

CENTER *for* RURAL POLICY and DEVELOPMENT

MINNESOTA STATE UNIVERSITY • MANKATO

Seeking Solutions for Greater Minnesota's Future

NEWSLETTER No. 4

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CRPD Board of Directors Approves 6 New Projects

Understanding the needs of high-tech companies, rural education financing, innovative collaboration between rural employers and health care providers, and understanding the impact of ethnic refugees on rural Minnesota communities are among the research projects recently approved by the Board of Directors of the Center for Rural Policy and Development.

Researchers from several universities throughout Minnesota were selected from a pool of applicants for the Center's second round of funds allocated through its Small Grants Program. Projects must be completed within 12 months, with results to be disseminated in appropriate forums, including legislative hearings. The projects approved at the January CRPD Board of Directors meeting include:

Collaboration Between Rural Businesses and Local Health Care Providers

In a study that will survey over 600 rural businesses, 50 rural medical clinics, and 20 rural hospitals in western Minnesota, Dr. Robert Connor of the Carlson School of Management, will try to identify unique collaborative efforts between local businesses and local health care providers. It is often thought that through such innovative arrangements local businesses can provide better access to health care services for their employees and local health care providers are more likely to remain in rural communities. This study will help document some of these arrangements and their impact on rural communities.

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Center Releases Report on State Funding for Rural Schools

When it comes to deciding how to fund Minnesota schools, policymakers should take a lesson from Sam Walton. That's one message from a new study released by the Center for Rural Policy and Development.

The report notes that Walton, founder of Wal-Mart and Sam's Club, understood that operating giant stores and purchasing large quantities of merchandise at lower prices brought with it an economy of scale: Larger operations have lower overhead expenses and can offer lower prices.

That concept generally holds true with schools as well: Small rural districts have higher operating costs than their larger counterparts. Yet the state gives the same amount of basic funding per student to large and small districts. "Like all other industries, education is not immune to the economies of scale. It costs the same to heat the building whether there are a lot of students in it or fewer. If you multiply all those fixed operating costs, larger schools can educate their students at slightly lower costs per pupil," said Jack Geller, President of the Center.

The report, "Making Difficult Times Worse: The Impact of Per Pupil Funding Formulas on Rural Minnesota Schools," was prepared by two assistant professors at the University of Minnesota at Morris, Gregory R. Thorson, a political science profes-

sor and Jacqueline Edmondson, an education professor.

Thorson said the additional funds needed by the state's 103 smallest rural school districts is \$15 million annually, less than .04 percent of the state's education budget. "I call that couch change in the total budget. But what a dramatic change that modest amount of money can make for these small schools," Thorson said. "For a long time we encouraged consolidation for efficiency. But before we encourage more consolidation, we need to step back and look at other costs associated with it," he added.

When small towns lose their school, a downward spiral begins as young families move away, followed by local businesses. "I believe the closing of a school starts that kind of chain of events, but there isn't real good research on that yet. I think we need that kind of research before the state continues to urge more consolidation." Thorson said that there is also growing evidence that well-run small schools can provide a better education than larger ones.

A copy of the report, "Making Difficult Times Worse: The Impact of Per Pupil Funding Formulas on Rural Minnesota Schools," can be downloaded for free at the Center's website: <http://www.ruralmn.org> or a hardcopy can be ordered by calling the Center for Rural Policy and Development at 507-389-2599.

Rural Perspectives...

Advancing the economic vitality of Minnesota is the mission of The Department of Trade and Economic Development. For that to occur for the entire state, rural Minnesota requires considerable attention from Department Commissioner Gerald Carlson. Just prior to accepting his appointment as Commissioner, Carlson had retired as a senior executive after 32 years with Ecolab - a \$2 billion, Fortune 500 company. He earned his Bachelor of Science degree from Minnesota State University, Mankato. In this issue of *Rural Perspectives*, Commissioner Carlson discusses his thoughts on the rural economy and rural development.

Gerald Carlson

Commissioner

MINNESOTA DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT

Q

What is the most important issue affecting rural development in our state?

A

It's difficult to pinpoint a single issue that applies to every region of the state. It's not a case of "one size fits all." Telecommunications is a big concern to many, as is transportation and value-added agriculture. But certainly from our perspective at DTED, workforce development is one of our biggest challenges - and greatest opportunities - to expand the economic base of rural Minnesota.

