

CENTER *for* RURAL POLICY and DEVELOPMENT

Seeking Solutions for Greater Minnesota's Future

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Center's latest report shows most JOBZ businesses achieved job and wage goals

A newly released analysis conducted by the Center for Rural Policy and Development revealed that businesses that signed agreements in 2004 through the state's Job Opportunity Building Zone (JOBZ) program actually created more new full-time jobs and at higher average wages than promised in those agreements. According to the analysis of 131 business subsidy agreements that were signed in 2004, these businesses collectively promised to create 1,985 new full-time jobs at an average wage of \$12.37 per hour. Within two years, however, they collectively created 2,601 full-time jobs at an average wage of \$14.86 per hour. "This is, in fact, the first real tangible opportunity we have had to compare what businesses promised in the agreements with their actual job creation outcomes," said Dr. Jack Geller, CRPD president.

The JOBZ program, administered through the Minnesota Department of Employment and Economic Development, was created in 2004 to boost job creation throughout Greater Minnesota. The Center for Rural Policy was asked by lawmakers and by DEED to monitor JOBZ and serve as an

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New Study examines Latino students across Minnesota

As the immigrant population in Minnesota grows, especially in rural communities, more and more attention is turning to how the children of immigrants are doing in our schools. This fall the Center for Rural Policy and Development and the Chicano Latino Affairs Council released jointly a report looking specifically at Latino students in school districts across the state, documenting enrollment trends, academic achievement, and student mobility issues among the state's fastest growing ethnic group. The report, entitled *Latino Students in our Public Schools: A Closer Look*, examines the Latino student population in 35 Minnesota public school districts where Latinos comprise at least 10 percent of the student population.

The study shows that the rapid rise in enrollment of Latino students in Minnesota's public schools in the last few years is remarkable. Enrollment for Latino students increased from 30,605 in the 2001-2002 school year to 42,393 in the 2005-2006 school year, an increase of more than 38 percent during a time period when overall enrollments in Minnesota declined by approximately 3 percent. From 2001 to 2005, Latino students went from comprising 3.7 percent of all enrolled students statewide to 5.3 percent. In the 35 school districts that were looked at for this study, Latino students made up more than 10 percent of enrollment and topped 30 percent in the 2005-2006 school year in three districts: St. James (37.2%), Sleepy Eye (34.8%) and Worthington (31.5%).

CONTINUED ON 2



Rural Perspectives

Keith Kor
General manager
Corn Plus, Winnebago, Minn.

Q *Keith, tell us a little about yourself and the history of Corn Plus. How did Corn Plus come into being?*

A I started in ethanol in 1982 at a half-million gallon a year plant in Houston, Minn. From there, I went to a 2-million gallon plant in Iowa, then to a 25-million gallon plant in Jamaica. After that I moved on to a 2-million gallon plant in Hopkinton, Iowa, then I moved to Corn Plus 12 years ago. I spent seven years as plant manager and the last five years as general manager.

Corn Plus started in November 1994 as the first new generation dry mill ethanol plant in Minnesota. It started out at 15 million gallons a year, then after we "de-bottlenecked" it, capacity increased to 21 million gallons a year in 2001. Another 20 million gallons of capacity were added, then it was de-bottlenecked again to bring capacity up to 45 million gallons a year, where it stands now.

Q *Corn Plus, like most ethanol plants in Minnesota, is a farmer-owned coop. How does this type of business work?*

A Corn Plus is a predominantly farmer-owned cooperative of 750 shareholders where the farmer-shareholders supply the corn through delivery agreements. As shareholders, the farmers realize the profits of the business whether corn prices are good or bad. When corn prices were low last year (\$1.50 a bushel), they benefited from the value added to the final product. Now that corn prices are high, the profit isn't as good, but they're receiving the higher market price for their corn.

Q *One of the main arguments against ethanol production has been that it is inefficient to produce (i.e., that it takes as much energy to produce as it creates). However, Corn Plus is making inroads to improve the efficiency of ethanol production. Can you tell us about that? And what does this kind of advancement in technology mean for ethanol production overall?*

A Our goal is to be energy self-sufficient. In 2006, Corn Plus started a new project, putting in fluid bed technology. With this processing technology, we can burn the byproduct, a syrup that we normally dry and sell for animal feed, as fuel to generate steam to run the plant. This process has cut our gas expenditures by 52 percent a year. We saved \$750,000 this last December alone. Currently 20 percent

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Rural Minnesota Journal to be released in March

The first 2007 issue of the Rural Minnesota Journal is set to be released in mid March. This issue will cover such topics as

- Trends and challenges in MinnesotaCare
- Telehealth issues
- The future of rural independent pharmacies
- The coming long-term care crisis
- Emergency medical services challenges
- and more.

