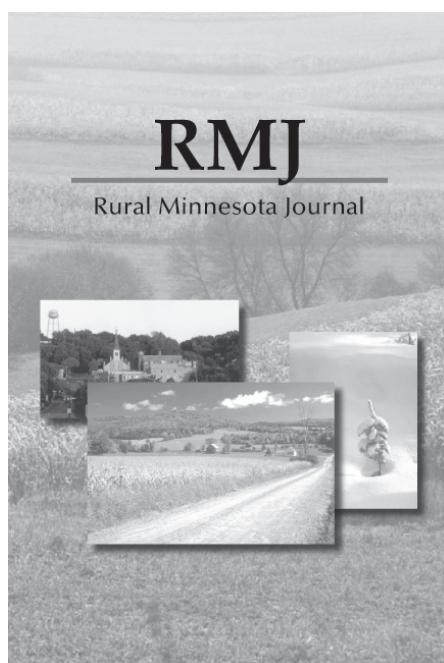


# CENTER for RURAL POLICY and DEVELOPMENT

*Seeking Solutions for Greater Minnesota's Future*

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## RMJ is here

The new *Rural Minnesota Journal* is here! The first journal of its kind, *RMJ* is designed to open an informed discussion of issues in rural Minnesota. Whether it's because of the state's vast size, its spread-out population, or its very diverse regional cultures and economies, having a statewide discussion of any one topic, let alone several, can be difficult. That is why for this first issue, the staff of the Center chose to cover a variety of topics and to assemble a collection of authors who are recognized as experts in their fields.

The first issue of *RMJ* is an overview, introducing the reader to a range of issues concerning rural Minnesota residents. Beginning with a foreword by Sen. Norm Coleman, *RMJ* includes articles by former Congressman Tim Penny; State Economist Tom Stinson and State Demographer Tom Gillaspy; the U of M's C. Ford Runge on agriculture; Joe Nathan of the Center for School Change; Chris Gilbert of Gustavus Adolphus College on the politics of Minnesota; James Mulder, executive director of the Association of Minnesota Counties; MnSCU's Linda Baer on higher education; and Raymond Christensen of the University of Minnesota, Duluth's Medical School on health care in rural Minnesota. Each future journal will address a specific topic; the next issue, coming this summer, will cover the issue of education.

*RMJ* is free, with a nominal charge of \$3 to cover postage. To receive a copy of *RMJ*, contact the Center at (877) RURALMN or (507) 934-7700 or e-mail us at [crpd@ruralmn.org](mailto:crpd@ruralmn.org). You may also download the entire journal or individual chapters from our web site at [www.ruralmn.org](http://www.ruralmn.org).

## Broadband use on the rise, but new study shows differences between rural and metro Minnesota

A new study released by the Center for Rural Policy and Development estimates that the use of broadband in rural Minnesota is at an all time high. And for the first time, the study also surveyed households in the Twin Cities area to generate a better picture of where Internet adoption is at for the entire state and compared to rural Minnesota. The survey found that at the end of 2005, 68 percent of all Minnesota households owned at least one working computer; 59.6 percent had a home Internet connection; and 36.4 percent connected to the Internet from home using a broadband connection. But the data also showed something of a gap between rural and metro households.

The 2005 Rural Minnesota Internet Study is an annual statewide survey of rural Minnesota households conducted since 2001 by the Center to track the adoption, deployment and use of digital technologies throughout rural Minnesota. "In 2005, for the study's fifth anniversary, we decided it was time to conduct the survey in both rural and metro Minnesota to better document the differences in technology adoption between rural and metro residents; and in fact, we found some interesting differences," said Dr. Jack Geller, president of the Center for Rural Policy and Development.

In rural Minnesota, where the Center has conducted the survey for five years now, data showed that computer ownership and Internet use have remained flat over the last three years, at about 63 percent and 56 percent respectively. But the adoption of broadband technologies such as DSL and cable modem have climbed steadily, from 6.2 percent all rural households in 2001 to 27.4 percent in 2005.

The study, which randomly surveyed 691 households in the seven-county metro and 759 rural Minnesota households, found that while 62 percent of rural households report owning a home computer, 73.1 percent of metro households report likewise. Similarly, 54 percent of rural households report having Internet connectivity vs. 64.3 percent of metro households; and 27.4 percent of rural households report connecting to the Internet with a broadband connection, compared to 43.9 percent of metro area households.