Many companies now facing a labor shortage in the Twin Cities area would like to expand into greater Minnesota to find skilled workers and train workers to acquire the skills needed for growing successful businesses. What these companies need most is a trained, available workforce. Although there are plenty of jobs, there are not enough people to fill them. We need to do a better job at matching worker skills with job opportunities. That is what the Governor's Workforce Development plan hopes to achieve by refocusing our resources to provide more customized training in critical industries and occupations. However, this effort won't be accomplished without the leadership of local and regional planners. We need local leaders and resource people to aggressively identify, upgrade and market regional assets. We need them to take an inventory of their workforce, find out what skills are needed to attract the industries they want to their region, and make sure the local schools and colleges offer the relevant training that responds to businesses' needs.

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Center receives grants from the Otto Bremer and McKnight Foundations

The Center for Rural Policy and Development is pleased to announce that they have been awarded grants from two major Minnesota foundations to assist in furthering their rural policy research efforts. Dr. Jack Geller, President of the Center, reported that the Center has received grants totaling \$275,000 from the Otto Bremer Foundation and the McKnight Foundation. The grants, \$150,000 and \$125,000 respectively, will help match the \$200,000 state appropriation the legislature provided on condition of receiving matching funds from the private sector.

"We are extremely pleased to have received word of these awards. The receipt of these funds represents to us the commitment that these two major foundations have in seeking creative solutions to many of rural Minnesota's challenges," Geller said. "These funds will assist us in matching state appropriated funds that have been designated for the Center, as well as to challenge other philanthropic organizations to assist us in developing a collaborative statewide network of researchers focusing on rural issues," he added. "Additionally, these funds will greatly assist us in the development of new Rural Policy Panels," Geller noted. These policy panels bring experts from multiple perspectives together in a format developed by the Center, to address complex rural issues through consensus. The recently released rural telecommunication report (see page 2) was the result of such a panel.

Finally, these funds will go a long way in helping us partner with other public and private organizations to create forums where we can as a state begin discussing in more thoughtful ways what it means to be "one Minnesota." High profile issues such as the "digital divide" between rural and metro Minnesota are good ways to start such a dialogue, but clearly are just the beginning.

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Rural Perspectives... ◀CONTINUED FROM 1

Q *How do you intend to support and encourage rural development and growth in Minnesota?*

A The administration is keenly aware that many farmers in Minnesota have not shared in the economic growth that has occurred in other economic sectors of our state. Governor Ventura is committed to helping the state's farmers become stronger competitors in the global economy and the Minnesota Trade Office has partnered with the Department of Agriculture to develop a more effective strategy for marketing Minnesota's agricultural exports to countries with the highest potential.

But there is more we can and must do to encourage rural economic development and growth in Minnesota. Even now, farms of all sizes depend on significant non-farm income and, in many ways, the vision of rural diversification is already taking shape. Some of the strongest job growth occurred in the least populated areas of the state, including high-paying manufacturing jobs. And there are signs that rural Minnesota is literally coming back. After years of out-migration, the population has actually increased by four percent.

Rural growth is necessary to balance and complement metropolitan growth. The key to successful economic diversification will depend on our forging workable partnerships between the people, their governments and area businesses.

Q *How will you attract workers into rural Minnesota?*

A Not only do we need to bring a wide range of jobs to rural Minnesota, we also need to attract new families, build new housing for them and develop an infrastructure that supports the growing need for education, transportation and communication. Economic diversification requires a truly holistic approach to the challenges facing communities in greater Minnesota.

DTED has begun an aggressive marketing strategy to help businesses locate and expand in rural Minnesota. We are working to identify

companies in the seven-county metro area that plan to expand and to make referrals that match business needs with outstate labor supplies. But we can't do this without local guidance and leadership. Rural communities must decide for themselves what their priorities are. They must decide where to expand, how to expand, and what kind of future they want for their children. It's up to them to take an inventory of their assets, decide their priorities and develop the strategies they need to compete.

We can help rural communities by providing some services and information needed to achieve future growth and development. We can also connect them with other communities we have worked with that have gone down the same road and faced the same challenges. We can be their reality check, their resource and their partner.

Q *How does Minnesota's telecommunication structure support statewide economic development?*

A There is no question that rural communities need to upgrade their telecommunications systems so that people don't have to leave an area to find a good job with good wages. While surveying businesses in the Twin Cities area, we found that companies would welcome the opportunity to hire workers in rural Minnesota because of their values and work ethic. Of course, all of this takes money, and it costs more to develop a telecommunications infrastructure in rural Minnesota. As local strategies are developed, we would like to find ways to offset some of those costs. The Rural Summit held last summer in Duluth contributed much in the way of discussion, partnerships and proposals for linking technologies and communities, and this Administration is committed to building on that theme.