"Health care is such a universal issue everywhere right now, all across the United States, but especially in rural areas, where the economies of scale that our current health care system depend on are not necessarily present," said Jack Geller, president of the Center for Rural Policy. "We know these problems exist individually, but it's not often that anyone takes a look at them in an all-encompassing fashion. We hope this issue of the Journal will do just that."

Although the articles are written separately,

put together they show an interesting dynamic of demographics and economics at work in rural Minnesota health care. The aging population is increasing demand for services, including long-term care and ambulance services, but it is also putting pressure on the means of financing health, i.e., Medicare. The tendency for lower incomes and more poverty in rural counties increases the rates of uninsurance, but also the use of MinnesotaCare, a health insurance program for the low-income employed. And these pressures on public programs like MinnesotaCare and Medicare affect how health care providers — hospitals, long-term care facilities and small independent pharmacies — are paid. At the same time, the state's medical schools are turning out students who are willing and want to serve in small rural communities.

"This is going to be an interesting Journal," said Center president Jack Geller. "Maybe a little more technical than the first two, but full of information that should be of interest to anyone concerned

about health care in Minnesota, especially rural Minnesota."

As always, the Rural Minnesota Journal will be available on our web site to download in its entirety and as individual articles.

In conjunction with the Journal, the next Rural Minnesota Forum will also be on health care. It will take place June 18 in Duluth as part of the Minnesota Rural Health Conference. Participants will have the opportunity to hear from experts and discuss the policy issues surrounding providing health care in rural areas. There will be options to attend just the Rural Minnesota Forum, the Minnesota Rural Health Conference or both. Check our web site at www.ruralmn.org for updates on the Journal and the Forum.



JOBZ

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impartial observer. This report is the fifth the Center has produced on the subject since 2003, when the legislature and governor were first considering the idea of tax-free zones for economic development.

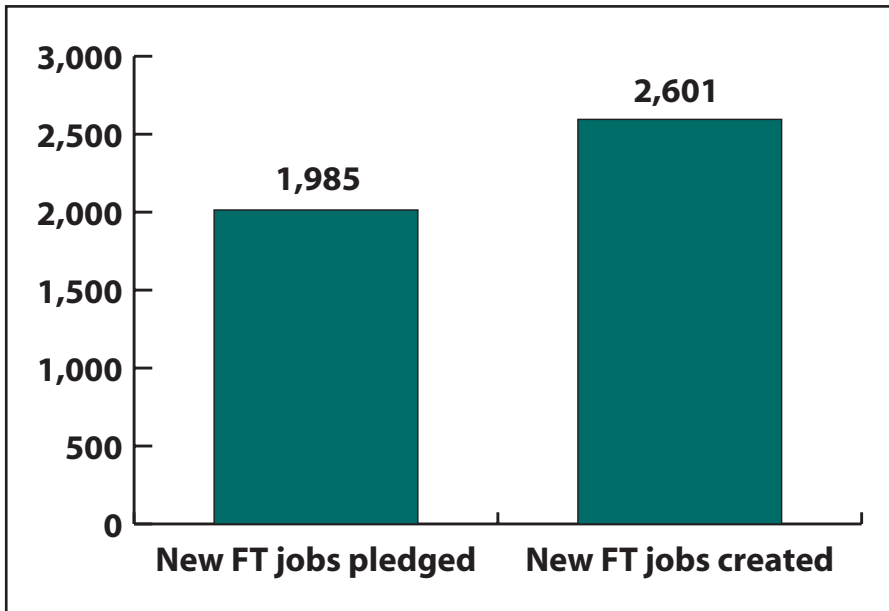
This analysis is the first to look at what jobs and wages have actually resulted from the JOBZ program since it started in 2004. In general, businesses signing agreements are given 24 months to meet their job creation obligations, and therefore, the reporting deadline has passed for those businesses that signed up in the first year.