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## Rural Perspectives

Under Secretary Tom Dorr,  
USDA Rural Development

**Q**

*Tell us about yourself and your role as Under Secretary of Agriculture.*

**A**

I grew up in Marcus, Iowa, and before coming to Washington, ran the family corn, soybean and livestock farm. We also have a commercial grain elevator and warehouse operation. Coming from a rural area, I understand that the face of American agriculture and rural America itself is changing rapidly. Of the 60 million people in rural America, just 2 million are involved in production agriculture. Everyone else is either dependant on a related business or works in the public sector.

I came to Washington four years ago at the request of President Bush to provide leadership and direction on creating new economic opportunities and improving the quality of life for rural Americans. I am proud to say that we are successfully doing this every day through our nearly 7,000 USDA Rural Development professionals, who are working to promote new business development, expand broadband and telecommunications services, provide affordable housing, and build infrastructure, including hospitals, clinics, water systems, and electric projects in rural areas. Seventy years ago, when this agency came into existence, the crisis was the Depression and the challenge was getting rural America electrified. The challenge today is broadband, renewable energy and providing a sustainable, modern infrastructure.

Rural America is a great place to live. With high-speed access to the Internet and modern transportation, most business can be conducted from almost anywhere. We are seeing more telecommuting in rural areas, with people living in a rural area and working from their home for a business that is located somewhere else. People want to live in rural America because of the quality of life there, but rural communities need to have quality schools, access to a modern hospital, and many of the other amenities people in urban areas have if they expect people to stay in or move to their community.

**Q**

*Rural Development is a division of USDA, and the general perception of USDA is that it is a department for agriculture, or specifically, farmers. What is the full scope of Rural Development's programs, and what services do you offer non-farmers and communities?*

**A**

I like to say that Rural Development is the venture capital bank for rural America. We provide financing to construct or improve sewer and water systems for communities under 10,000. We provide financing for housing, both single-family and multi-family, in communities under 20,000, and we provide business loan guarantees in communities of 50,000 or less. In total, Rural Development provides rural investments with over 40 loan and grant programs. For instance, our community facilities program provides financing for fire trucks, public safety buildings, hospitals, clinics and libraries. As I've already mentioned, we provide funding support to electrical co-ops, telephone co-ops and broadband service providers. Through our Distance Learning and Telemedicine program we can assist education and health care providers in bridging physical barriers of distance, not only within a community, but with medical facilities and college campuses around the world.

**Q**

*Which of Rural Development's programs are the most widely used in Minnesota, and how does this vary from state to state?*

**A**

While we provide funding to all states, the amount of dollars invested depends on a variety of factors, including the amount of funds provided by Congress for each program, the need for a specific program in each state, and the state's population. From a dollar standpoint, our guaranteed single-family housing program is the most used program in Minnesota. Last fiscal year, which ended on September 30, Minnesota Rural Development invested over \$196 million in single-family housing through the guaranteed program. This was the third largest amount invested in any state for this program.

But Minnesota is making great use of many of our programs. Since 2001 we've provided over \$890 million in single-family housing support in Minnesota, about \$95 million in business support, mostly through our guarantee program, and over \$600 million in electric and telecommunications infrastructure funding.

There is a lot of interest and potential for many of our newer programs. I was in Minnesota in October and, along with Rural Development State Director Steve

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## Renewable Energy Conference

Sherry Ristau, president of the Southwest Minnesota Initiative Foundation and a member of the Center's board of directors, was one of many presenters explaining just what is going on with renewable energy in Minnesota today at the Renewable Energy Conference Dec. 12 in St. Paul. The Center, the Renewable Energy Marketplace and AURI brought together a number of experts, including both researchers and practitioners, to discuss the viability of various forms of renewable energy ranging from wind power to biomass to ethanol and anaerobic digestion (manure).

The conference was held in conjunction with the release of one of the Center's new reports, *Minnesota's Commercial Alternative Energy Industries: Production, Policies and Local Economies*.

