

DEPARTMENT Waste and Mismanagement

# Office Memorandum

TO : Governor Rudy Perpich

DATE: February 21, 1978

FROM : Bob Goff, Director  
Governor's Task Force on  
Waste and Mismanagement

R2

PHONE: 0644

SUBJECT: Allegations of Mismanagement in the  
Minnesota Department of Economic  
Development

This report is in response to your request that the Governor's Task Force provide you with a factual explanation of the allegations concerning the Department of Economic Development which were submitted to your office and reported by the press. (See Appendix, Exhibits A1 and A2.) Throughout this study, the cooperation of both the Commissioner and department employees was excellent.

In the course of its investigation, the Task Force conducted extensive interviews with present and former Department of Economic Development employees, legislators, members of the departmental advisory committee, and other individuals who have knowledge of the department. We have assured the people we interviewed that their anonymity will be respected in so far as possible. In view of the departmental audit prepared by the accounting firm of Haskins and Sells, the Task Force limited its study primarily to allegations concerning management as opposed to fiscal matters. It has been our objective to supply documentation when possible and defer judgment as to fault and degree of significance to others. We have attempted to avoid reporting on allegations when we could not supply written documentation or when an allegation was not thoroughly substantiated by the interviews.

Although individually some of these allegations seem to have minor significance, when grouped into categories they represent a pattern of management problems. The four categories are:

- A. Morale problems
- B. Legislative relations
- C. Noncompliance with state procedures and/or questionable use of state funds
- D. Other allegations

The balance of this report is divided into two parts. Part one is a summary of our findings in each category. Part two contains more detail for each category. We have included comments by Commissioner Vann, who has had an opportunity to study and react to this document prior to its submission to you.

## Part I Summary of Investigation

### A. Morale

Our interviews with past and present employees revealed a serious and pervasive morale problem in the department. Out of the 33 present employees interviewed, 28 indicated that the morale was "very bad," while five said morale was "average" or "good." Out of the 18 employees who terminated since December 1, 1975, the ten employees interviewed all said morale was "very bad." Although it is impossible to assign blame, the fact is clear that there has been an extremely bad morale problem in the department.

### B. Legislative Relations

There is evidence of strained relations between the Commissioner and legislators as early as June, 1976, when the Chairman of the Senate Finance Committee, Norbert Arnold, issued a report and press release critical of Department of Economic Development procedures.

For whatever reason, legislators' opposition to the department's budget have been personalized around Lee Vann. Despite recent efforts by the department, our conversations with legislators on key Senate and House committees revealed no change in this situation.

### C. Noncompliance with State Procedures and/or Questionable Use of State Funds

The Task Force employed the firm of Haskins and Sells to prepare a fiscal audit of the department's financial activities from December 1, 1975 to December 31, 1977.

The audit disclosed no major fiscal irregularities. Transactions highlighted by auditors evidence the confusion which exists surrounding the department's special status regarding the competitive bidding requirements of M.S. 16. Legislative action may be necessary to remedy this kind of "grey" authority area.

Allegations which went beyond the scope of the audit are also discussed in this section.

### D. Other Allegations

No proof was found that the Commissioner used his office or its equipment for personal business purposes. We found no evidence of abuse of the Department Head Expense Account. We found that the allegations of violation of Executive Order 142 (preventing officials from receiving any compensation, reward, or gift with a monetary value greater than \$5) preceded issuance of the Executive Order.

E. Other Interviews

The Task Force, at Commissioner Vann's request, spoke to 15 of the 21 members of the Commissioner's Advisory Committee. Since Vann became Commissioner, he has held four meetings with the Advisory Committee. The law requiring the Advisory Committee to meet no less than four times a year was repealed during the 1976 legislative session.

A majority of the committee members interviewed said that the Commissioner has a lot of good ideas, is a good speaker and should be retained as Commissioner. Four members had varying opinions such as Vann is not a good administrator, is not a good listener, is anti-labor, and probably tries to be too much of a "one man show." One member stated that meeting notices were too short and he was unable to attend.

*Comment by Commissioner Vann:*

*The Commissioner's Advisory Committee is a most valuable instrument...not just during the two to four meetings normally called each year, but on a day-to-day basis. Many of the committee members are consulted with on varying subjects that pertain to all facets of the Department of Economic Development operations. Since its inception in 1949, the advisory group usually has met two to four times annually, depending on chairman and commissioner's desires. Personal contact sometimes has been more frequent than other years; thus fewer meetings have been required in some circumstances.*

*The Advisory Committee acts only in an advisory or counseling capacity. Decisions and responsibility still rest with the Commissioner by law. Relative to per diem, this has perhaps been an oversight and is under discussion. Correction will be forwarding.*

We were only able to contact four of the six Regional Tourism Council Presidents. Three said they were displeased with Vann's use of discretionary funds. According to them, he has withheld monies made available by the Legislature. One said creativity is Vann's greatest strength, and with an adequate budget he would do better.

*Comment by Commissioner Vann:*

*Minnesota Regional Tourism Council has no direct relationship with the Department of Economic Development, other than being a participant in tourism matching grants when they have been available. Indirectly, this private sector group has been counseled with almost on a monthly basis, relative to tourism advertising and promotional plans and joint operations (i.e. travel shows, co-op advertising and promotion, etc.)*

One individual at the National Association of State Development Agencies in Washington, D.C., said Vann is "highly regarded" by his associates in other states and he personally feels Vann to be the best Commissioner Minnesota has had.

*Comment by Commissioner Vann:*

*In my letter of resignation to Governor Perpich, I told him that nothing improper was done and that all money was spent in the best interest of Minnesota. This report and the audit confirm what I told the Governor.*

*In our view, Mr. Goff's Task Force conducted a full and fair investigation. We only hope that some valuable public purpose has been served by it.*

*With regard to this section, it is obviously prompted by a person or persons who are defensive, angry, depressed and irritated...and these are frequent and natural reactions to criticism. We have let our people always know where they stand, exploring with them ways to do a better job, to help him or her to change in order to achieve specified performance levels. Many times our criticism has been firm, open and clear...and as a result many times anger is the result.*

*Many of my predecessors had more personal relationships with some of our current staff (I am knowledgeable of this because of my association with the department since the year 1949; through related activities, as a member of the advisory commission and as a professional agency head hired to advise and counsel on public relations activities.) As announced to our staff when I took office December 1, 1975, my association with them has been a very professional, business relationship. I said I would operate the department more like a business, and not as a department of state government. I believe we have acted professional in every sense of the word and I believe the business community we serve will attest to that. Both governors Anderson and Perpich have directed me to reorganize the Department of Economic Development. As changes are made, operational methods revised, and perhaps some political promises not kept, perhaps one can expect the type of unfounded criticism which appears in this document. The responses to each of the allegations will speak for themselves.*

Part II Detail of the Allegations Investigation

A. Morale

We understand that you, as Governor, have a strong commitment to a management style of delegating authority and responsibility to the managers of state government. At the same time, however, we understand your deep commitment to the healthy morale and well-being of all state employees. The Department of Economic Development is in some ways unique to state government. Its results are often difficult to measure, and its statutory responsibilities are relatively nonspecific. For these reasons, its success is dependent upon the talent and creativity of its employees, effective leadership, and good morale.

Our interviews with past and present employees revealed a serious and pervasive morale problem in the department. Out of 33 present employees interviewed, 28 indicated that morale was "very bad," while five said morale was "average" or "good." Out of the 18 employees who terminated since December 1, 1975, the ten employees interviewed all said that morale was "very bad." The following are quotes from our interviews which best represent the vast majority of employee opinions concerning the morale problem:

"At this point now I think we've really hit rock bottom. I personally feel this way. We are just not going any place. We're sort of sitting back and not having any initiative, no imagination. In fact, we really don't have any programs that I can see."

"In the last two years the department in my estimation has deteriorated tremendously because there is no planning and basically in my estimation there hasn't been a whole lot of leadership. There's been a lot of indecisiveness and because of that motivation is stifled, creativity is stifled."

"We have a lot of talented and dedicated people at the department whose energy and skills are being squandered."

"There is no plan...We have attempted in our division to provide direction and help. Many documents I have sent to him (Vann) to this day I have never even gotten a commentary back on them much less know that he has ever received them and/or read them."

"To be really honest with you, I do not feel that I am earning my keep...if the situation remains as it is, it is more likely I will be leaving for the simple reason that I have to look in the mirror every morning..."

"I feel that communication up and down is poor. I think this is probably the most serious impediment to morale. Employees don't feel they are participating to the extent possible...I think it's been rejection. You go to the well a few times and you know if there is no water..."

The causes of the morale problem most frequently mentioned by the employees were lack of planning, program, and communication. A common complaint was that it was difficult to carry out projects because of frequent changes in direction. Examples include false starts on tourism and industrial development conferences, reverse investment and trade mission trips, and reorganization plans. Although it is impossible to assign blame, the fact is clear that there has been an extremely bad morale problem in the department.

*Commissioner Vann comments:*

*Staff meetings have been held periodically with either the Commissioner or Deputy presiding. By design the Deputy has managed most of these the past year, since a system of written monthly reports has been established for division heads. Also division heads have daily contact with Commissioner, Assistant Commissioner and/or the Deputy. In a small department such as the Department of Economic Development this appears to be operating satisfactorily.*

*We believe the Task Force assessment to be accurate with respect to employee morale. Both governors Anderson and Perpich are aware of their instructions to us to clean up the department, eliminate the political hacks, and develop a viable agency program. When a department of state must go through this kind of change it is rarely a happy experience. There was resistance to change from the start. For the most part, the reorganization and clean-up has been accomplished.*

B. Legislative Relations

There is evidence of strained relations between the Commissioner and legislators as early as June, 1976, when the Chairman of the Senate Finance Committee issued a report and press release critical of the Department of Economic Development procedures. (See Appendix, Exhibits B1 and B2.) Senator Norbert Arnold said, "These abuses of established procedures cannot be tolerated. I believe a complete audit of the Department of Economic Development is now required to determine if these are isolated instances or if they are a part of a pattern of evasion of required financial controls within the department."

On March 22, 1977, the Chairman of the Senate Subcommittee of Economic Development, Senator John Milton, challenged the Commissioner's statements regarding creation of new jobs in Minnesota. (See Appendix, Exhibit B3.) Senator Milton wrote, "I am most displeased by whatever erroneous impressions you have created throughout the state with this apparent misuse of data, particularly with the business community. I am asking you for an immediate clarification of this and a public statement to the contrary if, in fact, such a disparity exists." Former Senator Milton informed the Task Force that he did not receive any response (to his letter) from the Commissioner.

On March 28, 1977, the Senate Subcommittee on Economic Development met with senators Milton, Kleinbaum, Purfeerst, Staples, and Willet in attendance. According to the minutes of that meeting, "Senator Milton called the meeting to order at 8:10 a.m. He announced that S. F. 675 (Kleinbaum), providing grants to community development corporations would be heard." During the meeting, "Senator Purfeerst stated that he was appalled that the Department of Economic Development had not even shown up at the meeting to answer questions about cutting

the program, and felt that they were being irresponsible and rude regarding the Legislature's endeavors in the fields of economic development." Later, according to the minutes, "Senator Purfeerst then moved that the Senate Counsel prepare a resolution calling for the resignation of the Commissioner of the Department of Economic Development, Lee Vann. MOTION CARRIED." (See Appendix, Exhibit B4.) At the subsequent subcommittee meeting on March 30, 1977, Senator Purfeerst moved that the resolution be laid on the table "until such time, if ever, that it was again needed. Senator Laufenberger thanked Senator Purfeerst for his motion to lay the resolution on the table. He indicated that there had been a breakdown in communication between the Department of Economic Development and the Legislature and he admonished the department for not monitoring the subcommittee hearings." (See Appendix, Exhibit B5.)

One of the specific allegations in the memorandum recently submitted to the Governor's Office stated that the department's biennial report to the Governor and the Legislature, which was due November 15, 1976, pursuant to M.S. 1976, 362.15, has not been completed to this date. Senate Counsel, Pater Wattson, confirmed to the Task Force that the report had not been received by the Legislature.

The most recent problem concerning legislative relations focuses on a Department of Economic Development report dated September 1, 1977, titled A Special Report, An Overview of Minnesota's Tourism Industry.

Our interviews with all Department of Economic Development employees who were involved with the production of this report substantiated the allegation in the memorandum to your office that at the direction of the Commissioner this duplication of a New York State report "was prepared under an extremely tight time schedule."

On September 19, 1977, the Director of the Department of Economic Development's Research Division, James Moore, sent a memorandum to the Commissioner stating, "In preparing the materials for this report, we simply duplicated the New York report whenever possible as per your instructions. Due to the short time we had to put it together, we accepted all of their (New York State) materials at face value. We have since had time to look at the materials and date sources more closely and discovered some clearly erroneous material which I felt should be brought to your attention." (See Appendix, Exhibit B6.)

According to the legislators we contacted, the Commissioner used the tourism report in at least three meetings with legislators subsequent to the September 19 memo from Moore. The meeting included an October 12 meeting of the House Subcommittee on Economic Development, an October 13 meeting with senators Willet and Borden, and a November 8 meeting of the Senate Subcommittee on Economic Development.

Commissioner Vann comments:

Within seven days of the receipt of Moore's memo of September 19, 1977, he was asked to verify or rebut the data in the study, and to check with Consumer Behavior, Inc. to determine the validity of the data used. Aside from the charges and allegations, Mr. Moore has never responded to my request.

Adequate and accurate comparative tourist/travel data is nearly impossible to obtain due to the variations in state reporting and budgeting systems. Our intent with the Overview was to duplicate New York's work exactly so as not to raise questions of research technique. The fact that some data is questionable is no surprise at all.

The Department has requested research funds sufficient to generate adequate information every session since 1967. The Legislature has never appropriated them. The need still exists. Even if we had the funds there is a question as to our ability to do the required research within the department. Outside expertise would still be needed.

Data used was, in most cases, from nationally recognized sources, the same sources and numbers used by every other state for comparative purposes. Our research people can offer nothing better at the present time.