Data reported by the businesses to DEED showed that 71 percent of those first-year businesses met or exceeded the commitments they made for job creation and average hourly wage. Approximately two-thirds of the businesses (63%) were local businesses that expanded operation through the program, and close to three-quarters (73%) were in the manufacturing sector. Also, only 14 percent of the businesses received any additional incentives beyond the tax benefits provided through the JOBZ program.

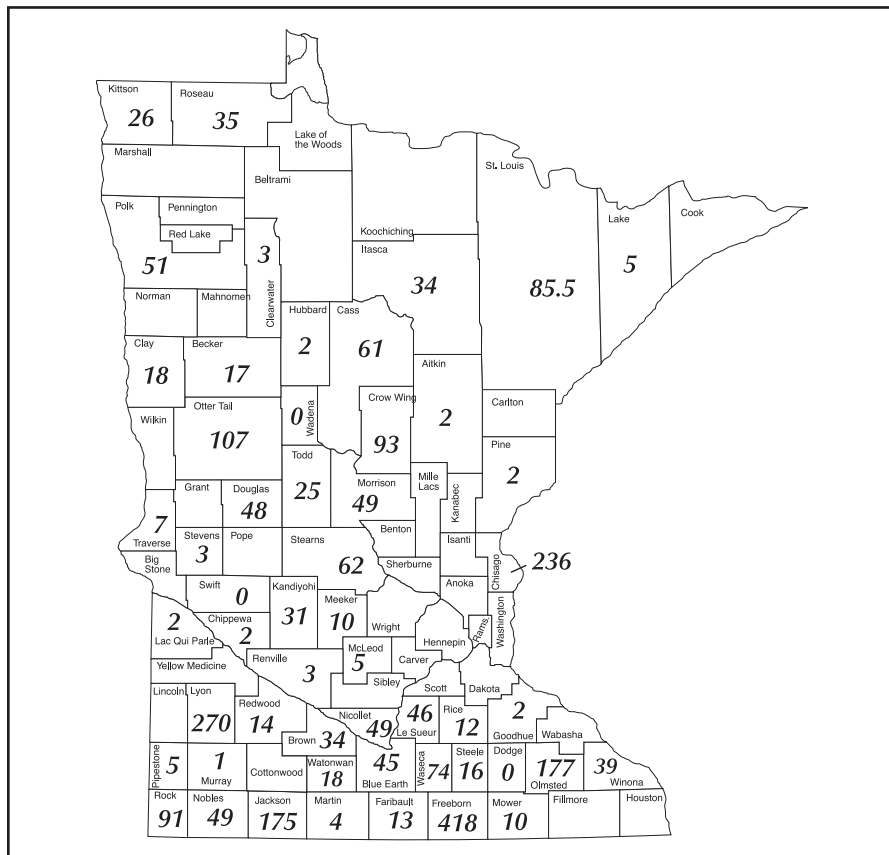
The analysis also revealed that 69 percent of the businesses met the minimum wage threshold of \$10.23 an hour as an average hourly wage for full-time employees. That particular wage is significant in that the 2005 legislature, concerned that JOBZ businesses would be creating low-wage jobs, set a minimum average hourly wage that businesses must meet – \$10.23 – but that wage only applies to businesses that signed agreements in 2005 or later. The analysis showed, however, that even though these 2004 businesses weren't bound by this requirement, more than two-thirds did achieve that rate anyway, said Geller.

“Based upon the information from the 2004 agreements, I believe it is reasonable to say that the majority of businesses involved in the program are fulfilling their obligations as outlined in those agreements,” said Geller. “It could be argued that they actually delivered more jobs and at higher wages than they promised.” But while such information is good news for those who were concerned about whether the program would actually work, it should be recognized that the report does not address all of the concerns. “For those who already support the program, these findings will simply affirm their support, but for those who philosophically have concerns with the idea of providing tax exemptions in exchange for business expansion and job creation, there is little in the report to change their mind. Essentially, the findings simply confirm that the program is functioning as it was designed to function,” Geller said.

New full-time jobs pledged vs. created.



Number of new, full-time jobs created by county as of Fall 2006.