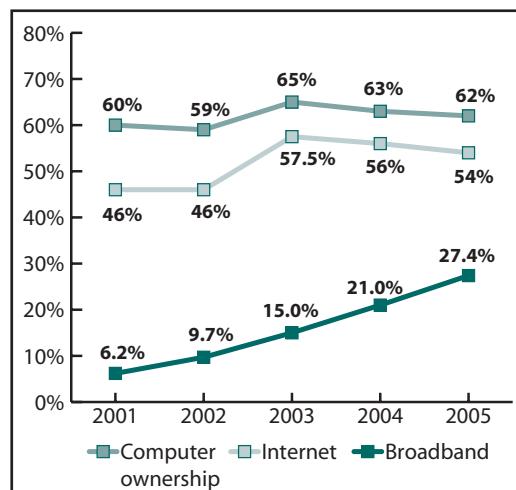
### Broadband use on the rise

**CONTINUED FROM 1**

As in past studies, this year's survey showed that some of these geographic differences can be explained by the socio-economic factors of age, income and the presence of school-age children in the home. Households comprised of older and lower-income Minnesotans are much less likely to adopt these technologies, according to Geller. It's true for both rural and metro areas, but it's equally true that rural Minnesota has a higher percentage of older and lower-income residents, he explained.

The study also found that the majority of Minnesotans in both rural and metro areas who are already online now connect to the Internet with a broadband connection. However, while 53 percent of rural Internet users use broadband, 69 percent of metro Internet users use broadband. The findings suggest that while the availability of broadband is generally widespread throughout Minnesota, there are still some rural areas, primarily households that are located outside of the municipal boundaries of our rural cities and towns, where availability is still an issue.

The study also looked at the way online surfers use the Internet. The data found that while there were several significant differences in how rural and metro area residents connect to the Internet, with only a few exceptions, the actual online behavior of both rural and metro Minnesotans was remarkably similar. The real difference in usage was between those who connected with dialup and those who



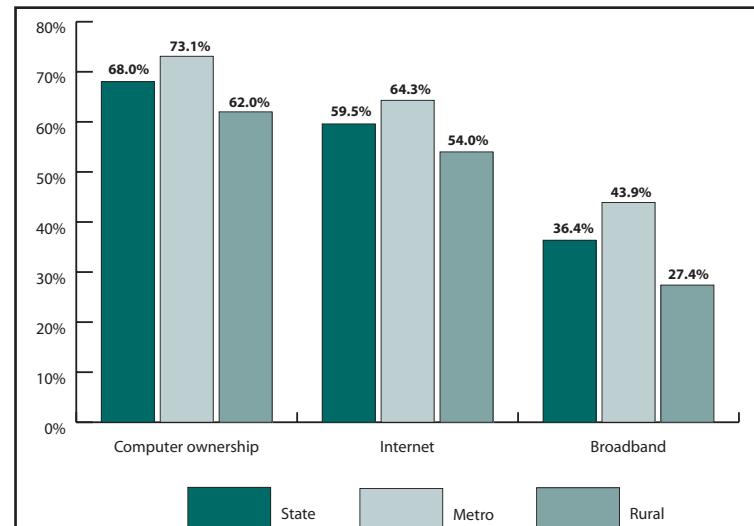
**Increasing broadband:** In rural communities, computer ownership and Internet connectivity have stayed relatively flat while broadband adoption has climbed steadily over the last five years.

connected with broadband. Both rural and metro Minnesotans with broadband spent an average of six more hours per week online than their dialup counterparts. As for what they did online, activities such as checking the weather, sending e-mail, downloading songs, or researching medical information, the differences between rural and metro online users was fairly slim.

Overall, the report tells an encouraging story about the adoption and diffusion of broadband throughout the state. The metro area, with its dynamic knowledge-based economy is well ahead of the national average in Internet and broadband adoption. And rural Minnesota, while clearly not equal to the metro area in broadband adoption, continues to see annual increases; is at the national average in broadband adoption; and in many cases ahead of the rural parts of other states.

Geller's primary area of concern in rural Minnesota is the continuing lack of any discernible growth in the adoption of home computers. "Unless we can figure out how to increase the penetration of home computers throughout rural Minnesota, it is inevitable that broadband growth will slow and eventually stall," he concluded.

A copy of the full report can be downloaded from the Center's website at [www.ruralmn.org](http://www.ruralmn.org)



**Comparing rural and metro:** Computer ownership, Internet use and broadband adoption vary between rural and metro for a variety of reasons.