It was not until December 21, 1977, the day the Task Force informed the Commissioner that our investigation was in progress, that the Commissioner wrote to Mr. Joe Pernica, President of Consumer Behavior, Inc., the firm that participated in the preparation of the New York study, seeking a response to the Moore memo dated three months earlier. (See Appendix, Exhibit B7.) Mr. Pernica, in his response to the Commissioner dated December 29, 1977, confirmed that the report contained erroneous data. (See Appendix, Exhibits B8.)

In an attempt to acquire an objective evaluation of the data in the report from an outside expert, the Task Force contacted Dr. Uel Blank, Professor and Extension Resource Economist at the University of Minnesota. Dr. Blank, in his letter to the Task Force dated January 9, 1978, said that although he agreed in general with the report's message, he found some data "troublesome, and probably inaccurate." (See Appendix, Exhibit B9.)

Commissioner Vann comments:

Overview of Minnesota Tourism Industry contains our most up-to-date data, as prepared by the Department of Economic Development. After preparation of the report, Research Director advised me of his concern with certain data and information provided by U.S. Travel Data



Center (memo September 19, 1977). He was asked to "check-it-out" (memo September 27, 1977) and as of this date (January 9, 1978) we are attempting and yet to determine what the correct figures are (if the ones in the report are not correct.) Consumer Behavior, Inc., New York, who prepared the study for New York (used as a guide to the Minnesota study) now feel more accurate, up-to-date information may be available. (At the time the New York study was reviewed, we found no reason to question its reliability.) When our Research Division provides more up-to-date information, our addendum to the report will be issued. (Some preliminary survey figures now under discussion may well provide answer to problem.) At no time have I or any other members of the Department of Economic Development, to the best of my knowledge, ever willfully used or prepared erroneous figures in our department materials. Methodology of one tourism reporting system versus another has always been a problem in the research/study field. We are constantly trying to compare apples with apples and not apples with oranges when making comparisons. This is an argument our Research Division has found itself...to the point where we have threatened to do away with internal research and purchase outside services.

For whatever reason, legislators' opposition to the department's budget have been personalized around Lee Vann. Despite recent efforts by the department, our conversations with legislators on key Senate and House committees revealed no change in this situation.

C. Noncompliance with State Procedures and/or Questionable Use of State Funds

Many of the alleged fiscal irregularities have been covered by the fiscal audit prepared by the accounting firm of Haskins and Sells; however, the following items are beyond the scope of the audit.

1. The memorandum submitted to the Governor's Office alleged that although the Legislature in 1975 appropriated \$150,000 for two publications, the Department of Economic Development only produced one. (See Appendix, Exhibit C1.) The "state-wide pictorial guide" (also called "lure" book) was produced with the title Let Minnesota Bring Out the Voyageur in You. According to our interviews with past and present employees, the Commissioner cancelled production of the "statewide vacation guide" required by the 1975 law although the staff had devoted hundreds of hours to compilation of the information for the guide. Department financial records show that most of the \$150,000 appropriation was spent on production of the "lure" book.

*Commissioner Vann comments:*

*The current state lure book has been adjudged the best publication of its kind the state has ever had...and having been involved since 1949, I attest to this. Certain past procedures were changed to accomplish this and any departure from the past seems to upset our dissenters. The changes made have proven to be in the state's best interests, as planned.*

*Relative to bidding procedures, an analysis of our law creating our department will point out proper procedures were followed. I believe the Department of Administration and Department of Finance were both aware of our process and both approved the expenditure as is required.*

2. According to the allegations submitted to the Governor's Office, an Economic Summit Conference was planned for December of 1976 but because of improper planning and erroneous assumptions regarding attendance, it had to be cancelled. The Task Force was able to secure documents, including a press release, a letter reserving the St. Paul Civic Center, and a tentative program for the conference. (See Appendix, Exhibits C2, C3, and C4.) The department expected 10,000 people to attend.

*In preparation for the conference, 10,100 copies of a report titled Minnesota Perspective 1990 and 16,540 copies of the December, 1976, issue of Minnesota Industrial Development News were ordered and paid for. (See Appendix, Exhibits C5 and C6.) An additional \$17,262.82 was paid to advertise the conference. (See Appendix, Exhibits C7 and C8.)*

*As alleged in the memorandum to the Governor's Office, the conference was cancelled one week before it was to occur. (See Appendix, Exhibit C9.) Through our interviews with the Department of Economic Development employees and as indicated in the attached memorandum, (See Appendix, Exhibits C10 and C11) we have learned that 10,100 copies of Perspective 1990 were later destroyed.*

*Commissioner Vann comments:*

*The Economic Development Summit Conference was one of the best planned events in the last two years. It was conceived at the urging of Senator Humphrey who told NASDA members in Washington that his Joint Economic Committee could not produce a policy for the U.S. until each of the 50 states had one. Together with business, industry, labor, banking, agriculture, education, etc., a two-day summit conference was conceived. Certain state and federal agency commitments were not lived up to; certain private sector commitments did not occur; certain development,*

planning, advertising and promotional monies spent on the program were lost, as the program had to be cancelled. The idea - the concept - still good and one day will be implemented. It was a business decision to develop the program and a business decision to cancel it. Like some business decisions, losses are sustained...like the legislative loss of \$100,000 on Farmfest. But does it mean we stop - don't do anything that might cost us money? What if the conference had been successful? No--we will try again someday. (Details of this project are too numerous to list in writing - would be pleased to discuss with committee if so desired.)

3. According to the allegations submitted to the Governor's Office, the department in 1976 supplied specially ordered color separations to Maddens Lodge of Brainerd, Minnesota for use on the resort's Christmas card. The Task Force was able to secure a purchase order and invoice for duplicate color separations in the amount of \$75.50. (See Appendix, Exhibits C12 and C13.) Although the Task Force was unable to discuss this matter with the management of Maddens Lodge, our interviews with the Department of Economic Development employees involved and our response from the Deputy Commissioner verified that the separations were prepared at the request of the Commissioner for Maddens Lodge. The Commissioner also stated this to be true in our meeting with him. The practice of purchasing separations at extra cost to the state for a private business is contrary to state procedures.

*Commissioner Vann comments:*

Vann has been "guest" of Maddens whenever he stayed there, since 1954. (Again, as stated elsewhere, not unusual gesture in this industry.) Relative to comment on color separations, the Department of Economic Development has been providing use of color separations to anyone promoting Minnesota. The Maddens especially have given much free time to Minnesota state commissions, etc., and were most welcome to use our materials. They offered to reimburse state if there was any expense. I was not aware any controversy existed here. The Publicity and Publications Manager has no authority to refuse to sign purchase orders. This was the Commissioner's decision. If any monies are due the state, appropriate action will be taken.

4. One of the allegations is that the Commissioner gave state-owned flags from his office to his friend Chum Bohr. In a telephone conversation with a Task Force member, Mr. Bohr stated that the flags were, in fact, hanging in his home.

Rules and regulations regarding disposition of surplus property, such as these two flags, are specifically covered in Surplus Personal Property Management Policy and Procedures Manual issued by the Department of Administration. Specific direction is given in 76-410 (B), 76-430 (A) and 76-605 (A). (See Appendix, Exhibits C16, C17, and C18.)

\* *Commissioner Vann comments:*

*Vann always maintains file of 1/4 page xerox maps of route to home and/or cabin, since both are located in unusual areas. From time-to-time business associates, office personnel, friends, etc., have occasion to get together with Vann and thus reason for maintaining direction maps. (Also Vann brought in a case of xerox paper when taking office.)*

5. The allegation submitted to the Governor's Office regarding the remodeling of the department's tourist information center in 1976 is also mentioned in the staff report to Senator Arnold. (See Appendix, Exhibit B1.)

A senior buyer in the Procurement Division of the Department of Administration, in an interview with the Task Force, said that the remodeling could have been accomplished less expensively and with better quality merchandise if normal bidding procedures had been followed. However, as indicated in the attached memorandum, an emergency was declared at the request of the Commissioner to avoid the delays in the normal bid process. (See Appendix, Exhibits C19 and C20.)

D. Other Allegations

A number of issues raised in the memorandum to your office concern "grey" areas in state rules or could not be fully documented.

1. The memorandum charges that the Commissioner used a state file cabinet and photocopy machine for personal matters and that he failed to report vacation time when he was away from the office on personal business. Except for the fact that the Commissioner told us he does keep some personal records in a file cabinet in his office, we found no proof of these allegations.
2. We found a bill for \$271.96 from Mr. Anthony's Restaurant for a staff going away party which was paid from the Commissioner's Department Head Expense Fund. While this is a substantial amount of money, the guidelines on the use of the Department Head Expense Funds might be interpreted to permit this type of expenditure. The Department of Finance memo to all department heads dated December 29, 1975, reads in part, "The Department Head Expense Account may be used to pay for...coffee and cake for presenting service awards, for honoring retiring employees, or similar events that affect employee morale."

\* Commissioner Vann's comments seem misplaced in this section, they seem to pertain to Item number one of Section D.

3. Another accusation in the memorandum to the Governor's Office stated that the Commissioner of the Department of Economic Development solicited two complimentary snowmobile suits at the January 20 - 23, 1977, "Winter Weekend" sponsored by the department.

In our interviews, we talked to Joan Lee of Polaris Snowmobile Company. She stated that it is customary to provide complimentary suits to media people and celebrities and that she did provide "one or two" suits for the Commissioner through a Department of Economic Development employee. The Deputy Commissioner confirmed that complimentary suits were delivered to the Commissioner's office and removed sometime later.

Your Executive Order No. 142, which prevents officials and employees from receiving any "compensation, reward or gift with a monetary value of greater than \$5 except from the State of Minnesota for any service, advise, assistance, or other matter related to state government employment," was not ordered until February 23, 1977, a month after the event. During the time of the "Winter Weekend," there were no specific guidelines in effect.

*Commissioner Vann comments:*

*The Department of Economic Development Tourism personnel have been receiving promotional materials and products from Minnesota manufacturers and distributors for years. Upon arrival at the Winter Outing, it was not unusual to be directed to a room to select snowmobile equipment desired for the events outdoor activities. This equipment was later placed in my room. After being gone and then returning, the Commissioner found his room had been entered without his permission and certain items in his possession had been removed. Staff members were vehemently advised of his displeasure and told in no uncertain terms to never again enter his room and remove anything without his permission.*

*Later in the Cities the equipment was placed in the Commissioner's Office by person or persons still unknown. I can only assume that the equipment, as in past events, was presented to me to promote its use. It is the custom, since I have been involved in the business, to provide fishing equipment, boating, winter, and other promotional items to those in positions to "show-off" the products to potential purchasers. I have always looked at this as part of my job - and do not view any such materials as gifts - only as promotional materials.*

4. The memorandum alleges that the department purchases numerous outstate newspapers while at the same time paying for a clipping service in defiance of a Governor's Task Force recommendation. According to the Deputy Commissioner, the newspapers are "essential to the operation of the agency." In its report on subscriptions, the Task Force recommended that agencies use a clipping service when it is cheaper than the total cost of the subscriptions; however, the final decision on this matter was left to individual department heads.

*Commissioner Vann comments:*

*Very appropriate expenditure. Commissioner, Deputy and others want copies of state papers on a selected basis. Papers are needed in full and not just select clippings. There is every reason we should be getting those papers and they are appropriately used.*

5. According to the memorandum to your office, the Finance and International Trade Division of the Department of Economic Development "has received no direction from Vann and has no idea how to proceed or what they should do." Although one employee of the division said the problem was one of a severely limited budget rather than a lack of direction from the Commissioner, the other Department of Economic Development employees both in and outside the division said that the division has done little work in the last two years.

*Commissioner Vann comments:*

*International Division has been greatly hampered by limited funding and little interest from private sector in past activities. Governor travel budget cuts have made it necessary to re-vamp total international activity. Division Director concurs with changes in procedures now being developed. Some staff people negative to Directors and Commissioners decisions. Questioning direction and decisions of department head is obvious. A number of changes in this division activity soon to take place. New advertising agency already responding well to need.*

*\*Attached is a complete set of Commissioner Vann's responses to each of the department's allegations.*

11  
The condition in the Minnesota Department of Economic Development under the current leadership of Lee Vann and Jim Lukaszewski can best be described by the phrase total negative leadership. Anyone with any knowledge of the management process would have to conclude, after ~~xasax~~ reasonable observation of the internal operation <sup>of the department</sup> ~~of the department~~, that it would <sup>currently</sup> function more effectively and efficiently without a commissioner or deputy commissioner through existing ~~xxxxxx~~ ~~xxxx~~ divisional ~~xxx~~ cooperation.

There is no plan, no direction and thus no organized communication between the department leadership and the divisions. Except for the conscientious efforts of individual staff members and divisions working, where possible, around the current leadership, the department is directed by the whim-of-the-day or whim-of-the-hour of Lee Vann. It is whim in that it is so often ill conceived, unaccepting of contradictory input, no matter how factual and logical, and susceptible to numerous--and frequently extreme--changes in <sup>#</sup>direction.

The entire staff, with <sup>a few</sup> possible exceptions, is completely demoralized and disillusioned by the lack of executive action to alleviate this impossible situation. This is because they have always felt they were making a meaningful contribution to a total department effort, and they are no longer allowed to do so.

I will attempt in this dissertation to highlight events and facts, as I know them, in the hope <sup>of</sup> communicating a true picture of this condition. I realize that management actions can be open to many interpretations. I, therefore, suggest that ~~xxxxxx~~ verification of the true condition in the department be obtained through private conversations with divisional leaders and long-time professional employees.

A first--and key--point is the total lack of a plan and, thus, of any organized communication.

...Budgets and plans were submitted to the Legislature that had no detailed backup ~~whatsomever~~ whatsoever. The numbers were basically pulled out of the air with no consultation with appropriate implementing divisions relative to the

feasibility and meaningfulness of the ~~various~~ programs and dollars requested.

...What is submitted in terms of plans and objectives to the Legislature is as often as not in direct contradiction to the actual direction taken by the current leadership.