We also need to look more closely at the resources available for growing new companies, especially technology businesses. Minnesota's revolving loan fund is available to growing companies, but seed capital, especially in rural Minnesota is scarce. We are reconsidering the state's role in this market, along with other agencies and organizations.

Our Job Skills Partnership has been, and continues to be involved with providing programs to train employees in this area of high technology. A recent grant to Alexandria Technical College and Rural Cellular Corp. to train employees in Personal Communications Systems (PCS) is a good example of this.

Q *What are your plans for encouraging companies/businesses to move into rural Minnesota?*

A In addition to DTED's marketing efforts that target businesses looking to expand in greater Minnesota, we can also help with housing. The Minnesota Investment Fund is looking at ways to provide housing grants in high growth areas in greater Minnesota. New housing for workers is the highest priority for our Small Cities Development Program. Rural communities have some powerful tools in tax abatement and tax increment financing. If they are willing to invest, so are we.

Q *How have you been collaborating with the Commissioner of Agriculture?*

A Commissioner Hugoson and I have worked closely together in developing a coordinated strategy that incorporates the best resources of each agency to address the challenges of greater Minnesota. But long-term solutions will require more than state leadership. They will require local leadership and unprecedented coordination and collaboration among all of the partners involved, including the EDA, USDA Rural Development, USDA Farm Service Agency, Regional Initiative Funds, Regional Development Commissions, local governments, higher education, the private sector and non-profit foundations.

Q *How has your experience with Ecolab helped you in your past year as Commissioner?*

A My 32-year career there included senior management positions with responsibilities for international and North America Institutional Operations as well as corporate planning, mergers, and acquisitions. These responsibilities, obviously, involved many opportunities in business development and management that included similar elements of decision-making required at DTED. Both positions stressed commitment to planning, resources and capital in achieving desired outcomes.

Telecommunications Infrastructure is Focus of Report on Rural Minnesota Economies

With concern growing over the decline of economies and the loss of population in many of Minnesota's rural communities, there is an emerging sentiment that the electronic revolution may hold a solution, if only it doesn't pass them by. A report released by the Center for Rural Policy and Development in Mankato lays out a foundation for policymakers as they address telecommunication issues pertaining to rural Minnesota.

Within three years, all Minnesotans should have affordable access to advanced, high-speed telecommunications technology; and in those rural areas where competition is limited, rural consumers should be protected from excessive costs or inferior service. These are two of several recommendations found in the report.

The Center's telecommunications initiative created a Rural Telecommunications Policy Panel comprised of 13 experts from across the state representing diverse areas including the telecommunications industry, rural hospitals, rural schools, local and state government, and tribal interests. The panel first convened five months ago to discuss what the appropriate role of state government should be in ensuring access to advanced, high-speed telecommunications technology for all Minnesota residents. Deliberations over the ensuing months led to consensus in four general areas: access to technology; affordability

and competition; skills and training; and support for local initiatives. In each of these areas, the report outlines a number of recommendations.

"Early in the summer of 1999 we were able to see that with the upcoming rewrite of the state's telecommunications statutes, rural access to these advanced technologies was going to be a significant policy issue," noted Jack M. Geller, president of the Center for Rural Policy and Development. "At that time we entered into discussions with Lee Munnich and the State and Local Policy Program at the Humphrey Institute to partner with us in creating this policy panel," he added.

The report seeks to make clear to legislators that a policy that works to encourage competition in urban centers will not work the same way for rural communities, and could even hinder their access to high-speed telecommunications. Moreover, a policy that primarily benefits urban areas and leaves rural areas behind will adversely affect the long-term economic health of the state as a whole.

Key among the panel's recommendations is the position that any action by policymakers should remain "technology neutral," not favoring one mode of telecommunication access over another; i.e., wireline as opposed to wireless, cable or any emerging technology. Equally important is the premise that, in promoting competition, legislation not favor new entrants in a market over incumbent providers. The report contains a total of 18 recommendations.

Jerry Nagel, president of the Red River Trade Council in Crookston and spokesperson for the panel, commented, "We've opened the can of worms and have provided the framework for good decision-making in regards to the impact of this report." Milda Hedblom, panel member and director of the Telecom-

munications Forum at the Humphrey Institute, added, "Our motive is to shine a spotlight on the particular ways telecommunications can make a difference in rural life."