### Yes, I would like to become a member of CRPD.

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City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Phone: \_\_\_\_\_

E-mail: \_\_\_\_\_

Please choose a level:

Individual  \$50  \$100

I have enclosed a check.

Organization  \$100  \$250  \$500

Please bill me.

Benefactor  \$1,000 or more

May we e-mail your invoice?

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### New JOBZ analysis

*Deals slowed in 2005 but quality may be improving.*

In its third in a series of reports analyzing the state's Job Opportunity Building Zones program, the Center found that the rural economic development program ended the 2005 calendar year with slightly fewer new business agreements on the books than in 2004, but the quality of the new jobs being created may be improving. The report, which tracks the number of business agreements signed each quarter, found that 193 business agreements were signed in the first seven quarters of the program, with 131 of those agreements coming in 2004 and 62 during the first three quarters of 2005.

For Dr. Jack Geller, president of the Center, it's hard to argue the program isn't active. Administrators will have negotiated more than 200 business agreements in the first 24 months of the program, which started Jan. 1, 2004. The real story in the numbers, however, is that the quality of jobs being created appears to be improving, Geller said.

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### Welcome, new members!

We would like to welcome our new members to the Center for Rural Policy & Development. Their support helps make our ongoing research possible.

#### Organizations

Gold'n Plump  
Connexus Energy  
Cannon Valley Telecom  
Viracon

Jackson County Board of Commissioners

#### Individuals

Kevin Kelleher  
Jennifer Imsande  
Steven & Louise Sjogren

**A** few months ago in the November issue of *Minnesota Economic Trends*, DEED Commissioner Matt Kramer wrote: "With each passing month, it becomes increasingly evident to me that a regional approach is the best and most effective way to achieve economic vitality." Truer words have never been spoken, especially in rural Minnesota.

In fact, it doesn't take a rocket scientist to recognize the rationale for more regional approaches to rural economic growth and revitalization. In the Mankato area where I live, there is a strong economic interdependency between Mankato and the dozens of rural communities that are located within a 50- to 60-mile radius. For example, a simple review of employment data documents that approximately 40 percent of those employees who work each day in the Mankato/North Mankato regional center go home each evening to a residence located in a community that has a zip code other than one assigned to Mankato or North Mankato. **Translation: our labor pool in south central Minnesota is quite regional.**

The same is true for our consumer dollars, as they flow quite fluidly throughout the region. A recent analysis examining consumer spending patterns in the region clearly documents this fluidity. In fact, when asked about the area served by the regional shopping mall in Mankato, its general manager regularly cites a territory that now encompasses 300,000 residents. By contrast, the population of the Mankato/North Mankato regional center is approximately 50,000. **Translation: Consumer dollars flow effortlessly throughout our regional economy as well.**

Today throughout rural Minnesota, it is the rule, not the exception, that residents live in one community, work in a second community, shop and entertain themselves in two or three others, and possibly even educate their children in a fourth community. **Translation: There are no community-based, hermetically sealed, micro-economies anywhere in rural Minnesota. Rather, we live, work, play, shop, and educate our children within geographically defined regional economies.**

I am certainly not the first person to recognize this simple reality. In fact, Commissioner Kramer quoted Kansas City Federal Reserve Vice-President Mark Drabenstott when he noted that "...the drivers of national economic competitiveness are now regional in character." In recognition of this reality, in 2004 Commissioner Kramer redesigned some of DEED's field staff to create six regional administrator positions to better regionalize workforce development planning and economic development cooperation. And in 2005 DEED rolled out their new "Enterprise Network System" to assist communities seeking a more strategic approach to regional economic development.

So my question is simply this: If all the objective evidence suggests that our labor pool and consumer dollars flow effortlessly throughout a broader regional economy, why are most of our economic development activities community-based, or local? Well, the truthful answer to this question is actually much more complicated than one would necessarily think. There are some real barriers to both thinking and acting "regionally."

## Thinking Regionally

**Jack M. Geller, Ph.D.,  
President**

For example our current tax laws create such barriers by establishing a system where the "winner takes all" in the receipt of local tax revenues. In other words, if a new business locates in my county, I get all the property tax revenues, and if they locate in your county you get it all. Isn't that a good enough reason for us to compete for its site location?