...The reorganization of the department was prepared without consultation with the divisions involved for their input and advice. It has never been formally submitted to the divisions and, to this day, is only a vague set of rumors and piecemeal actions that are discovered by the staff at the time of implementation. At a staff meeting in June, the division heads were told that the reorganization would be gone over with each of them individually and implemented in the next two weeks. Not only has the plan not been implemented, but no further discussions regarding this department reorganization have ever been held with the six division directors and managers.

...Only four division head staff meetings have been held in the 22 months Vann has been commissioner. These staff meetings were consistently rambling monologues by the commissioner with little or no meaningful input from the division heads either invited or encouraged.

Having generally described the lack of organized management communication that has resulted in isolating the operating staff from a meaningful role in department direction, I will now, for purposes of brevity, simply list other examples of mismanagement, deception and action clearly not in the best interest of the State of Minnesota or its citizens.

#### Commissioner's Advisory Commission

This commission is a 21-member group that is established to advise the department on overall direction, plans and budgets. The commissioner has on numerous occasions expressed to the Legislature, the governor's office and the advisory commission itself how he intended to use the commission to the maximum extent possible. To this end, he held a meeting in the fall of 1976 to ask 21 business



executives to serve on the Commissioner's Advisory Commission and at that time gave them an overview of the department and specific areas in which each of them would be <sup>ing</sup> ~~be~~ advised in the operation of the department. ~~Six months later~~

Since that time, there have been only two meetings called. The first was held almost six months after the initial meeting and was designed to get the commission's input on a budget presentation to the Legislature. Members were given only four working days notice for the meeting (members are located throughout the state), and it took place only two days before the department's presentation to the legislative committee in March 1977. Because of the shortness of meeting notification, only four members attended, and they were being asked to advise the commissioner <sup>as to whether he should</sup> to go with the ~~gaxxxx~~ Governor's recommendation or the commissioner's ~~own~~ own original budget request. Based on these <sup>time</sup> ~~these~~ factors, there was no meaningful input the advisory commission could possibly provide.

The second meeting was <sup>and was</sup> called for Sept. 14, 1977, in conjunction with the department's selection of an advertising agency for FY '78, three months into the fiscal year involved. In addition to the commission members, other selected ~~xxxxxx~~ individuals were invited to review the presentations and to advise the commissioner in choosing an advertising agency. The three agencies ~~xxxxxx~~ making presentations were ~~Six~~ Split Infnitive, Bozell and Jacobs, and Chuck Ruhr.

After spending one day reviewing each presentation at the respective agencies, the ~~3~~ commissioner requested a written recommendation from all participants. To the best of my knowledge, <sup>all but a few</sup> ~~the vast majority~~ of the written recommendations for the tourism advertising contract were for Bozell and Jacobs, which the commissioner ignored and instead selected Chuck Ruhr. ~~xxxxxx~~

This clearly illustrates that, contrary to public statements by the commissioner, the advisory commission is rarely utilized, and the one time it <sup>c</sup> ~~could~~ give meaningful advice, it was totally ignored. (Relative to advisory commission expenses, the fact that no per diem has ever been authorized leads one to conclude that the commissioner feels that no official meeting has been held.)

In addition, the Minnesota Regional Tourism Council has been constantly ignored, and, in fact, due to actions of the commissioner, they have most often been put in an adversary position. Those members of the MRTC that were asked for their opinions in the selection of an advertising agency for the Tourism Division also recommended Bozell and Jacobs and were ignored.

### Selectric Typewriters

Jim Lukaszewski purchased six IBM Selectric typewriters in August 1976 for use by personnel (including himself) who only type a rough draft copy for editing that is submitted to a secretary for final typing. This is a gross misuse of office capital expenditures. *Other misuse of office equipment includes that many of DED equipment that Lukaszewski has taken home & used there.*

### Computer Terminal

A computer terminal was purchased by the Industrial Development Division based on certain specific and potential uses. The specific uses were: 1) <sup>two purchased</sup> special demographic/economic data packages for analyzing <sup>specific industrial development potential</sup> local areas, 2) computerization of Community Profiles and 3) potential use by the Research Division with an unspecified data bases that might be obtainable. No. 1 is being used to a very limited degree. No. 2 and No. 3 were proposed to the commissioner under a contract with MAPS not to exceed \$6,000. The commissioner rejected the proposal, stating that we would be competing with private enterprise, even though he was advised that the Control Data representative indicated that we should certainly buy the MAPS proposal because Control Data would have to charge a minimum of \$10,000 for just the profile section. In addition, Control Data admittedly could not provide the <sup>other data bases with appropriate potential</sup> other data bases with appropriate potential.

At the present time, the only agency getting economical use of the terminal is the Housing Finance Agency, which is entirely accidental.

## New York Study

Under a directive from the commissioner, a duplication of a New York report was prepared under an extremely tight time schedule ~~and on~~ <sup>d</sup> title An Overview of the Minnesota Tourism Industry. Shortly after the preparation of ~~this~~ report, the commissioner was advised by memo from the Research <sup>i</sup> Division that after closer analysis of the data used for the central point of the report, ~~the~~ <sup>found to be</sup> supposed factors were ~~clearly~~ <sup>clearly</sup> erroneous and therefore should not be used. The report, including the erroneous material, continues to be used to argue the case for expanded <sup>2</sup> tourism expenditures.

The commissioner has continuously used erroneous figures in various areas even after being told repeatedly by staff members that the figures were wrong, as is illustrated by the letter from Senator Milton.

*Now Sukerswoti wants ~~the~~ department personnel to prepare another "special report to the Governor" (see attached memo)*  
Tourism Research

The commissioner has continuously argued <sup>for</sup> additional funds for tourism research and promotion.

In August 1976, a comprehensive, statewide tourism impact <sup>study to be conducted by</sup> proposal <sup>1</sup> was given to the commissioner for submission to LCMR for funding. The commissioner refused to send the proposal on to LCMR, stating that the university was not putting enough ~~in~~ in. The study proposal <sup>1</sup> actually consisted of two parts--metro <sup>this is the general time for mentioning</sup> area and the rest of the state--because some federal funding had been obtained by the university ~~as~~ for a metro study and because of the different logistics <sup>involved</sup> involved in studying the two different areas. <sup>should be explained</sup>

The commissioner later approved previously agreed upon <sup>1</sup> funding for the metro tourism impact study.

Later <sup>1</sup> year, in the department's legislative request, funds were requested for tourism research without an <sup>1</sup> consultation as to how they might be used and the amount that would be required. The figure request <sup>1</sup> was simply plucked from the air.

Economic Development Summit Conference

In the beginning, Vann didn't want any legislators at the event. Later he said that all would be invited and that chairs with their names on the back would be put in the front of the auditorium (St. Paul Civic Center) for all to see who didn't show up. It was suggested that he talk with Coleman and Sabo about legislators' attendance, but calls were never made.

The conference was supposed to produce resolutions on how to help economic development in Minnesota. No thought, however, was given to suggested resolutions. After listening to speakers for a day, 10,000 people were to decide in half a day the course for Minnesota's ~~economic~~ economic future!

Cost projections were \$100,000 to \$150,000 (sound/slide show, special binders with logo, transcripts of entire event mailed to all attending, lunch, coffee and rolls, civic center rent, sound system, microphones all over the floor ~~as at~~ at political conventions, etc.) First, EDA was to be approached for the bulk of the money, and \$10 would be charged per person to offset the rest of the cost. EDA money was never assured, and ~~the request was~~ <sup>ow</sup> G.M.O. turned down the funding proposal. <sup>that was presented to</sup> No one ever ~~new~~ knew where the money would come from. <sup>any one outside the dept.</sup>

(11/24/76)

As late as eight days before the scheduled event (when it was canceled), the speakers Vann kept talking about were not lined up. One quote from Vann: "Magrath (U of M) has not answered the letter (requesting that he be one of the speakers) and said no, so I'm putting him on the program." Attached is a "tentative program." To the best of my knowledge, Magrath, Carpenter, Coleman, Roe and Perpich and possibly others had no idea ~~h~~ they were speakers for Vann's Economic Summit Conference. Also, most of a long list of "Resource Persons/Agencies" were never notified about the event.

Of prime importance concerning this event, other than being typical of Vann's incredible inability to plan, is the ~~transmission~~ cost to the state. Out of an already ~~inadequate~~ <sup>in</sup> inadequate tourism advertising budget, \$17,000 was spent on advertising a conference that went down the tubes. Lukaszewski, as overall coordinator of the event, knew what was done and directed Padilla and Speer, Inc., to bill the Chuck

Ruhr agency (DED's advertising agency) for costs incurred in promoting the event. The Chuck Ruhr agency then billed DED, and we thus used a shell game to hide the cost of Padilla and Speer.

Also, the December issue of Industrial Development News (a monthly magazine published by the department) was told to run an extra 10,000 copies to be used for the conference, and an overview of the state's economy (developed by DED's Research Division) was printed as a special 44-page issue of ID News with Vann's byline. Most of these issues, designed strictly for the conference, are still in storage if ~~xxxx~~ not already thrown away. Both items were billed to ID News.

(Note: wk. of 10/31 Lnk. is adding the overview thrown out.)

I could go on forever about this aborted conference--about the field staff being asked to help sell tickets at the last minute when it seemed the conference was really in trouble, etc.

Eight days before the conference was to be held, on 11/24/76, in DED's conference room, the event was ~~is~~ called off. At that time 257 people had sent in \$10 registration checks--no where near the 10,000 Vann said he expected at the event. The \$17,000 ad money had produced 14 registrations. This \$17,000 plus another \$3,000 to \$5,000 in printing costs came out of a <sup>Dept.</sup> budget Vann would have everyone believe was way under financed; yet spending \$20,000 on a conference that never took place seemed not to bother Vann in the least. The reason he gave in a news release (attached) for postponing the conference was that a record retail season was developing. Local retailers talked to by some department members laughed out loud at that reasoning.

## Coffee

*were published regarding*  
Even after reading auditor's comments in the newspaper about the Governor's office buying coffee, ~~not being a justifiable expenditure of state funds, no stop~~ *has been put to this lax practice at DED.* ~~The coffee, purchased by the state, in great part belongs to Lukaszewski is always in the Deputy Commissioner's office.~~ *a big coffee drinker.*

## Adding Machine

To use up year-end funds, Lukaszewski ordered that an adding machine be purchased (\$250) for his use, even though he has said many times, ~~"I don't understand figures, you work on them."~~ *as would be expected, the Deputy* This machine has rarely been used ~~by Lukaszewski~~ *though it could be put to good use by our accounting people in their* ~~office.~~ *Once again this is a gross misuse of office capital expenditure.*

## News Front Magazine Special Section

Lukaszewski, with Vann's blessings, working on this project and even got Governor Perpich to sign letters sent to Minnesota business executives asking their support in the form of buying ad space in a "special Minnesota section" in News Front magazine. Two DED ads were placed in this magazine, both ads developed for the Industrial Development Division. A two-page, four-color ad (approx. \$6,000) was paid for in FY '77 with tourism funds, and the two-page, black and white ad is being held at the moment in accounting on Lukaszewski's orders. ~~I~~ *I* believe they plan to have this \$2,750 bill, dated 10/1/77, paid for by the new ID ad agency, Split Infinitive, and have them then bill DED for the money under the new \$52,500 contract Marlene Johnson of Split Infinitive signed on 10/24/77. She was awarded the new contract for ~~industrial~~ industrial development and international advertising for their FY'78 program.

This action, if not ~~a~~ inappropriate, is certainly questionable. I don't think ~~Ms.~~ Ms. Johnson will go along with the idea because it just is not proper procedure. If she doesn't, the only way to pay the bill will be to use tourism funds

for industrial development ad.

Lukaszewski also asked the divisions how many copies of the reprint of the Minnesota section they wanted or could use. Both the manager of Industrial Development and the manager of Publicity and Publications reviewed<sup>ed</sup> the Industrial Development Division's P & P budget, already allocated to needed publications and programs, and decided that no valuable use could be made of the reprint. They, therefore, said they did not want to order any. Based on that recommendation, Lukaszewski ordered 5,000 copies to be paid for out of ID's budget. The cost was \$3,875 for the reprints and \$77.92 for shipping (a high cost, I might add, for such a reprint). This means that some part of ID's planned program will have to be dropped to accommodate this ~~was~~ unforeseen--and unnecessary--expense.

Now DED has a 5,000 copies of a reprint ~~xxxx~~ no one wanted or has a distribution plan for--and which numerous staff people and other writers have agreed is a ~~xxx~~ very poorly and unprofessionally written and produced piece. There is also a question on the circulation of News Front magazine. It is supposed to go to top corporate executives across the country, especially those on the Fortune 1000 list. However, at least two of ~~xxxxxxx~~ the corporate executives in Minnesota that received the Governor's letter called DED's manager of Publicity and Publications inquiring ~~xxx~~ about the magazine. One of ~~the~~ callers indicated that he had contacted <sup>three</sup> ~~xxx~~ of his executive friends who had also received the letter and that none of them had ever heard of the magazine. All of these ~~xxx~~ people were supposedly people that were receiving News Front magazine, according ~~xxx~~ to the description of circulation. These companies were among Minnesota's representatives in the Fortune 1000 list. Needless to say, none of these companies could be convinced to buy an ad in the special section.

#### Use of Chartered Aircraft

No. 1, DED uses a plane when not necessary. No. 2, after leaving Holman Field in St. Paul, ~~xxx~~ Lukaszewski has the plane often stop at the Crystal Airport (at additional cost) just to pick up Vann so he won't have to drive to the St.

Paul office. This is done even on days when they are not working in early afternoon.

No. 3, Chum Bohr has ~~been~~ been a passenger with Vann, courtesy of the state. At the Winter Weekend media event held last January, Vann and Bohr flew up one ~~maxx~~ morning and back that same evening on a plane paid for by DED. No ~~other~~ other passengers were on board. A plane has also been used at least three times this fiscal year for Vann, <sup>and</sup> Lukaszewski ~~to fly around~~ ~~and talk with the press in Minnesota.~~

#### Chum Bohr

*Vann's apparent friendship with Chum Bohr has created numerous conflicts of interest and*  
~~Also, because of Vann's friendship with Bohr, Vann wants to have matching~~  
funds projects with Bohr's organizations in tourism, even though no one in the Tourism Division and numerous highly qualified and professional people in the tourism industry, believe Bohr has any expertise or ~~maxx~~ competence.