In light of the pace of progress in the information technology industry, rural residents across the nation believe that access to telecommunications services is critical to the future of their communities. In Minnesota, rural leaders are concerned that without adequate policies in place, the rapid advances occurring in the telecommunications field will greatly benefit metro-area residents and businesses, but may inadvertently leave rural Minnesota behind.

The report highlights the differences between rural and urban areas when it comes to the new deregulated environment; points to efforts—both public and private—to broaden the telecommunications infrastructure statewide; and identifies coverage gaps around the state. Most importantly, it addresses how the state can help create a telecommunications environment that works for everyone.

Dick Nordvold, of the Iron Range Resources and Rehabilitation Board and a panel member, pointed out that this report should be of interest not only to legislators but local community members as well. "If this report gathers dust on a shelf, then it was a waste of our time. But I believe if these problems are addressed, and resolutions are discussed, then it carries great value."

Copies of the report can be downloaded for free at the Center for Rural Policy and Development's website at <http://www.ruralmn.org> Hard copies can be ordered by calling the Center for Rural Policy and Development at 507-389-2599.

DFL & GOP Stake out their Legislative Agendas for Rural Minnesota



Prior to the 2000 legislative session, both the DFL and Republican parties in separate rural agendas, addressed issues concerning rural Minnesota. Rural concerns common to both parties were tax relief for farmers, education, communication and technology, and healthcare.

"Minnesota is becoming two states," said Senate Majority Leader Roger Moe. "One state is thriving - it has crowded schools, busy malls, and congested streets. The other state is emptying out as schools, shops and farmsteads shut down. We need to balance the needs of rural communities with the needs of other parts of the state. Ignoring the problems of rural Minnesota will not make them go away. Our balanced approach will revitalize rural communities and give them a fighting chance in today's economy. The metropolitan area clearly benefits when the rural Minnesota economy is thriving."

House Republican leaders announced a package equally targeted to rural Minnesota, with property tax relief for farmers as the centerpiece. The Republican agenda is a direct result of more than 100 hearings and meetings in rural Minnesota last summer and fall.

"We understand not everyone has benefited from the strong Minnesota economy and that our farm economy specifically has suffered," said Speaker of the House Steve Sviggum. "The most appropriate thing we can do for farmers is to permanently cut high property taxes on agricultural land to help with their bottom line."

Agriculture is certainly a key element to rural economy. However, lawmakers are addressing many other issues affecting economic development and growth for rural communities and the businesses in them.

The DFL package includes proposals covering a broad range of issues, including tax relief, infrastructure development, education assistance, improved health care access, telecommunications reform, distance work development, and funding for K-12 schools in rural communities. Republicans also propose several initiatives aimed at bringing technology to rural Minnesota to strengthen the workforce for smaller communities, including a job skills inventory and grants for wired and wireless technology. Addressing deficiencies in rural schools caused by declining enrollments and funding for vocational education is also on the Republican rural agenda.

Agriculture

Both parties propose property tax relief targeted to agricultural disaster areas. Republicans propose an agricultural set-aside program, creating a 3-year set-aside for agricultural land in Northwest Minnesota counties that has been declared a Presidential Disaster County. This includes \$4 million of targeted property tax relief for farmland in those disaster counties. DFL plans to reduce the education levy for non-homestead agricultural property.

The production of ethanol-based fuels in Minnesota offers improved business prospects for Minnesota corn growers. Ethanol producer payments under the DFL bill would allow existing plants to increase production capacity to 15 million gallons. Republicans promote full funding of annual payments to ethanol producers in newer plants.

Alternative crops, such as hybrid poplar trees, offer a promising new market for Minnesota farmers. The DFL proposal offers a revolving loan fund to help farmers convert to agroforestry.

DFLers also propose to change eligibility for the Dislocated Worker Training Program, so farmers can more easily receive job training.

They also propose to make as much as \$1.2 million in existing appropriations available for farmer job training. State-supported tuition assistance for farm business management classes is also supported under the DFL agenda.

The "Big Scissors Project," proposed by Republicans, cuts red tape for farm families, modifying or repealing rules that place Minnesota farmers or food processors at a competitive disadvantage with competition in other states.

Education

DFLers propose local control of a block grant for rural school districts, giving them funds directly to use as they wish in upgrading facilities, technology, or adding vocational classes.