But the truth is that from an economic standpoint it really doesn't matter much where in the region the business locates, as long as it locates within the region! The regional labor pool will service the new business and the wages it generates will be consumed in the region, where our retailers and service providers in the region will benefit from the added revenues. But while the site location may not make much difference from an economic standpoint, it makes a great deal of difference from a political standpoint. There are still too many local officials who strongly believe that each new business that ends up locating in a neighboring community represents the "one that got away" from our community. We simply have to get past this kind of thinking.

And there are other barriers to thinking and working regionally. Sometimes government programs are actually designed to create competition between our rural communities. Look at the way the federal Community Development Block Grant (CDBG) funds are distributed here in Minnesota. While our larger cities that have MSA status receive a fixed amount of money based upon a formula that they are "entitled" to, our smaller rural communities are grouped together in what is known as the "Small Cities Grant Program." So while a handful of Minnesota's largest communities consume approximately two-thirds of the federal CDBG funds, the hundreds of remaining smaller, mostly rural communities must compete against each other for the remaining one-third of the pie. It's not exactly the type of environment that promotes community and regional cooperation.

And lastly there is the barrier that I often call the *dilemma of place*. You see, as humans we all identify strongly with place. And more often than not, that place is our local community. Place is where we live; were born; where we worship; where our parents and grandparents are laid to rest. Place matters a lot to us humans, and like it or not it's much harder to emotionally identify with our region the way we identify with our local community. After all, it's our place! So while such emotional ties to place is not an insurmountable barrier, we must recognize that for most of us we still want our "place" to do better than your "place," even when both are in the same regional economy.

Meanwhile back in Mankato, the big news is the announcement that Wal-Mart Corporation is making plans to break ground on an 860,000-square-foot distribution center that will hire between 500 and 700 employees and have an annual payroll of more than \$21 million. **Translation: With half or more of those new jobs likely going to residents who live throughout the south central Minnesota region but outside of Mankato, the entire region should be rejoicing.**



### Rural Perspectives

CONTINUED FROM 1

Wenzel, met with Lt. Governor Carol Molnau and Commissioner of Agriculture Gene Hugoson to talk about the renewable energy potential available through wind projects and ethanol production. Renewable energy is at the core of President Bush's energy policy. It has the potential of reducing dependence on imported oil while boosting commodity prices here at home and giving farmers a new income source. Since we launched our Renewable Energy and Energy Efficiency Program as part of the Farm Bill, Minnesota has received \$14 million in grants, the most of any state. This year we awarded Community Wind North almost \$4 million to build a 15-turbine wind farm in Lincoln County. We also provided funds for three other projects across the state.

As part of the 2002 Farm Bill, we also rolled out our Value Added Producer Grant program, which encourages farmers and producers to develop business and marketing plans and provides working capital to value added businesses including renewable energy producers. Minnesota has received almost \$4.8 million under that program.

**Q**

As you look to the future, how do you see rural America evolving and how will that affect Rural Development's policies and programs?

**A**

In one generation we've seen dramatic changes in agriculture, which affects the entire rural community. While those changes have brought increased efficiencies because of the scale of production, and I believe there will always be a place for the family farm in America, rural communities need to adapt to those changes. Change isn't just coming. Change is already here. That's a challenge, but it's also an opportunity. Many rural communities need to be able to provide jobs for those impacted by the changes in agriculture if they hope to be able to retain those families in the community, and rural communities may need to lower their overhead costs by forming partnerships with neighboring communities to obtain the service needed. I believe the future for rural America is a good one, but it is going to require rural communities — and their residents — to understand their challenges and be continually looking for new solutions.

From my various contacts with Members of Congress, I feel confident that they appreciate the importance of rural communities to the nation and that they understand there will be a need to make changes in the future to our policies and programs. Certainly, the Administration understands that. The next big opportunity to make those changes will be in the next Farm Bill.

**Q**

Debate will begin soon on language for a new 2007 Farm Bill. Do you anticipate any major shifts in policy? How might they affect Rural Development?