On the weekend of 8/23 or 8/24 a charter plane was used to fly Vann one way to Alexandria for a meeting of one of Bohr's organizations. Bohr, in a letter to Vann, said he would pay for Vann and his wife's lodging. I presume that the return trip was also ~~max~~ provided by Bohr.

#### Fishing Party

This year, under Lukaszewski's direction (rather than the Tourism or Publicity and Publication divisions), so much ~~press~~ <sup>to the press</sup> equipment was made available that even ~~they~~ <sup>were embarrassed into</sup> ~~commented~~ on the fact. Lukaszewski and Vann always blow such "media events" way out of proportion to ~~maxx~~ what is necessary or desirable---and at a tremendous cost to the state.

In prior years, one or two people ~~maxx~~ went up to check the facilities at the proposed site and set things up prior to the event. This year six or seven people flew up to look at Arrowwood Resort, a ~~max~~ totally unnecessary <sup>expenditure</sup> ~~contingency~~.

~~I was also asked to go on the trip, as was another staff person who also declined.~~  
*The entire D.P. Tourism division as well as the Commission*  
*on the Environment and their secretary are tied up in the*



International Division

In recent speeches, Vann has stated that international trade ~~isxzkexhi~~ holds the largest potential for economic development in Minnesota. In reality, DED's four-person division has received no direction from Vann and has no idea how to proceed or what they should do. Last year ~~most~~<sup>much</sup> of their printing and publicity budget was used to hire a consultant that did no work for their division. This year there is no definite plan for spending their budget, and they are more or less in limbo.

In 20 some months, only two trips have been taken by division personnel because of lack of planning and because Vann has ~~countered~~<sup>at the last minute continuously rejected</sup> trips he had previously ~~proposed~~<sup>proposed</sup>. The Japanese trip that was planned for this past summer, for example, never did happen. ~~It was the Cuban trip which was cleared for announcement in our newsletter after the announcement in the press of the Japanese delegation's plans for the trip they did.~~

Planning by Vann and Lukaszewski ~~that the Dept. should participate in the~~

There was a news release dated 8/19/77 and a story in the September 1977 issue of Industrial Development NEws about ~~the~~<sup>all</sup> industrial development field men being transferred to the home office in St. Paul. There has ~~been~~<sup>was</sup> no direct communication by Vann to the field men on this reassignment, and no plan has been written down (other than what appears in the attached release). This ~~is~~<sup>was</sup> supposedly to happen in early December, according to the news release, and there are not even desks for the people to sit at nor has anything been ordered or organized. All the field men know at the present time is what they read in the newspapers and ID News and what rumors they hear. The manager of ID ~~told~~<sup>repeatedly told</sup> them that he ~~didn't~~<sup>was</sup> know exactly what Vann is planning to do. These reps have homes and families outstate and need to know what's going on in order to make some decisions about their futures. ~~In fact, on 11/3/77 Vann spoke to the managers of the~~

~~Lukaszewski rewrote a job descriptions vague enough so they could decide later exactly what or who they wanted. To my knowledge, the current field men have never seen the revised job descriptions. (Lukaszewski has done this with other job descriptions, too, and people involved have not seen the new ones.)~~

In June, Vann stated very emphatically that all vacant positions in DED would be filled no later than ~~ix~~ July 1, 1977. Currently, we have ~~ix~~ vacancies for three ID ~~xxxx~~ field men, one assistant commissioner for industrial development and one information officer. Some of these positions have been vacant for months.

Vann has stated many times that he has reorganized the department, but in reality, P & P, Tourism, Research, International Trade and ID operations are carried out in the same ways they have been and have not changed since he came on board 12/1/75. There is talk that ID will be changed, and, in fact, ARA has been changed.

The position of assistant commissioner in charge of industrial development and international trade was originally created to give the then ID director a raise. ~~Now~~ Now Vann acts like it is needed in DED, even though he has not hired one and the position has been open for months. (He reportedly offered it to one person who turned it down.) In reality, it is a position that is not needed and could easily be shown so.

While calling himself a planner and talking about a 10-year plan for DED and ~~the~~ even for the State of Minnesota, no one has seen anything committed to paper that ~~states~~ <sup>integrated</sup> even DED's plans and goals for the ~~immediate future~~ <sup>future</sup>, let alone for the long-term future.

#### Money Returned

While telling everyone "if only the legislature would give us the money to do the job right," Vann has at the same time authorized unwise and unnecessary (and sometimes downright illegal) expenditures of DED funds, and DED has still turned money back to the general fund at the end of various fiscal years that Vann has been in charge. Much of this is due to the fact that Vann and Lukaszewski have no interest in planning and carrying out day-to-day operations of the department, providing the services DED is charged with providing. ~~Vann is~~ <sup>Neither Vann nor</sup> ~~an idea man and makes not a manager or administrator. Lukaszewski is not even~~ ~~an idea man and makes not a manager or administrator.~~

Lukaszewski will talk behind Vann's back and agree with numerous complaints, but he says "Vann will stay, and I'm going to do his bidding." Lukaszewski even told Mark Dayton that he has more power in the department than does Vann. Lukaszewski is in over his head. He talks about "us and them" and "security leaks" and does not want anything out of his hands. This is responsible for many of the problems and delays. Lukaszewski cannot delegate anything and, therefore, projects get bogged down needlessly. He does not trust department personnel at all.

*change of projects and programs*  
{This inability to authorize others to take a ~~project and run with it~~ is what has caused the horrendous delay in the department's annual report. It was due 11/15/76 and to this date has not been completed. Lukaszewski has transferred responsibilities for it from one person to another during the past year, and yet has given none of these ~~people~~ people the authority and freedom to proceed with it. At this time, he plans to make the report what he calls "a complete volume on the department's history from the very beginning." He has gotten ~~an estimate~~ an estimate on what it would cost to produce the document he wants, and it comes out to \$10 a copy. ~~He wants 1,000 copies, which comes to an unbudgeted expense of \$10,000~~ *In addition he wants to send it to all legislators, which is against state* for a much too large book in much too large a quantity. *100 copies instead should go to leg. ref. library.*

Following are a list of acts that are, at the least, highly improper:

1. When Vann first came on board "Lee Vann Concepts" work was done out of *by the and his secretary.* DED offices. Letterheads are still in the office, or at least were when I left the department.

2. Vann had a house party, and all the maps mailed to 200 or so people were done by his secretary and copied on the department's xerox machine.

3. Vann spent numerous mornings and afternoons out of the department house hunting, and none of this time was reported as vacation time.

4. Vann is on the board of directors of Cornelius Company, and all mail (such as his monthly check, etc.) comes ~~to~~ to DED's offices to be handled, filed, etc. by his secretary.

5. Lukaszewski had ~~personal~~ personal letters asking for funds for his college done and mailed from DED on his personal letterhead.

6. Lukaszewski's monthly expense report shows ~~za~~ mileage for trips that never took place. One trip was in Vann's car, and Lukaszewski also claimed mileage on his expense account. He also ~~also~~ claims mileage ~~taxi~~ from his house to and from work on Saturdays, though he is not required to be in the office on Saturdays, and if he feels the compulsion to do so, it should be considered a part of his job at that administrative level.

7. New flags were order for Vann's office (~~xxx~~ US and state). The old ones (state property) were carried out the back door of DED by Lukaszewski to be given to Chum Bohr's wife by Vann.

8. On Aug. 11, 1976, Vann accepted free lodging from Mr. Madden of Madden's Lodge while on a Small Business Task Force trip.

On 11/2/76, after S. Bingham (P & P manager) refused to sign a purchase order #65214, Lukaszewski did. This ~~a~~ P.O. was to purchase color separations of a photo published in DED's lure book so Madden could use the photo on his 1976 Christmas cards. Vann and Lukaszewski okayed this \$73.50 expenditure of state funds even though Lukaszewski knew the P & P manager's feelings on the ~~i~~ matter and that she would not sign the P.O. (P.O. and bill attached).

9. When Tony Trow, former assistant commissioner for industrial development, left DED, Vann told everyone he would pay for the ~~xxx~~ going-away dinner held at Mr. Anthony's. Later, when the bill was not paid and Lukaszewski was called a couple of times by Mr. Anthony's, they arranged for the bill to be paid with state funds (commissioner's special expenses). Department personnel would gladly have paid for their own dinners, and indeed had planned on doing so, if they had known such a thing would be done.

10. The last audit conducted in the department criticized the then ARA division in regard to expense accounts. Employees were using a home station other than St. Paul while spending almost all of their time in St. Paul. A statement in the report says "state travel regulations provide that permanent stations are to be assigned employees in the best interests of the state."

Even with this past abuse (which Vann and Lukaszewski are well aware of),

the current leadership has seen fit to hire an individual and make his home station Window while almost all of his work takes place in St. Paul. This was done to pay Bob Soleta more than his straight salary while he works on an agri-business project. This payment procedure was set up by Lukaszewski and has been questioned by our accounting people <sup>and others</sup> who wonder what is going on.

Finally, attached is a memo of 9/19/77 from J. Moore, Research director, to Vann. I'm sure the contents have not been passed on to the Governor, even though the original report was.

This is typical of Vann and Lukaszewski--to tell even the Governor only those things that they feel helps their position and benefits them.

~~News paper~~

~~The purchase orders for the tens of state newspapers ordered for him should be copied.~~ <sup>of numerous out-state</sup> ~~for him should be copied.~~ This is in absolute defiance of Goff's committee's recommendation, that appeared in a newspaper article, that agencies should not have subscriptions to these state papers but should hire a clipping service instead, at substantial savings. <sup>It happens that DEO also has</sup> ~~DEO~~ has a clipping service, and there is absolutely no reason we should also be getting ~~all~~ these papers. The P & P manager, in fact, refused to sign the P. O.s for those subscriptions, <sup>and</sup> Lukaszewski ~~then~~ signed them.

11. I have asked a P & P staff person to spend a day taking photos of Jens Paulucci's reception of last year's MN Business Hall of Fame award at Dunedin Co., even though P & P had no use for such photos. Presumably the photos were used by Vann or Paulucci. It was waste of a valuable staff person's time & questionable use of state equipment & money. (The awards were presented to Paulucci by the MN Business Hall of Fame.)

## Lure Book

In the 1975 session of the Legislature, the Tourism Division was given \$150,000 to produce two publications--a vacation guide and a lure book. ~~They were~~ referred to in the legislation itself.

Starting in July, the Publicity and Publications Division began work on a comprehensive vacation guide, *is a directory of all lodging, dining and recreation facilities and tourist attractions in the state.* ~~that would list all recreational facilities and attractions.~~

From July to November 1975 information was collected through mailings and *surveys* and *was proceeding* ~~follow-up~~ telephone calls entailing hundreds of man-hours. The publication ~~on time~~ *was proceeding* copies were anticipated and ~~was to be available in March 1976.~~ In December, Vann the Publicity and Publications and Tourism divisions instructed ~~to~~ to discontinue production of this publication because he ~~felt~~ it was not our department's responsibility. At that time staff members argued the merits of the publication. The commissioner ignored all comments and instead instructed the Publicity and Publications Division to print only one publication-- a lure book, three times larger than the original plan called for.

With these instructions, the P & P Division began work on the lure *book* only to find that the commissioner did not want to go ~~through~~ the normal state bid procedure for printing. Instead he asked for bids from only three firms and tentatively awarded the contract to Meyers Printing. Because this act was so contrary to normal procedures, the publication was considerably delayed. Ultimately the commissioner gave into pressures from the departments of Administration and Finance, and the proper bid procedure was carried out. Because of this delay, the publication was not available until late July 1976, missing the heavy tourism request season *could begin in March* almost completely. In addition, ads that ran in April and May were not filled until the latter part of the summer because no books were printed. Instead of two books, the department had only one at a cost of \$150,000--one which could *not have a meaningful impact for* ~~even barely be used for~~ the first year.

#### Winter Weekend

In Detroit Lakes during the department's first annual Winter Weekend, the commissioner, along with Chum Bohr, took two sets of snowmobile suits from a registration area. They informed the people supervising the check-out of the clothing that the manufacturers were giving them to them. In fact, there was no conceivable way for them to have received permission from the manufacturers reps to take the suits, as the commissioner arrived late, and the reps were miles away on a snowmobile trail ride with the writers at the time.

On being informed of this, one of the department's employees removed the suits from the commissioner's room and returned them to the manufacturers. The manufacturers reps indicated that they were not approached by anyone to provide suits for the commissioner. Upon learning that the suits were missing from his room, the commissioner ~~xxx~~ went into a tirade and wanted the suits back. Jim Lukaszewski, deputy commissioner, confronted the employee who explained to Lukaszewski that there was no evidence that the manufacturers had provided the suits to the commissioner.

The commissioner then left the event early, and Lukaszewski pressured the department employee to acquire complimentary suits for the commissioner from the manufacturers. Eventually the suits were given to Lukaszewski to give to the commissioner. Lukaszewski took them back to St. Paul and put them in the commissioner's office where they remained ~~xxxxx~~ for some time. They were presumably taken home by the commissioner.

#### Tourist Information Center Remodeling

In the closing months of FY '76, Vann, knowing that dollars would be returned to the general fund, instructed the tourism director at that time to remodel the Tourist Information Center at a cost of approximately \$6,000. Because it was the close of a fiscal year, an emergency purchase had to be approved. The reason given was that it had to be done before the tourism season.

Because of this, normal purchase procedures were circumvented, and, in fact,

Sperry Office Products received all of the monies for desks, counters, carpentry, ~~rather than P.M. Johnson~~ <sup>which has the state contract for office furniture</sup> etc. This information center at its highest point has had no more than 3,200 people during one year. The Tourism Division argued that for the limited usage the investment was too great. This was rejected by the commissioner. Furthermore, the ~~major~~ remodeling of the first floor office <sup>could only be completed by raising</sup> ~~was done by reupping the original~~ <sup>value of the original which was known in advance of the original request</sup> purchase requisitions. This occurred at a time when the commissioner was openly talking about moving the <sup>entire</sup> department's offices to another location.