Republicans wish to restore funding for 192 high-school level vocational agriculture programs, and plans to support rural districts with financial aid based on declining pupil counts.

Workforce Reform

Communication and technology development to support economic growth in rural Minnesota is a concern to both parties. Unemployment rates don't tell the whole story about the potential of an area to provide workers, particularly for higher-paying jobs. The perception of an uncertain workforce with unknown skill levels offers obstacles to potential employers who might bring higher-paying jobs to an area. Republicans propose a workforce identification system to conduct inventories on a county or regional basis.

DFLers see distance work opportunities as an important part of workforce reform, and promote information technology worker and employer opportunities in Minnesota. Current training programs need revisions to better fill those needs.

Communication & Technology

Republicans promote wired and wireless technology grants (MMDS) to areas with many small towns. The intent is to eliminate poor access to high speed Internet access as an obstacle to economic development. Republicans also propose an E-Business Institute to provide state-wide assistance with strategic use once access is acquired.

DFLers want to deregulate telecommunication services, thus eliminating the state's role in price regulation with the intent to increase competition and encourage new investment in rural Minnesota. They also promote telecommunication demonstration grants through the Office of Technology.

Health Care

Republicans plan to bring back equity without sacrificing quality care to nursing homes with problems maintaining adequate staffing levels. DFLers are proposing cost-of-living increases for long-term care facilities.

Also on the Democratic agenda are improved MinnesotaCare access for rural communities, improved reimbursement rates for rural healthcare providers, and financial assistance to sole community pharmacies in financial trouble. Under proposed law, farmers would be able to deduct depreciation, net operating losses and carry over losses, making them eligible for federally funded healthcare programs that are currently unavailable.

Under the "Big Scissors" project, Republicans hope to reduce regulations in rural nursing homes, allowing them to spend more time on patient care than on handling paperwork.



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*Senate Majority Leader
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CRPD Board of Directors Approves 6 New Projects

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Restorative Justice and Rural Communities

While Minnesota is recognized nationally as a leader in the development of "Restorative Justice" programs, little is known about how well this program is working for rural counties. Led by Dr. Kimberly Greer of Minnesota State University, Mankato this study will evaluate the restorative justice program at the Minnesota Correctional Facility-Red Wing and determine how well it meets the needs of rural Minnesota counties. Given the high costs of such programs (over \$35,000 per inmate) on counties with relatively low tax bases, this study will be of great interest to county commissioners throughout Minnesota.

Community Adaptation to Refugee Resettlement

Rural Minnesota is in the process of adapting to a new wave of refugees from areas of conflict all around the world. Arriving from places such as Somalia, the Middle East, and republics of the former Yugoslavia, these new immigrants and their new host communities face many challenges. Dr. Richard Wintersteen, professor of Social Work at Minnesota State University, Mankato, along with Dr. Jon Hubbard of the Center for Victims of Torture, Minneapolis, will lead a team of researchers to better understand these challenges. Utilizing site visits, focus groups and personal interviews with key informants, we hope to learn more about adaptations by both community leaders and members of the immigrant community.

The Effects of School Funding on the Quality of Education in Rural Communities

Building upon their previous study, Drs. Thorson and Edmondson of the University of Minnesota at Morris seek to further explore the impact of inequitable state funding on rural Minnesota schools. In this follow-up study the researchers will explore the impact of funding on the condition of the physical plant, access to technology in the classroom and other resources, teachers' experience and salaries, as well as student test scores. It is hoped that this study will provide a more complete picture of how the current funding formula is effecting small rural schools.

High Tech Firms in Rural Minnesota

In this study, Dr. Gerald Stiles, College of Business at Minnesota State University, Mankato will examine the attributes critical to success of high tech firms in rural Minnesota. While much is known about such firms in metropolitan areas, surprisingly little is known about such firms in rural locations. Through interviews with the CEOs of such firms, the study hopes to better understand the location decision-making process high tech firms employ, as well as the attributes of rural communities that appear to welcome these businesses.

Long Term Care Employees in Rural Minnesota Communities

This project addresses the issue of nursing assistant recruitment and retention in rural long-term care facilities. In this study, Shirley Murray, Director of the Minnesota Geriatric Education Center South, evaluates the effectiveness of a nursing assistant enrichment program on job satisfaction and employee retention. Utilizing a quasi-experimental design, the project initiates the enrichment program in four rural nursing facilities and uses four additional pre-selected facilities as control sites.



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