**A**

It is too early for me to speculate on the form that a new Farm Bill might take. Secretary Johanns wanted to hear from a cross-section of rural Americans on what they thought should be in a new Farm Bill and had

initiated a series of Farm Bill Forums. We've had Farm Bill listening sessions in most of the states, including Minnesota, and the Department is still accepting written comments from the public through the end of the year. I chaired some of them, and it was heartening to see thousands of Americans from all walks of life turn out to listen and to testify about current Farm Bill policy and their thoughts about what should be included in the new bill. The comments from those Forums are currently being summarized and will be very helpful as we move forward in the coming months.

There were a lot of rural development-related comments at the listening sessions, and I think the Rural Development programs will be a key piece of the debate and eventual new Farm Bill. Many of the commodity groups are developing an understanding that strong local rural communities are important to their producers.

**Q**

*The U.S. is a very large country. How do you personally keep in contact with all that is going on in rural America?*

**A**

One of the nice things about this job is that I get to meet people living in rural conditions all across the country. It's diverse. I've been to Alaska, where many rural residents still don't have running water in their homes. I've been to rural Arkansas, where we are working to help minority farmers get more for their crops. I've seen ethanol plants, new value-added industries, and people building their own homes with Rural Development support. We have great programs. The best way I keep in touch with it all is through our remarkable network of Rural Development staff in 47 state office and over 800 area and local offices spread across all fifty states and our territories. They make it happen on a daily basis. We saw that during the recent hurricane season when Rural Development staff worked with other federal, state and local agencies and non-profit organizations around the clock to restore water and electrical services, and provide shelter and aid to the people affected by hurricanes Katrina, Rita and Wilma. When it comes to reconstruction in those areas, we're in it for as long as it takes. Rural Development is a great agency, one that is truly committed to the future of rural communities.

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## New JOBZ analysis

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The analysis revealed that for the program's first six quarters (January 1, 2004, to June 30, 2005) the median number of new jobs created per deal was five and the median wages paid was \$11 per hour. However, in the seventh quarter (July 1, 2005, to September 30, 2005) the median number of new jobs created per deal jumped to 8.5 and the median wages increased to \$12 per hour.

The increase in the quality of the deals signed in the last quarter of the study may reflect the legislative changes made to the program during the 2005 legislative session, where more stringent job creation requirements were placed upon the program, as well as an emphasis on ensuring that these jobs paid at least 110 percent of poverty guidelines for a family of four.

However, data from one quarter does not necessarily indicate a trend. "It may be the beginning of a trend toward increasing the quality of the jobs created, or it may just be a statistical fluke. We just don't know yet. So while it's certainly noteworthy and encouraging, we can't get too excited or make too many assumptions until we have more data," Geller emphasized.

The study also uncovered an issue that has been somewhat of a controversy, that of prevailing wage. The survey found that many of the local rural economic developers involved with the program are quite concerned with the prevailing wage provision as it applies to the JOBZ program. Prevailing wage was created years

ago to ensure that contractors engaged in public infrastructure projects were paying their workers wages that reflected the "prevailing wage" of the region. When JOBZ was first created, it was assumed prevailing wage didn't apply since the business involved in the program were private and not involved in public works projects. A letter from the State Attorney General's office in the fall of 2004, however, stated that the prevailing wage rule should apply.

In this latest survey, the subzone administrators interviewed were asked what they thought of the new prevailing wage requirement for JOBZ deals. Based on their answers, the survey results indicated that administrators overall were concerned about the addition of the prevailing wage requirement. Some administrators reported that the application of the prevailing wage statute is a "job killer," since it increases the cost of construction. But a larger majority simply believed that the state does not accurately calculate prevailing wages across a variety of regions of rural Minnesota. "In fact, a majority of respondents simply believe that if the regional prevailing wage was more accurately reflective of the actual average wages paid in the area, it's application to JOBZ wouldn't be all that problematic," Geller said.

Further surveys will reveal how this and other legislative actions concerning JOBZ will affect the program, the number of jobs and the wages. In the meantime, this latest report can be downloaded from the Center's web site at [www.ruralmn.org](http://www.ruralmn.org).

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*Seeking Solutions for Greater Minnesota's Future*

- Renewable energy conference a success
- Welcome new members
- Thinning regionally
- Q&A with Undersecretary Tom Dorr
- New statewide telecomm survey results
- The inaugural Rural Minnesota Journal

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