#### Tourist Information Center Personnel

Since Commissioner Vann's appointment, the Tourism Division has repeatedly requested part-time help to alleviate the problem with mailing tourism literature at peak times. In 1977, the division requested help several times during the first six months of the year because the mail volume was increasing to a point where it was two to three weeks late. The commissioner repeatedly refused to add additional personnel, even though monies were available within the department's normal appropriation.

The Tourism Division requested two positions for the summer season. It was not approved until July 1977 after the division was three to four weeks behind in its mailing for several months. Because the heaviest mail had subsided by that time, only one individual was hired. The ability to send out information to travelers in a timely fashion is one of the most important elements in attracting them to visit Minnesota. For 1977, the majority of the mail was three to four weeks late and definitely affected people's decisions to vacation in Minnesota. ~~The results for the most part were negative.~~



Department heads do not deal with the reality of situations and events, but rather with the way they would like them to be. Rather than accepting input from the various specialists in each division, Vann and Lukaszewski bull ahead with some misguided conception of how things are and how they should be. Then when cornered on some facts and figures that seem to be inconsistent or just plain wrong, they demand the next-to-impossible from various staff people to bail them out. Some forethought and discussions with staff people beforehand, <sup>without to mention a plan,</sup> would eliminate such problems.

The current administration thrives being in the limelight and at the center of controversy in order to generate as much attention as possible, whether that attention be good or bad. They are so involved in a personal ego and power trip thing that ~~as~~ rarely is anything meaningful ever accomplished by the department. Needless to say, this ~~has~~ has led to tremendous morale problems in the department.

A lot of ideas are publicly spewed forth, many off-the-top-of-the-head type, and then others are blamed when these ideas don't succeed. (the summit conference being one example) In reality Vann and Lukaszewski ~~have~~ have had no logical plan to back up these ideas, no realistic means of carrying them out. They seem to want the attention such ideas generate, but they don't think about how to carry them out---which is where the real accomplishment lies.

The department has a lot of qualified and professional employees who simply are not being utilized. Rather than seeking ideas and input from these employees, who are specialized and more qualified and knowledgeable <sup>as a</sup> than Vann and Lukaszewski, in their appropriate areas the commissioner and deputy use these ~~people~~ people only to pull together facts and ~~figures~~ figures to support whatever current whim Vann is ~~currently~~ publicly expounding. Much of the time, ~~figures~~ figures to support these public ~~statements~~ statements simply cannot be provided because the statements are questionable or just plain false. The staff has repeatedly tried to explain this, but to no avail. Statements are still publicly voiced before their validity is checked <sup>with the proper divisions.</sup>

Lukaszewski has constantly referred to his style of management as "management by crisis<sup>s</sup>," and, indeed, seems incapable of managing ~~anything~~ anything without being in a crisis stage. Any basic management course or text will tell you that to admit you manage by crisis is to admit you have failed. A good manager manages to avoid crises. He wants to anticipate any crisis before it has a change<sup>c</sup> to become reality, and he wants to formulate and put into action plans to thwart any crisis in the making.

~~CONFIDENTIAL~~ 12

# Some on staff accuse Vann of mismanaging his agency

OUTSTATE EDITION

## State commissioner accused of misuse of public funds

Copyright 1977 Minneapolis Tribune  
By Steve Brandt  
Staff Writer

Minnesota's commissioner of economic development, Lee Vann, has been accused by several present and former administrators in his department of mismanagement and questionable use of public funds.

The employees claim that Vann had grandiose plans for a statewide economic conference that was never held but cost thousands of dollars to promote, used a faulty research study to justify asking for large increases in tourism promotion dollars and failed to publish tourism books and reports required by state law.

They also maintain that Vann has engaged in practices criticized by legislative auditors in the past in audits of his and other agencies. These include using state funds for social purposes, not promptly repaying cash advances and allowing an employee to collect questionable lodging and mileage expenses. They also say Vann has used state files and copying machines for personal purposes.

Vann denied some allegations last week, gave varying explanations about others and expressed frustration, saying he fears that the disagreement could undermine his attempts to obtain additional tourism funds when the Legislature meets.

"I don't think the individual accusations are as important as the over-all effect," the 51-year-old commissioner said. "Somebody's

Vann continued on page 9A

cutting us down."

The employees, who claim to represent most of the department's 41 employees, prepared a memo outlining their criticisms for Gov. Rudy Perpich and said they delivered it to the office of Ronnie Brooks, a special assistant to the governor, in late November. Ms. Brooks said Friday that she has not seen it, although she had discussed the allegations earlier with a representative of the employees.

A copy of the memo, obtained by the Minneapolis Tribune on the condition that the employees not be identified publicly, alleges that Vann:

- Hurriedly ordered his research staff to duplicate a New York tourism study. The rush report concluded that Minnesota would lose \$1.89 billion in tourism receipts by 1981 if it does not increase its tourism promotion budget of about \$475,000 a year. Vann showed these conclusions to Gov. Rudy Perpich, who said he would recommend to the 1978 Legislature an \$800,000-a-year increase in such spending.

However, shortly after the study was finished, the department's research director sent Vann a memo indicating that, because of the short time allowed to prepare the study, he had not discovered until after its completion that "clearly erroneous" data was used. Department sources report that other studies indicate that Minnesota may actually be doing a better job than the national average at luring tourists. However, this information was not passed on to the governor, and despite staff advice that the report was erroneous, Vann ordered 150 additional copies.

- Promoted enthusiastically a "statewide economic summit conference," scheduled for Dec. 2 and 3, 1976, to discuss the future of the state's economy. A department press release predicted that as many as 10,000 people would attend.

But the conference was canceled eight days before it was scheduled to occur. A department press release indicated that "nearly 1,000" registrations had been received and that the conference might be rescheduled for spring 1977. However, department sources said only 257 registrations were received. The conference was not rescheduled.

This left the department with 20,000 extra copies of two department publications reprinted for the conference at a combined cost of almost \$7,500, according to department financial records. Those records also show an advertising cost for the conference of \$17,262.

- Failed to follow the 1975 Legislature's express direction to publish "a state pictorial guide and a statewide vacation guide." Vann used most of the \$150,000 allocated to both publications to publish a 45-page "lure book," which he contends combines the functions of both.

Department employees said hundreds of man-hours were spent before Vann became commissioner in December 1975 compiling information on tourism attractions to be used in the unpublished vacation guide. The book was to be completed by March 1976, when the bulk of tourism inquiries are received, but employees said Vann's interference held up delivery of it until mid- to late July. This meant that much of the tourism season was missed, the employees said.

Failed to get the department's biennial report to the Legislature completed even though by law it was due by Nov. 15, 1976. The report still is not done.

Paid a temporary department employee who lives in Windom, Minn., more than \$2,000 for lodging and mileage expenses while he worked in St. Paul, despite a legislative auditor's criticism in a 1976 audit of a similar arrangement in the department for a previous employee.

In an interview last week, Vann responded to the allegations.

He said duplication of the New York tourism study served his purpose of documenting the need for tourism spending, and added that he didn't expect it to be precise. He complained that the 1977 Legislature stripped \$100,000 for a professional tourism study from his budget.

Although a department press release last December attributed the cancellation of the summit conference to "a record retail season" diverting merchants' attention, Vann last week also blamed the cancellation on lack of funds from government agencies and breaking of commitments to buy tickets by private firms.

Department employees charge that most of the 20,000 reprints for the conference were later thrown out to be recycled. Deputy Commissioner James Lukaszewski disagrees, contending that 70 percent, or about 7,000, of one of the reprints were handed out in response to inquiries about Minnesota. "I'll eat my hat if more than 500 copies were handed out," said one former employee.

Vann said that although the two publications specified by the Legislature have not been produced by the department, his staff has combined the intent of the two in its other publications and in materials distributed by regional tourism groups.

The commissioner said the biennial report is overdue because he changed it from the two-year summary normally produced to a history of the department since its inception in 1948.

Vann defended the payment of travel expenses to William Soleta, a rural Windom resident hired to promote agribusiness opportunities in Minnesota. Soleta spends much of his work week in St. Paul, and the rest traveling around the state, yet is paid for mileage and lodging as if he were based in Windom. In 1976 a legislative audit told the

department in a similar case that an employee living in Winona, Minn., but doing no state work there, should not be paid for travel expenses as if he were based in Winona.

Vann said Soleta may be treated differently because his is a "special assignment" and his contract ends at the end of January.

The memo sent to Perpich also questions Vann's use of state funds and facilities in several instances, including:

Using two state file drawers at the department to house papers related to his service on the board of directors of Cornelius Co., a St. Louis Park-based producer of beverage and food dispensing equipment. Although witnesses say Cornelius papers are stored there, Vann will say only that state files include "my personal stuff," adding that "what's in it is my business."

Perpich's code of ethics for state employees prohibits using "state time, equipment or other facilities for private business purposes."

Having state personnel copy on a state copying machine at least 100 maps of the route to Vann's cabin near McGregor, Minn., the city where he was married last July 9, and to a housewarming party at his suburban Maple Grove home a few weeks later. Vann denies doing so.

Having a plane carrying department personnel on state business that leaves from Holman Field in St. Paul make a special stop at Crystal Airport near his home to pick him up before continuing to its destination. Vann said having the plane make the special stop to pick him up is "more convenient" because it saves him a 30-mile drive to St. Paul.

Using \$73.50 in state money to have a printing firm reduce in size "color separations" (sheets used to reproduce a color photo) and sending them to Madden Resorts near Brainerd to use on its 1976 Christmas card. The photograph is of a loon and was used in the lure book. The purchase order was signed by Deputy Commissioner Lukaszewski after a subordinate refused to approve the expenditure, department employees said.

Vann justified the expenditure by saying that anyone promoting Minnesota is welcome to borrow department photographs. However, department personnel said the color separations were never returned.

Paying \$271.96 in state money to take about 25 state employees and a few spouses to dinner at Mr. Anthony's restaurant in St. Paul for the going-away dinner of Anthony Trow, assistant commissioner for industrial development. Vann paid for the dinner from the special expense fund accorded heads of state departments.

Vann responded, "I operate my department as a business. It's not unusual for a business to entertain its employees." However, legislative audits in the past have criticized other commissioners for lesser expenditures for similar going-away functions.

Obtaining \$500 as a travel advance from a state fund intended for that purpose on May 4, 1976, yet not repaying it until Sept. 21, 1977. This was despite a 30-day repayment policy established by Vann himself after a 1976 legislative audit suggested that the fund should be abolished. Said Vann, "The policy is for employees; the commissioner is in charge." He added that he'd forgotten to repay the money.

The employees' document sharply attacks Vann's leadership and management skills. It contends that "the entire staff, with a few possible exceptions, is completely demoralized and disillusioned." It charges Vann and Lukaszewski with "total negative leadership."

It alleges that only four meetings of department division heads with Vann have been held in the 24 months he has been commissioner. It adds that the department's 21-member advisory commission has met only twice since its formation more than a year ago. And it complains that several department personnel vacancies have remained open for months, including an assistant commissioner slot vacant since last December.

Ms. Brooks said that once the allegations are actually received, the governor's office will attempt to check them.

HOME EDITION  
ONLY

D-1

June 7, 1976

TO: Senator Norbert Arnold, Chairman  
Senate Finance Committee

FROM: Dave Giel, Finance Committee Staff

RE: Department of Economic Development

Since becoming Commissioner of the Department of Economic Development (DED) last December 1, Lee Vann has demonstrated an unwillingness to follow established regulations and procedures regarding the expenditure of public funds within his department. This problem has occurred in the purchase of materials and in contract letting.

Vann Does not deny that he has ignored established procedures in some cases. He says this is justified by the law creating the department (Chapter 362), which, according to Vann's interpretation, gives the DED wide latitude to contract for and purchase services and materials without regard to established procurement channels. Both the Finance and Administration Departments disagree with his interpretation. Paul Zerby, the attorney general assigned to DED, has written a memo to Vann regarding this problem. To date, this memo has not been made available to us.

Although Vann claims his actions are necessary to avoid bureaucratic delays, in some cases where the DED has ignored procedural requirements the eventual delays have been longer than those caused by the bureaucratic process.

In at least one case, the department is paying more for equipment than it would have cost had it been purchased according to established procedures.

One high-ranking Administration Department official said of the DED, "To hell with rules and regulations, that's their attitude."

A DED employee, asked if Vann is knowingly asking state employees to violate established procedures, replied that he is. And a Finance Department employee who deals with DED said, "The biggest problem with that department is a commissioner who doesn't want to follow the rules."

Following are some problems that have occurred within DED in this area.

1. The 1975 Legislature appropriated \$150,000 to the department to design and print a "lure" book to entice tourists to Minnesota and to print a tourism directory. The peak of the vacation season is fast approaching and bids for the "lure" book printing contract have not yet been opened. The 48-page, four-color booklet was ready to go to press in March, according to DED. The delay resulted because the department originally bypassed the established Procurement Division system for letting bids on printing work. Instead, the DED empowered Chuck Ruhr Advertising to take bids on the approximately \$85,000 contract. According to Jim Lukaszewski, Director of DED's Publicity and Promotion Division, the Ruhr firm received four bids and forwarded them to DED.

Lukaszewski said he rejected the low bidder, H. M. Smyth Co. of St. Paul because that firm could not guarantee the availability of materials by the required date. The contract went to the next lowest bidder, Meyers Printing Co. of Minneapolis, a firm which, according to Lukaszewski, does a good deal of printing for the Ruhr agency.

When the Finance and Administration Departments learned of this bidding process, a squabble occurred, with the two departments contending the DED had acted improperly. DED contended that its interpretation of Chapter 362 allowed it to proceed in this manner. Because of the dispute, DED eventually agreed to follow the established bidding procedure. That procedure is now in process, and the Procurement Division will open the bids on June 9. It is unlikely that the booklet will be available in time to have any significant impact as a tourist lure this year.