Latino

CONTINUED FROM 1

The study's primary findings, however, were those concerning the achievement gap between minority students, including Latino students, and white students, and the high student mobility and dropout rates for Latino students. The accompanying table shows just how wide the achievement gap is for Minnesota students of different races and ethnicities in the 2004 eighth-grade Basic Skills Tests for math and reading. But while statewide figures showed a significant gap, the disparity between Latino students and non-Latino students varied considerably from district to district and from grade to grade. Overall, though, the findings showed a fairly consistent achievement gap across all grades. (To view the detailed tables, visit our web site at www.ruralmn.org and download a copy of the report from the "Publications" section.)

The other significant finding of the study was that student mobility and dropout rates are a significant problem among Latino students. An examination of dropout rates showed that grades 10 and 11 appeared to be the grades when many Latino students chose to drop out, possibly because they had reached the age when they could choose to drop out or perhaps in facing difficulty with passing tests required for graduation, they chose to just leave early instead. “The good news, though, is that the findings suggest that if Latino students stay in school through the 12th grade, there is a reasonable chance they will graduate,” Geller said. The Sleepy Eye and Pelican Rapids districts showed particularly high graduation rates for their Latino students.

Student mobility, however, was a top issue mentioned by school superintendents interviewed for the study. Using data provided by the Minnesota Department of Education, the analysis showed a very high degree of mobility among Latino students. In Twin Cities school districts students tended to move more between school districts, but in rural areas, students showed a higher tendency to actually leave the state or the country, sometimes more than once during a school year. In some rural school districts, as many as 20 percent of Latino students left the state or the country during the school year. Many school superintendents emphasized that getting students and their families “connected” to the school to increase retention and student achievement was a top goal.

“This study will greatly help the Council to better understand these educational challenges and target our efforts in this area,” said Rogelio Muñoz, executive director of the Chicano Latino Affairs Council. “I believe this study can serve as a blueprint for our efforts.” The Chicano Latino Affairs Council is a state agency whose mission is to advise the governor and the state legislature on Latino public affairs and other issues important to Minnesota's Latino community.

“The Center has been working with the Chicano Latino Affairs Council on diversity issues in Greater Minnesota for the past five years. This particular

2004 Grade 8 Basic Skills Test: Percentage of students at or above the state minimum standard for math and reading.

Ethnicity of Student	Math	Reading
White	78%	87%
American Indian	43%	56%
Asian American	58%	63%
African American	31%	50%
Hispanic	38%	52%

Source: 2004 Minnesota Education Yearbook (Davison, et al., 2004)

issue of Latino student achievement, however, is so clearly an issue we're both interested in, and such an important issue, we decided we really should work together on this study,” said Dr. Jack Geller, CRPD president.

Latino Students in our Public Schools can be viewed and downloaded at no cost from the Center's website at www.ruralmn.org or at CLAC's web site at www.clac.state.mn.us.

RMJ
Rural Minnesota Journal

Winter 2007

Examining Rural Health Care

Yes, I would like to order the Center for Rural Policy and Development's *Rural Minnesota Journal: Examining Rural Health Care*.

Please send me _____ copies of RMJ. I have enclosed \$3 per copy for shipping and handling.

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A few years ago I found myself making a presentation to a group of rural and agricultural leaders when I was asked a question about a much thought of but seldom mentioned topic. After citing the history of a specific small town of approximately 200 residents, with the loss of most of its main street businesses, closure of the local school and loss of the local grain elevator, he stated his question by concluding, "Let's face it, this town is dead! But is anyone going to ever say it out loud?"

Putting the dramatic effect aside, with well over 350 of Minnesota's more than 853 incorporated cities and towns having 500 or fewer residents, it's a question we should really spend much more time discussing. After all, more than 80,000 Minnesotans live in such places. And it's true, many of these small rural communities have dramatically changed over the past 40-50 years, with significant losses to main street businesses, loss of job-producing industries, closure and consolidation of local schools and significant population losses. But are these small communities functionally dead as the questioner believed? Well, from my perspective the answer lies with your definition of community.

Clearly, if you define "community" as a place with a somewhat autonomous micro-economy and evaluate its vitality based upon job-creation, sales tax receipts and population growth, then yes, many of these small towns are functionally dead. But I prefer a different definition and evaluation of community. I prefer the definition proposed by State Economist Tom Stinson and State Demographer Tom Gillaspay in the Winter 2006 issue of the *Rural Minnesota Journal*. Essentially, Stinson and Gillaspay view such small towns not as micro-economic units but rather as spatially separated neighborhoods. And when you think about it, viewing our small rural communities as neighborhoods makes an enormous amount of sense. After all, what is a neighborhood other than a cluster of residences where people live, build social networks and collectively define their quality of life.

