullet in a game of Russian

*"Minnesota...
has the tools in
place to lead
the nation..."*

Roulette better than the odds of finding the same price at the pump from one week to the next. In fact, I started feeling sorry for the poor station attendants who have to keep changing the prices on those big signs each day. So with price swings as large as 10 to 15 cents per gallon from one day to the next, who would really recognize an increase of 3 to 5 cents a gallon as something out of the ordinary?

My point is simply this. As with any new policy, there are trade-offs, both political and financial. Minnesota's new biodiesel mandate has the potential to give our state another tool in our collective "tool belt" as we try to bolster our farm economy and keep Minnesota's air clean. But maybe most importantly, with a renewed emphasis on reducing our foreign oil dependence and greater energy self-sufficiency, Minnesota, with its support of ethanol, wind, biomass, E-85 and now biodiesel, has the tools in place to lead the nation in this new direction. Let's do it.

(Dr. Geller is president of the Center for Rural Policy & Development in Mankato.)



Notes

Small grants applications

The Center's Small Grants program will be undergoing some changes this year, which include an effort to focus and refine our areas of research interest. Despite what was posted on the web site, the Center will be taking applications for the FY 2003 round of grants between Oct. 1 and Dec. 15, 2002. Please continue to check our web site, www.ruralmn.org, for updates on the program's progress.

New releases

The Center for Rural Policy and Development will be releasing to pieces of significant research later this summer:

- The 2002 Rural Minnesota Internet Study, an annual survey of rural Minnesota residents, is designed to monitor computer, Internet and broadband access in rural Minnesota. This year's data shows how the effect that some prevalent socio-demographic characteristics have on the spread of technology in rural Minnesota.
- "Small Schools Under Siege," a study by Prof. Gregory Thorson from the University of Minnesota, Morris, discusses the effects that Minnesota's current K-12 funding structure has on the availability of resources for the state's small rural schools. This study is a follow-up to an earlier study by Thorson demonstrating that due to economies of scale, smaller school districts incur higher per-pupil costs. Watch the Center's web site at www.ruralmn.org for news on the release of these reports.

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few. Our challenge requires broad and deep thinking - and dramatic action - whatever the model. But the Tupelo story speaks powerfully.

As Sandy Layman put it: "It's a compelling story for just about every community in rural Minnesota. It shows that with concerted effort, tenacity over time and with private-sector leadership, trust between government and the private sector, you can achieve."

And the skeptical businessman, whose focus was business as business

only? On the return trip, he allowed that hereafter community merits 40 percent of his effort and attention. Yes, the Tupelo story has legs.

Paul Olson is president of the Blandin Foundation, based in Grand Rapids MN. The mission of the foundation is to strengthen rural Minnesota communities. He is also chairman of the Center for Rural Policy and Development's board of directors.



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