2. The department agreed to purchase \$5004.90 in drapes, carpeting and furniture from the Sperry Office Furniture Co. of St. Paul to furnish a tourist information center in the Hanover Building. When the requisition was sent from DED to the State Procurement Division it was determined that the redecorating job should have been bid through that division. The DED objected, however, and eventually the purchases from Sperry were declared an "emergency" so that the offices can be furnished in time for the tourist rush.

According to a senior buyer in the Procurement Division in charge of purchasing these items, \$1,548.10 worth of furniture purchased from Sperry could have been obtained for not more than \$1,072.76 from the vendor who holds the state contract to supply that type of furniture. In addition, the buyer said the DED is paying 10 to 20 percent more for drapes and carpeting than necessary because Sperry subcontracts for drape making and carpet laying, thus adding to costs.

3. The department staged a tourism conference at the Thunderbird Motel, running up an \$1,880 bill in one day without

first completing the required purchase order. The paperwork was processed after the fact. The conference was held January 28, and when I visited DED on May 18 a portion of the bill remained unpaid.

4. Commissioner Vann took a dozen or so staff members to the Decathalon Club for a "working meeting," paying the \$160 tab out of his personal \$1,000 expense account. This type of expenditure is perfectly legal, I was told, but one wonders why DED employees cannot work in their own offices instead of at a posh club.

5. The department wished to purchase a \$4,500 computer terminal out of unexpended funds remaining at the end of this fiscal year and spend \$1,000 to "play" with it to determine its potential uses in the department. But the State Information Services Division stopped the purchase pending a review of need. DED thinks the review is overly complex. However, one state official said he still can't figure out why DED needs the terminal.

6. Several purchases have either been proposed or completed without DED preparing the necessary documents. These include \$1,600 for industrial development service folders; \$200 for spiral notebooks, and \$1,110 for notebooks for news media representatives attending the Governor's fishing party. According to the Procurement Division, several of these purchases were eventually cancelled. The division said \$370 worth of notebooks for the fishing party were eventually purchased under a "local purchase" procedure although the transaction didn't qualify for that category.



7. A secretary in DED terminated on May 14. Commissioner Vann sent a May 3 memo to Ray Hartmann, the DED accounting coordinator, asking that her retirement contributions be available for her on her last day of work or within 10 days afterwards. Regulations require a 60 day wait before application is made and another 30 days delay before the check is mailed. Vann said he knew of the waiting period before sending the memo but thinks it is unfair to an employee to wait that long for the funds. Several employees who deal with Vann cited the memo as another example of his disregard for established procedures.

Critics of the department say Chapter 362 should be interpreted much more strictly than Vann reads it. Zerby's memo may clarify this situation. In addition, officials say that many of the DED's activities--the lure book, the Hanover Building remodeling project, the business seminar at the Thunderbird--could be prepared for in advance so that these problems did not occur. With proper planning, regulations could be followed and project deadlines could still be met.

## P R E S S   R E L E A S E

FROM THE OFFICE OF: STATE SENATOR NORBERT ARNOLD  
ROOM 121 STATE CAPITOL  
ST. PAUL, MN 55155  
612-296-4155

JUNE 14, 1976

STATE SENATE FINANCE COMMITTEE CHAIRMAN NORBERT ARNOLD, DFL-PENGILLY, TODAY REQUESTED THE LEGISLATIVE AUDIT COMMISSION TO PERFORM A COMPLETE FINANCIAL AND PERFORMANCE AUDIT OF THE STATE DEPARTMENT OF ECONOMIC DEVELOPMENT.

IN A LETTER TO LEGISLATIVE AUDITOR ROBERT A. WHITAKER, ARNOLD SAID, "THE DEPARTMENT APPEARS TO BE IGNORING OR EVADING THE FISCALLY SOUND MANAGEMENT PRACTICES IT, AND ALL STATE AGENCIES, ARE REQUIRED TO FOLLOW."

ARNOLD CITED TWO RECENT INCIDENTS IN WHICH THE DEPARTMENT AGREED TO PURCHASE MATERIALS WITHOUT GOING THROUGH NORMAL STATE BIDDING PROCEDURES.

THE FIRST INCIDENT CONCERNED A PRINTING CONTRACT FOR A "LURE" BOOK DESIGNED TO ENTICE TOURISTS INTO MINNESOTA. ARNOLD SAID PRINTING OF THE BOOK HAS BEEN DELAYED BECAUSE THE DEPARTMENT FAILED TO FOLLOW ESTABLISHED BIDDING PROCEDURES UNTIL PRESSURED INTO DOING SO BY THE STATE FINANCE AND ADMINISTRATION DEPARTMENTS.

THE ECONOMIC DEVELOPMENT DEPARTMENT ORIGINALLY CHOSE MEYERS PRINTING CO. OF MINNEAPOLIS FOR THE JOB AFTER A BIDDING PROCEDURE CONDUCTED BY THE CHUCK RUHR ASSOCIATES ADVERTISING AGENCY, WHICH HOLDS AN ADVERTISING CONTRACT WITH THE DEPARTMENT, ARNOLD SAID. HOWEVER, IN THE COMPETITIVE BIDDING, MEYERS BID WAS \$13,000 HIGHER THAN THE LOW BID OF \$55,845 SUBMITTED BY MCGILL GRAPHIC ARTS OF ST. PAUL, HE SAID.

*June 1976*

"THE POTENTIAL LOSS TO OUR TOURISM INDUSTRY BECAUSE OF THE ECONOMIC DEVELOPMENT DEPARTMENT'S ERRORS IN THIS MATTER CANNOT BE MEASURED," ARNOLD SAID.

HE ALSO SAID THE DEPARTMENT AGREED TO PURCHASE FROM SPERRY OFFICE FURNITURE CO. OF ST. PAUL \$5,004.90 WORTH OF FURNITURE, CARPETING AND DRAPES FOR ITS TOURISM INFORMATION CENTER WITHOUT FOLLOWING ESTABLISHED BID PROCEDURES.

THE STATE PROCUREMENT DIVISION EVENTUALLY APPROVED THE PURCHASE AS AN "EMERGENCY" IN ORDER TO FURNISH THE OFFICE IN TIME FOR THE TOURIST SEASON, ARNOLD SAID. HOWEVER, A SENIOR BUYER IN THE DIVISION SAID \$1,548.10 WORTH OF FURNITURE PURCHASED FROM SPERRY COULD HAVE BEEN OBTAINED FOR \$1,072.76 OR LESS FROM A STATE CONTRACT VENDOR AND THAT THE DEPARTMENT IS PAYING 10 TO 20 PERCENT MORE FOR DRAPES AND CARPETING THAN THE PRICE AVAILABLE FROM OTHER VENDORS, ACCORDING TO ARNOLD'S LETTER.

ARNOLD SAID IN THE LETTER, "THESE ABUSES OF ESTABLISHED PROCEDURES CANNOT BE TOLERATED. I BELIEVE A COMPLETE AUDIT OF THE DEPARTMENT OF ECONOMIC DEVELOPMENT IS NOW REQUIRED TO DETERMINE IF THESE ARE ISOLATED INSTANCES OR IF THEY ARE PART OF A PATTERN OF EVASION OF REQUIRED FINANCIAL CONTROLS WITHIN THE DEPARTMENT."

*May - June  
1976*

JOHN MILTON  
Senator 49th District  
4101 East County Line  
White Bear Lake, Minnesota 55110  
and  
Room 235 State Capitol  
St. Paul, Minnesota 55155  
(612) 296-4168

Senate

State of Minnesota

March 22, 1977

Commissioner Lee Vann  
Department of Economic Development  
Hanover Building  
St. Paul, Minnesota

Dear Commissioner Vann:

I would like you to clarify apparent inconsistencies in statements made by you in recent months regarding the creation of new jobs in Minnesota.

On September 22, 1976, you told the Citizens League Committee on the Twin Cities Economy that a maximum of 4,500 jobs were created in 1975. On January 24, 1977, you told the Senate Employment Committee that even giving it the benefit of the doubt, the number of private sector new jobs created was 10,000 which would be only one-third of our need for new jobs in the next two years. In the Winter, 1977 issue of the "Greater Minnesota" publication of MACI, the impression was created, presumably based on statistics from your department, that a declining rate of job growth has occurred in Minnesota. You were a member of a panel discussing this problem.

When I compared these statements and impressions with recent estimates supplied by your department I find that "... roughly 34,000 new non-agricultural jobs will develop each year if historical trends continue." Further, I find that your figure of 4,500 was based on new and expanding manufacturing plants, warehouses, research and development laboratories and power plants but did not include categories of employment such as wholesale, retail, finance, insurance, services, etc. (Table of new and expanding industry growth in Minnesota 1968-1976 recently provided by the Department of Economic Development).

Checking further, I find that according to your department, an annual average of 33,600 new non-agricultural jobs were created each year in the period 1970-1974 (based on Table IV of A Comparative Assessment of Economic Growth in the North Central Region 1940-1974). These figures correspond fairly closely with calculations based on SPA data indicating when government

COMMITTEES • Finance Committee • Vice Chairman, Employment Committee  
Chairman, Subcommittee on Economic Development • Health, Welfare and Corrections  
SERVING • Arden Hills, Centerville, Columbus Township, Gem Lake, Lino Lakes,  
Linwood Township, Little Canada, Maplewood, Mounds View, North Oaks, Roseville,  
Shoreview, Vadnais Heights, White Bear Lake, White Bear Township

March 22, 1977  
Page Two

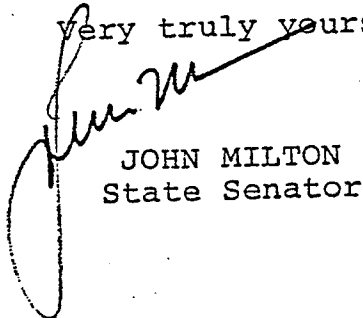
jobs are excluded, an annual average of 34,500 new private non-agricultural jobs were created from 1970-1974 compared to an annual average of 27,020 new private non-agricultural jobs created in the period 1960-1970 (Handout on State Employment Projections, State Planning Agency, December, 1976).

To me, the apparent disparity between your agency's data and your own public statements not only raises a credibility question about state government, it also tends to reinforce a negative feeling about economic development in this state.

To the extent that the development climate in Minnesota needs improvement, I am committed to directing my subcommittee toward real solutions to real problems. However, I am not enthusiastic about spending our time trying to counter the "bad-mouthing" which only tends to become a self-fulfilling prophecy.

I am most displeased by whatever erroneous impressions you have created throughout the state with this apparent misuse of data, particularly with the business community. I am asking you for an immediate clarification of this and a public statement to the contrary if, in fact, such a disparity exists.

Very truly yours,



JOHN MILTON  
State Senator

JM:bwm

B-4

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT  
OF THE EMPLOYMENT COMMITTEE

MARCH 28, 1977  
Room 118  
8:00 A.M.

MEMBERS PRESENT: Senator Milton, Chairman  
Senator Kleinbaum  
Senator Purfeerst  
Senator Staples  
Senator Willet

MEMBERS EXCUSED: Senator Bang

MEMBERS ABSENT: Senator Frederick

Senator Milton called the meeting to order at 8:10 A.M. He announced that S.F. 675 (Kleinbaum), providing grants to community development corporations would be heard. Senator Kleinbaum was asked to present his bill.

Senator Kleinbaum spoke of the difficulties he has noted young people encountering when trying to start a new business, and the red tape of the Small Business Administration's rules and procedures. He lauded the CDC's for their assistance in this field.

Senator Kleinbaum pointed out an error in the bill and suggested that an amendment be made to correct it. (Page 1, line 19, "1060.2-4" was changed to "1060.2-2". Senator Staples moved to accept the amendment. MOTION CARRIED. He then called upon Mr. Mel Aanerud, Small Business Administration, to give testimony on behalf of the bill.

Mr. Aanerud stated that he was an employee of the Small Business Administration on loan to establish rules and regulations for the CDC program. He indicated that there are a number of poor communities within the state below the federal poverty line. We need effective ways of dealing with those people. Alternatives are:

1. Get them jobs through free enterprise sector. But what companies would be willing to risk investing money in depressed areas to produce jobs?
2. Welfare -- or else move them somewhere where they don't want to go to find work.
3. OR CDC. State or federal monies to provide venture capital to these non-profit corporations controlled by community residents for the purpose of developing for-profit, job-producing ventures.

Our legislature developed the first CDC state program as a pilot program. We have gone through an extensive rule-making procedure. The bill in its present form is a culmination of this experience.

Senator Purfeerst asked how the CDC areas were determined. Mr. Aanerud replied that each community creates its own CDC in that particular area. If the community feels a need, it goes to the CDC for assistance -- the CDC program does not come to it "looking for things to do."

March 28, 1977  
Page Three

Senator Milton suggested that another technical amendment be made to the bill. Page 1, lines 22 and 23, strike "is responsible to" and insert "shall". Amendment moved by Senator Staples. MOTION CARRIED. Other amendments made were: page 4, line 1, strike "equitably" and insert "equally" and page 4, line 2, strike "outstate" and insert "nonmetropolitan". MOTIONS CARRIED.

Senator Purfeerst moved that S.F. 675 be recommended to pass as amended on the condition that a suitable home be found for it. MOTION CARRIED.

Senator Purfeerst then moved that Senate Counsel prepare a resolution calling for the resignation of the Commissioner of the Department of Economic Development, Lee Vann. MOTION CARRIED.

Meeting adjourned at 9:45 A.M.

Barbara Martin  
Subcommittee Secretary

John Milton  
Chairman

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT  
OF THE EMPLOYMENT COMMITTEE

MARCH 30, 1977  
Room 118  
8:00 A.M.