Yes, it is true that there are only a few jobs or commercial enterprises there, and most of the workforce residing in these rural "neighborhoods" rises each morning only to drive to work in some other nearby or sometimes distant community. But so what? Isn't that equally true for many residents in metro-area neighborhoods as well? Have you ever watched the commuting patterns throughout the metro

Are Our Small Rural Towns Dead?

Jack M. Geller, Ph.D.,
President

each morning? The important point is that each evening residents return to their respective neighborhoods (both rural and urban), because that's where they choose to live, raise their families and feel connected to fellow residents in their neighborhood.

Accepting small rural communities as residentially oriented neighborhoods rather than economically oriented entities also has significant implications for rural development efforts as well. Just think of all the resources expended in efforts trying to breathe life back into the local economy of these small rural places; whether it be developing industrial parks, business recruitment, or other economic development efforts, we have to admit that in most instances the results are seldom worth the effort. But by accepting these small rural places as neighborhoods, we can shift our focus from economic development to community development, where improving the quality of life for its residents is the goal. This may mean holding community conversations about parks, community arts and theater, the needs of local youth and senior citizens, and determining what activities are most important to meet the needs of local residents.

Finally, viewing your small rural community as a residentially oriented neighborhood allows you to no longer view neighboring communities and regional centers as economic competitors. So when a neighboring community acquires a new restaurant, movie theater or industry, you can view it as another regional amenity or employment opportunity that improves the quality of life for residents in your neighborhood, rather than viewing such occurrences as the business that should have located in our town!

So in the end my answer to the questioner was rather simple and straightforward. No, I do not believe that many of these small rural towns are dead or destined to die. Rather, I believe that the ultimate fate of these towns will depend less and less on their local efforts to revive the local economy and more and more on their efforts to build a collective quality of life that connects local residents to place. Simply put, communities that successfully create a quality of life that connects residents and establishes a collective sense of place will ultimately help ensure that others will find their "neighborhood" as attractive as they do.



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Thank you to our new and renewing financial partners from throughout Minnesota who continue to support the Center through our "membership" program. This support helps to build a growing alliance of businesses, government partners, organizations and individuals working together to seek solutions for rural Minnesota's future.

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Rural Perspectives

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of the syrup that became dried distillers grain is now used as fuel. To lower our energy costs even further, Corn Plus has partnered with John Deere to put up two 2.1 megawatt wind generators, which we plan to have generating 40 percent of our electricity by March.

We're always looking for efficiency. In the past, for every one unit of energy spent producing ethanol, we would get back 1.65 energy units in the form of finished ethanol. Now that ratio is one unit in and four units out. That means the efficiency argument is gone. Over the next ten years we'll see some nice savings.

Q *Is ethanol the energy of the future for transportation? Where do biodiesel and hydrogen fuel cells fit in?*

A Ethanol will never displace gasoline, but we'll continue to use ethanol-blended fuel, especially if we can turn cellulose into ethanol. Right now cellulose is kind of cost-prohibitive and will be until they can get new ideas working. Biodiesel is coming along – they're starting slow, but it's gaining popularity as it gains acceptance.

Hydrogen, in my opinion, is the fuel of the future if they can develop a way to transport it safely. There are fuel cells that run on ethanol, however, so ethanol won't disappear completely.

Q *The governor and other state officials have expressed a real desire to make Minnesota a leader in alternative fuels and have put programs in place to help the ethanol industry over the last several years. Has the time come when the ethanol industry can function competitively without assistance? And regardless, what other policies could the state put in place to help the alternative fuels industry?*

A The governor has been very aggressive in promoting the use of alternative fuels, especially with his proposed requirement that all gasoline be a 20-percent ethanol blend, which I think will happen. There are also incentives for plants to do what we've already done in improving efficiency. As for price supports, though, the state doesn't have any real price subsidies out there anymore, although there is a federal incentive program. If you want to see subsidies, look at the oil industry. Ethanol is standing on its own.

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WINTER 2007

Letter NEWS

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