MEMBERS PRESENT: Senator Milton, Chairman  
Senator Frederick  
Senator Kleinbaum  
Senator Purfeerst  
Senator Staples  
Senator Willet  
Senator Laufenburger, ex-officio

MEMBERS EXCUSED: Senator Bang

Senator Milton called the meeting to order at 8:10 A.M. and recognized Senator Purfeerst. Senator Purfeerst described briefly the events which had precipitated the preparation of the subcommittee resolution asking for the resignation of Lee Vann, Commissioner of Economic Development, which he then read. After reading the resolution, Senator Purfeerst said that he had decided to withdraw the resolution and moved that it be laid on the table until such time, if ever, that it was again needed.

Senator Laufenburger thanked Senator Purfeerst for his motion to lay the resolution on the table. He indicated that there had been a breakdown in communication between the DED and the legislature and he admonished the department for not monitoring the subcommittee hearings. Both groups are trying to achieve the same goals, and as such, keeping a close working relationship is imperative. He reiterated that he did not want this subcommittee casting any dispersions on the Department of Economic Development.

Senator Willet stated that he concurred with the governor's position, that is, give Mr. Vann a year to improve relations with the legislature. He noted that Mr. Vann seems to have a good relationship with the public but that he didn't appear to understand the workings of state government -- that it was an absolute requirement that agencies have a good working relationship with the legislature. One could not go around "bad-mouthing" the legislature, the committee, or individual legislators. The legislature expects competent performance out of any commissioner.

Senator Kleinbaum also indicated that he was glad that Senator Purfeerst had withdrawn his motion of resignation. He thought the subcommittee's actions would bring favorable public attention to the legislature.

Senator Frederick asked if he could add the Commissioner of DNR and the PCA for failing to appear before the I-R caucus. Denied.

The motion to table the resolution calling for the resignation of Lee Vann was made by Senator Purfeerst. MOTION CARRIED UNANIMOUSLY.



TO : Lee Vann

DATE: 9-19-77

FROM : James E. Moore *JEM*

PHONE: 6-0581

SUBJECT: Special Report: An Overview of Minnesota's Tourism Industry

In preparing the materials for this report, we simply duplicated the New York report wherever possible as per your instructions. Due to the short time we had to put it together, we accepted all of their material at face value.

We have since had time to look at the materials and data sources more closely and discovered some clearly erroneous material which I felt should be brought to your attention. Page 11 of the report is a totally erroneous comparison of the growth in the various state Tourist-Travel Expenditures. The U. S. Travel Data Center data which was used was obtained from a survey of state travel agencies which each arrived at their own figure for travel expenditures in their own state. You thus have essentially fifty different methods being used to arrive at a figure for a nebulous thing called Tourist-Travel expenditures. The Wisconsin figure is not for Tourist-Travel expenditures, but rather for Hospitality-Recreation-Tourism expenditures. Washington and Utah clearly misinterpreted the question when they reported their "State estimate of income generated by tourism in 1972".

The following table should illustrate the point:

	<u>Minn.</u>	<u>Wisc.</u>	<u>Wash.</u>	<u>Utah</u>
Census Report of 1972 Lodging Receipts	\$189 Mil.	\$172 Mil.	\$144 Mil.	\$ 54 Mil.
State Estimate of 1971 Tourism-Generated Income	\$810 Mil. (1970)	N. R.	\$642 Mil.	\$200 Mil.
State Estimate of 1972 Tourism-Generated Income	\$886 Mil.	\$2.0 Bil.	\$ 40 Mil.	\$ 22 Mil.
State Estimate of 1973 Tourism-Generated Income	\$921 Mil.	\$2.5 Bil.	\$660 Mil.	\$163 Mil.
State Estimate of 1975 Tourism-Generated Income	\$1.1 Bil.	\$3.5 Bil.	\$1.0 Bil.	\$305 Mil.

Washington's 1972 estimate is less than one-third of what they picked up in lodging receipts alone and Utah's is less than half. They both also show drops in their expenditure estimates that are inconceivable.

Though the 1972 Census shows Minnesota with slightly more in Lodging Receipts than Wisconsin, that state's supposed estimate of tourism income is more than twice as large as Minnesota's.

We also don't know how they arrived at their 15 percent average annual national growth rate reported on page 11 and used to create the charts on pages 23 and 25.

We have checked a variety of sources and cannot find adequate data to replace that used to create the materials on the pages we have referred to.

JEM:gah

# Minnesota

## DEPARTMENT OF ECONOMIC DEVELOPMENT

480 CEDAR STREET  
ST. PAUL, MINNESOTA 55101



December 21, 1977

Mr. Joe Pernica, President  
Consumer Behavior, Inc.  
345 E. 69th Street  
New York, NY 10021

Dear Mr. Pernica:

Relative to the attached memorandum from my Research Director, he appears to be questioning the methodology used in developing certain information in your New York Tourism Study. You note he refers specifically to page 11 of your report and the charts on Pages 23 & 25. In particular he questions the US Travel Data Center information.

I would appreciate your analysis of the attached memorandum and any information you might give us relative to the accuracy of the information and your reasoning for developing same.

I would appreciate this information as soon as possible as our Department is under investigation for using your information as source material for developing some Minnesota tourism information.

Thank you for your consideration.

Sincerely,

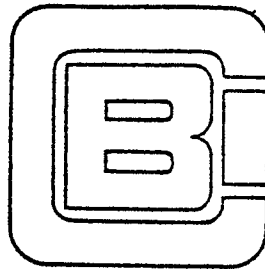
A handwritten signature in cursive script, appearing to read "Lee A. Vann".

Lee A. Vann  
Commissioner

cc: Jim Lukaszewski  
Bob Ellsworth

enc.

LAV:sm



CONSUMER  
BEHAVIOR  
INCORPORATED

Marketing / Communications  
Research and Counsel

345 EAST 68TH STREET  
NEW YORK, N.Y. 10021 737-4115

New Tel. No. (212) 734-4556

December 29, 1977

Commissioner Lee A. Vann  
Department of Economic Development  
The State of Minnesota  
480 Cedar Street  
St. Paul, Minnesota 55101

Dear Mr. Vann:

The questions you raised in your letter of December 21 were discussed by Mr. Jim Moore and myself during our Tuesday meeting in Minnesota (12/27/77). To give you background on the New York State project, I was responsible for the development and presentation of the consumer study and the marketing recommendations. I was not closely involved in the statistical analysis of the economic data. Since I started working on the proposal for Minnesota, I have taken a close look at the statistical section, including the problem areas you mentioned.

As Mr. Moore pointed out in his memorandum of 9/19/77, the information from the U.S. Travel Data Center used on Page 11 of the report is an unreliable source due to differences in the definition and computation of travel expenditures among reporting states. Also, as I have since been able to trace, some of the reported data contained errors. I have been told that it was not feasible to correct or adjust the data for the New York report, since there was no way of tracing the problems back to the states. Median rather than mean growth was used (Pages 11, 23 and 25) in order to minimize the effect of "odd" numbers. The only other available source of national data - the U.S. Travel Data Center's own estimates - unfortunately was not any more reliable. Mr. Moore has good evidence of this.

The lack of good national data is a problem which we have to face in the Minnesota study. We discussed it at length in our Tuesday meeting and came up with some new possibilities for developing a sufficiently reliable set of data, which we are going to explore.

I hope this answers your questions.

Sincerely,

*J. Pernica*

Joseph Pernica  
President

/ka

1/3/78 1:35 p.m.  
Told Pernica not to  
proceed with study until  
he received personal  
go-ahead from Vann.  
*Jim S*



UNIVERSITY OF MINNESOTA

AGRICULTURAL EXTENSION SERVICE  
Department of Agricultural and Applied Economics  
Classroom-Office Building  
1994 Buford Avenue  
St. Paul, Minnesota 55108

January 9, 1978

Mr. Robert Goff, Director  
Governor's Task Force  
B-59, State Capitol  
St. Paul, MN 55155

Dear Mr. Goff:

This letter comments on the Special Report - An Overview of Minnesota's Tourism Industry as requested by your office. I will treat primarily the first 25 pages of the report.

1. First an overall view of the report's message:

- Tourism is a significant Minnesota industry.
- Compared to many other states Minnesota's industry is losing ground.
- The state-level tourism promotional effort is relatively small.
- As a consequence Minnesota is not realizing tourism return that it should.

I agree generally with this message, although the second item has documentation problems and needs substantial clarification.

2. In a detailed review the most troublesome, and probably inaccurate, parts of the report are on pages 11, 23 and 25.

While the data on page 11 are derived from the U.S. Travel Data Center, it is almost certain that some states changed their basis for reporting tourism sales in the 1972-75 period. Hence deceptively high average annual changes were computed. In reality, almost any annual percentage above 20 percent should be subject to scrutiny. Projections made on pages 23 and 25 and based upon the data on page 11 could be in substantial error.

Mr. Robert Goff

January 9, 1978

Page 2

In contrast to page 11, data on page 19 indicates that Minnesota lodging receipts grew at a faster than average rate in the 1967-72 period. Thus the data on growth rate actually points in two opposing directions.

The probable meaning of the lodging data on page 19 is that lodging sales in Metropolitan parts of Minnesota have had healthy growth. It is these components of lodging sales that the Census of Business reports with a good degree of accuracy. But lodging sales usually make up less than one-fourth of all tourism sales. Overall tourism in Minnesota and especially tourism in outstate areas could be at a relative disadvantage even though metropolitan lodging receipts enjoy good growth.

3. Finally some overall observations concerning the report may be in order.

The report was prepared to demonstrate need for the Minnesota tourism promotion program. Data to document this fact are of limited quality thus it had to draw upon (1) National-level data which may or may not apply well to Minnesota (2) Partial or tangential data. The data problem exists (1) Because of the complexity of tourism; it cuts across parts of a large number of discrete industries as treated by the Census of Business, and (2) Because little support has been provided to gather adequate tourism data. Thus, we have a problem which compounds itself - in order to tell the story of tourism commissioners and chamber of commerce leaders are often forced to use unreliable data. This unreliable data raises as many doubts as it resolves.

It might also be noted that early attempts at a state recreation plan brought together data much of which was tangential or questionable. Yet the "Plan" was supposed to set the program and establish eligibility for expenditures of as much as \$15 million in Natural Resource and Land and Water Conservation Reserve Funds. Only now, 1978, do we have a systematic research program underway to serve as a guide for Minnesota Recreation Planning. This comment is less intended to criticize the process of developing a State Recreation Plan as to point out inherent difficulties with tourism planning and the need for a systematic approach to research and development of Minnesota's tourism potential.

Please contact me if I can assist further.

Sincerely,



Uel Blank

Professor and Extension Resource Economist

UB:cf

255,863

1,235,535

11,381

27,000

2,760,570

517,500

430,000

130,000

3,104,197

se funds

failure or refusal to make a recommendation promptly shall be deemed a negative recommendation.

If at any time during the biennium ending June 30, 1975, the workload of the utilities regulation program falls below that which is anticipated and the executive director determines that the appropriated resources are in excess of that program's needs, he shall notify the commissioner of administration. The commissioner of administration may transfer any resources so deemed to be in excess to the state department of energy if that department can demonstrate sufficient need, and provided that no employee of the state shall lose any accrued rights or benefits.

#### Sec. 44. ECONOMIC DEVELOPMENT

Subdivision 1. Salaries, Supplies, and Expense	1,260,130	1,162,795
---	-----------	-----------

Approved Complement - 42

The appropriation for 1976 includes sufficient moneys for the development and publication of a statewide pictorial guide and a statewide vacation guide. \$150,000

No more than one research project may be undertaken. The commissioner shall report to the next legislative session specific requests for research projects for the next biennium.

Subd. 2. Media Advertising	262,500	262,500
----------------------------	---------	---------

None of these funds shall be expended for promotional expense.

Subd. 3. Matching Grants for Regional or Local Tourist Development	250,000	100,000
---	---------	---------

The commissioner of economic development may enter into contractual project agreements with organizations or corporations for the purpose of developing the tourism potential of the state.

If in the judgment of the commissioner, a project will make a meaningful contribution to the tourism development of the state, he may enter into local or regional agreements. No agreement shall be for more than 50 percent of the total annual project cost.

#### Sec. 45. AERONAUTICS

Subdivision 1. Salaries	478,044	480,344
-------------------------	---------	---------

Approved Complement - 33

Subd. 2. Supplies and Expense	128,000	128,000
-------------------------------	---------	---------

Subd. 3. Aeronautics Proceedings	9,000	9,000
----------------------------------	-------	-------

Changes or additions indicated by underline deletions by ~~strikeout~~

expended balances  
all be transferred  
partment has con-  
ropriations com-  
made its recom-  
advisory only and  
ons by ~~strikeout~~

MINNESOTA RESOURCES COMMISSION

## NEWS RELEASE

# Minnesota

DEPARTMENT OF ECONOMIC DEVELOPMENT

Immediate Release  
Tuesday, November 2, 1976

From: Jim Lukaszewski  
480 Cedar Street  
St. Paul, Minnesota 55101  
(612) 296-3924

### MINNESOTA D.E.D., STATE BANKERS SPONSOR ECONOMIC "SUMMIT CONFERENCE"

Critical economic issues facing Minnesota will be the focal point of a two-day conference called Perspective Nineteen Ninety, planned by the Minnesota Department of Economic Development and the Minnesota Bankers Association Dec. 2 and 3 in the St. Paul Civic Center.

As many as 10,000 citizen-delegates from all over the state are expected to attend the economic "summit conference," representing all facets of economic life in Minnesota, including business, labor, agriculture, education, economic planning and forecasting. Lee Vann, commissioner of Economic Development, says the conference has been designed to generate serious, open-ended inquiry into the state of Minnesota's economy and the implications of growth.

Perspective Nineteen Ninety will open with presentations from a dozen prominent resource people --- Minnesotans who are well-versed on specifics of economic issues. These presentations will provide a springboard for lengthy discussion by citizen-delegates to the conference leading to formation of economic policy guidelines for Minnesota --- "an economic platform," in Vann's words.

"Minnesota must have an economic policy," says Vann. "Economic growth has occurred at random, not by design. Unless we begin thinking about the future economic situation of this state --- asking questions and working out some policy options --- our growth will be sporadic and accidental.

-more-

Our conference will bring together citizens with a wide range of concerns and knowledge. It will be more than a consciousness-raising session; it will produce a call to action. On the second day, all conference delegates will vote on resolutions that will make up an economic policy statement for Minnesota."

All members of the state legislature will be invited to observe conference proceedings, says Vann. "It is no accident that we planned Perspective Nineteen Ninety so it will occur four weeks before the 1977 legislative session begins. It is our hope that the economic policy statement emerging from our conference will provide a basis for legislative action in the coming biennium."

Without a doubt, says Vann, the major economic issue facing Minnesota is a growing demand for jobs of all kinds. "We are currently producing only about 50 percent of the total jobs we actually need in this state every year," says Vann. "I'm talking about jobs for citizens of Minnesota --- people already within the state who will enter or re-enter the labor force."

Based on conservative labor force projections provided by the State Planning Agency, says Vann, Minnesota will have to provide at least 285,000 new jobs by 1990. "Since more information is bound to emerge as we approach 1990, that figure could be adjusted upward to as many as 400,000 new jobs needed."

He continued, "The State Planning Agency indicates that the greatest increases in the state's labor force will occur between this year and 1980 as the remainder of the large post World War II baby-boom generation is absorbed into the labor market. In addition, more and more women of all ages are joining the labor force.

"Obviously," says Vann, "if Minnesota can't provide enough jobs to match the labor force demand, more and more talented people will leave this state. Talented people will be known as our greatest export product. Unless we establish a jobs-oriented economic policy, we'll never be able to create enough new employment for our people."



Surrounding that basic employment issue, he adds, are questions including: Who is responsible for job creation? What kinds of jobs are needed in what areas of our state? Specifically, how can Minnesota capitalize on its economic assets to provide new jobs? What strategies can be developed to keep healthy business in Minnesota and to attract more of the right kind?

"There are a number of critical choices available to the state," says Vann.

"Perspective Nineteen Ninety will help determine what our initial choices should be."

Funding for the economic "summit conference" will come from a variety of sources, including federal and state government and the private sector. The Minnesota Bankers Association will involve its 750 member banks. Banks will have tickets available and will serve as conduits for registration. Bankers will be encouraging their customers and local leadership to participate.

Vann emphasized that any person in Minnesota interested in becoming a citizen-delegate to the conference will be welcome to attend. All \$10 registrants will be voting conference members. To register, send your check to Perspective Nineteen Ninety, P. O. Box 1990, St. Paul, Minnesota 55111, or call (612) 296-5005.

Following the conference, a summary of the proceedings will be provided to delegates.

-ps-

AD13(11176)

# Minnesota

## DEPARTMENT OF ECONOMIC DEVELOPMENT

480 CEDAR STREET  
ST. PAUL, MINNESOTA 55101



September 16, 1976

Mr. Russell F. Grimes  
Deputy Director  
St. Paul Civic Center  
I. A. O'Shaughnessy Plaza  
St. Paul, MN 55102

Dear Russ:

This letter is to confirm the Minnesota Department of Economic Development's intention to rent the facilities of the St. Paul Civic Center Complex for Thursday, December 2, and Friday, December 3.

The working title for the event we intend to put on in your facility is the "Minnesota Economic Summit Conference."

Projected attendance at this event is in a range from 5,000-8,000 people from all over the state of Minnesota. This projection is substantially higher than the projection we discussed earlier. We need to get together to begin talking about a slightly different plan than we had originally discussed. It looks more and more as though we need to consider using the arena area as opposed to the old auditorium space the way things are shaping up.

Please send the necessary rental documents to my office for signature. Keep in mind that the state of Minnesota is unable to pay any advance fees or deposits. We are authorized under the law only to pay for services rendered.

I will be the overall coordinator of the event. Others expected to work on the project include the public relations firm of Padilla & Speer, Prom Catering, Camping Media Consultants, Inc., and others. ✓

I believe that plans for the conference will be well enough along so that we will be able to get together with principals involved in the management of this event sometime around the 1st of October to begin ironing out the technical details of the conference.

Since we are unable at this time to give you a definitive explanation both of the schedule of events and the setup that is required for the number of people we anticipate to be in attendance, the documents you send to us in response to this letter should be for the commitment to rent the building only at this time. I am certain we can develop a supplemental document subsequent to our meeting in early October to cover any additional costs which might occur with respect to security, setups and teardowns of equipment, and other items required by the conference.

Sincerely,

Jim Lukaszewski  
Deputy Commissioner

JL:rg

cc: Commissioner Vann  
Bill Conley  
Tony Trow

C-4

MINNESOTA'S ECONOMIC SUMMIT CONFERENCEDECEMBER 2-3, 1976, ST. PAUL CIVIC CENTERThursday, December 2, 1976

8:00-	Registration	11:30-	Oliver Perry, President
8:30 AM	Continental Breakfast	11:45 AM	MN Assoc. of Commerce & Industry "The Management Perspective"
8:30-	Lee A. Vann, Commissioner	11:45-	Lt. Governor Rudy Perpich
8:45 AM	Minn. Dept. of Economic Development "Keynote Speaker"	12:00 noon	Chairman, DED Advisory Commission "A Look Ahead"
8:45-	C. Peter Magrath, President	12:00-	Lunch/free time
9:00 AM	University of Minnesota "The Educators Perspective"	1:15 PM	
9:00-	Cy Carpenter, President	1:15-	Review morning activities
9:15 AM	Minnesota Farmers Union "The Farmers Perspective"	1:30 PM	
9:15-	Wendy Borsheim, President	1:30-	Floor discussion
9:30 AM	Minnesota Retail Federation "The Retailers Perspective"	3:30 PM	Questions and answers Viewpoint of citizen-delegates
9:30-	Senator Nicholas Coleman	3:30-	Coffee break
9:45 AM	Minnesota State Legislature "The Legislative Perspective"	3:45 PM	
9:45-	Paul Lindholm, Vice President	3:45-	Continue floor discussion
10:00 AM	Minnesota Bankers Association "The Financial Perspective"	5:00 PM	
10:00-	Coffee Break	5:00 PM	No evening banquet (Assignment for evening & Friday)
10:15 AM			

Friday, December 3, 1976

10:15-	David Roe, President	8:00-	General session reconvenes
10:30 AM	Minnesota AFL-CIO "The Union Perspective"	8:30 AM	Continental Breakfast
10:30-	Russ Allan, Executive Secretary	8:30-	Workshops on key economic issues
10:45 AM	Timber Producers Association "The Timber Industry Perspective"	10:30 AM	Preparation of resolutions or recommendations
10:45-	Russ Schwandt, President	10:30-	Coffee break
11:00 AM	Minnesota Agri-Growth Council "The Ag Processors Perspective"	10:45 AM	
11:00-	Al France	10:45-	Presentation and adoption of resolutions. Determination of economic policy guidelines by general assembly.
11:15 AM	Lake Superior Industrial Bureau "The Iron Ore Perspective"	12:30 PM	
11:15-	Chum Bohr, Executive Director	12:30	Summary/conclusion
11:30 AM	Minnesota Hospitality Industry "Hospitality Industry Perspective"	1:00 PM	
		1:00 PM	Adjournment

252-6500

## INVOICE

6-1309

INVOICE NO

12/11/76

INVOICE DATE

CUSTOMER ORDER NO

TERMS NET

SHIPPED VIA

Our Past Due Accounts Are Referred for Collection  
to Mercantile Claims Div., Dun & Bradstreet, Inc.

\* See Reverse Side for Additional Terms &amp; Conditions

Industrial Development News  
480 Cedar Street  
St. Paul, MN 55101

QUANTITY

DESCRIPTION

PRICE

AMOUNT

10,100 copies - MN I D News, perspective 1990  
issue, 44 pages self cover, itemized as follows:

20 pages - two colors

Additional 24 pages of two color 6

\$390.00

\$2,103.00

2,340.00

\$4,443.00

Credit 44 pages

@ 30.-0

-1,320.00

State Sales Tax

\$3,123.00

Please Return Last Copy of This  
Invoice with Payment.

REMITTANCE COPY

FROM AG4	VENDOR NUMBER 0441740001		TYPE V
INVOICE NUMBER 6-1309		ORGANIZATION 23940	
DATE 12/11/76	DEPT. P.O. NO. 147	CITY ST. PAUL	
AMOUNT 3,123.00		DATE 12/01/76	SUB ACT TACK
SUB TACK 31P	RECEIPT CODE	FED REV	
I hereby certify that the goods or services covered by this claim have been inspected and certified as to their quality and quantity, and are in accordance with specifications and are in proper form, kind, amount, and quality, and payment is hereby recommended.			
① 122376-03897 SYSTEM ASSIGN. PER. NO.		DEPT. AUTH. SIGNATURE C. J. J.	

②. 122376-03908

split  
2,172.00.00  
01/01/77 - 01/01/77  
01/03/77 - 01/03/77  
914743

PHONE: (612) 252-6500

# INVOICE



INVOICE NO. 6-1174

INVOICE DATE 12/14/76

CUSTOMER ORDER NO.

TERMS: NET

SHIPPED VIA

MN Industrial Development News  
480 Cedar Street  
St. Paul, MN 55101

Our Past Due Accounts Are Referred for Collection  
to Mercantile Claims Div., Dun & Bradstreet, Inc.

\* See Reverse Side for Additional Terms & Conditions.

QUANTITY	DESCRIPTION	PRICE	AMOUNT
10,500	16,540 copies of MN I D News, December 1976 issue,		
6,040	24 pages self cover, itemized as follows:		
10,500	Copies - 20 pages, two colors		\$ 2,147.00
6,040	Additional copies	@91.00/M	549.60
10,500	Additional 4 pages - two colors		398.00
6,040	Additional copies	@16.00/M	96.60
10,500	Additional for 4/color copies		300.00
6,040	Additional copies	@ 9.00/M	54.30
8.5 hrs	Typesetting tabular matter	@35.00	297.50
State Sales Tax			
PLEASE REMIT THIS AMOUNT			\$ 3,843.10

RECEIVED

DEC 16 1976

ECN DVLPT

ORIGINAL INVOICE

TEAM	VENDOR NUMBER		TYPE
AL4	00441740001		V
INVOICE NUMBER		ORGANIZATION	
6-1174		23940	
QTY. NO.	DATE	NEW P.O. NO.	DEPT.
01267	01		141
AMOUNT OF INVOICE		DATE	SHIP ACT
3,843.14		12/17/76	
CUS. TASK	COMMITMENT CODE		REC. REV.
I hereby certify that the goods or services covered by this invoice have been inspected and released for the quantities herein ordered, and that the invoice is in accordance with specifications, and are in proper form, kind, amount, and quality, and that the same are hereby recommended.			
SYSTEM ACTING REF. NO.			

split

\$1,200.00

\$2,643.14

01066-  
01267-

*[Handwritten signature]*

STATE OF MINNESOTA

DEPARTMENT OF ECONOMIC DEVELOPMENT  
27 EAST EIGHTH STREET  
SAINT PAUL 55101

January 6, 1977

Mr. Don Mosbarger  
Chuck Ruhr Associates Advertising, Inc.  
1700 West 78th Street  
Minneapolis, Minnesota 55423

Dear Don:

Attached to this letter are the invoices, covered by a summary sheet, which include all the expenses incurred by our department in the advertising and promotion of the Economic Summit Conference which was never held last December.

As we discussed, we intend to pay this with funds from our advertising budget; therefore, we need the following:

1. An invoice from you in the amount of \$17,262.82
2. Checks should be issued to:
  - A. George O. Ludcke Advertising, Inc., 2915 Wayzata Boulevard, Minneapolis, MN 55405, in the amount of \$10,008.85.
  - B. Padilla & Speer, 224 West Franklin Avenue, Minneapolis, MN 55404, in the amount of \$6,897.81.
  - C. Union Advocate, 440 West Minnehaha Avenue, St. Paul, MN 55103, in the amount of \$356.16.

Upon receipt of the Chuck Ruhr invoice to us in the amount of \$17,262.82, we will have a check in payment of that back to you within one week. The materials attached to this letter should be attached to the invoice you submit to our department.

If you have any questions, please call.

Sincerely,

James E. Lukaszewski  
Deputy Commissioner

JEL:kd  
Attachments

# SUMMIT CONFERENCE ADVERTISING EXPENSES

50  
1/5/7

		1	2	3	4
		GEORGE O. PADILLA UNION LUDCKE and ADVOCATE ADVRTG SPEER PBLSHR			
DATE	DESCRIPTION	ADVRTG	SPEER	PBLSHR	TOTALS
1					
2	NOV30 CORPORATE REPORT	98900			
3	13 COMM'L WEST	40000			
4	7 SBRBN SUN	37824			
5	7 ST PAUL PRESS	92266			
6	7 MPLS TRIB	264768			
7	7 ALBRT LEA TRIB	14336			
8	7 DULUTH NEWS TRIB	57120			
9	7 HIBBING TRIB	12544			
10	7 OWATONNA PRESS	11424			
11	7 NEW ULM JRNL	14784			
12	7 VRGNA - MSBI NEWS	15232			
13	7 WINONA NEWS	17920			
14	14 ST. PAUL PRESS	92266			
15	14 MPLS TRIB	264768			
16	14 ALBRT LEA TRIB	14336			
17	14 DLTH NEWS TRIB	57120			
18	14 HBNG TRIB	12544			
19	14 OWTNNA PRESS	11424			
20	14 NEW ULM JRNL	14784			
21	14 VRGNA - MSBI NEWS	15232			
22	14 WINONA NEWS	17920			
23	TOTAL - GOLA	1177512			
24	LESS 15%	176627			
25	NET DUE				100083
26					
27	OCT 29 FEE		250000		
28	EXPENSES		25068		
29	MSCL CHRGS		184785		
30	NOV 30 FEE		186961		
31	EXPENSES		5353		
32	MSCL CHRGS		37584		
33	TOTAL Pands				689781
34					
35	NOV 30 48 LINES @ 7 <sup>42</sup>			35616	35616
36					
37	GRAND TOTAL - SCAE				1726282
38					
39					
40					