

## ECONOMIC DEVELOPMENT STRATEGY

### INTRODUCTION

In 1985 Governor Perpich's subcabinet on jobs and economic development asked a team of state government staff from various agencies to examine and recommend improvements in the state's economic job creation and economic development strategy. Twelve state agencies participated in this interagency effort (Figure 1).

Rather than approach the issue of economic development in the traditional way by looking at the individual programs and activities first, the interagency team chose to look at the broader issue of what economic development is and how the total of state government affects the economic growth of the state. While most people agree that everything government does can have an impact on economic development, public policy usually is made by looking at the parts before the whole.

The work of the interagency team was divided into two parts, separated by the 1985 legislative session, which required the active attention of most of the team members. The first part of the project was a series of six focus groups held at the Minneapolis Athletic Club in the fall of 1985. Each focus group dealt with a separate topic related to economic development: People/education, resources, infrastructure, taxes/regulation, marketing, and incentives.

Eight to sixteen leaders from government, business, academia, labor, and the community, representing a cross section of views and expertise in each topic area, participated in each session. Each focus group was asked to define economic development, to talk about the effectiveness of current state programs and to suggest strategies for the future.

The focus groups worked very well in clarifying issues, identifying problems and developing a more comprehensive economic development strategy. However, although the meetings included leaders from throughout the state, they tended to be dominated by Twin Cities perspectives. For this reason a second set of regional focus groups were planned and carried out around the state.

These regional strategy sessions followed the same format as the earlier meetings. However, they focused on the problems of the particular Minnesota region where the meeting was held and covered all six of the earlier topic areas. Regional strategy meetings were arranged through the help of regional development commissions and held in eight state regions from May through July 1986 (Figure 2).

In all, 160 people participated in the sessions. A list of those who participated is included as appendices. Special thanks go to the regional development commissions for arranging the regional strategy meetings and recommending participants, to the Minnesota Department of Transportation for providing transportation to the regional meetings, and to DEED's Community Development division for paying for the meals at the regional sessions.

The focus groups and regional strategy meetings were ably run by Professor

Figure 1

EXECUTIVE BRANCH POLICY DEVELOPMENT PROGRAM

Jobs and Economic Development  
(Jobs and Economic Development Subcabinet)

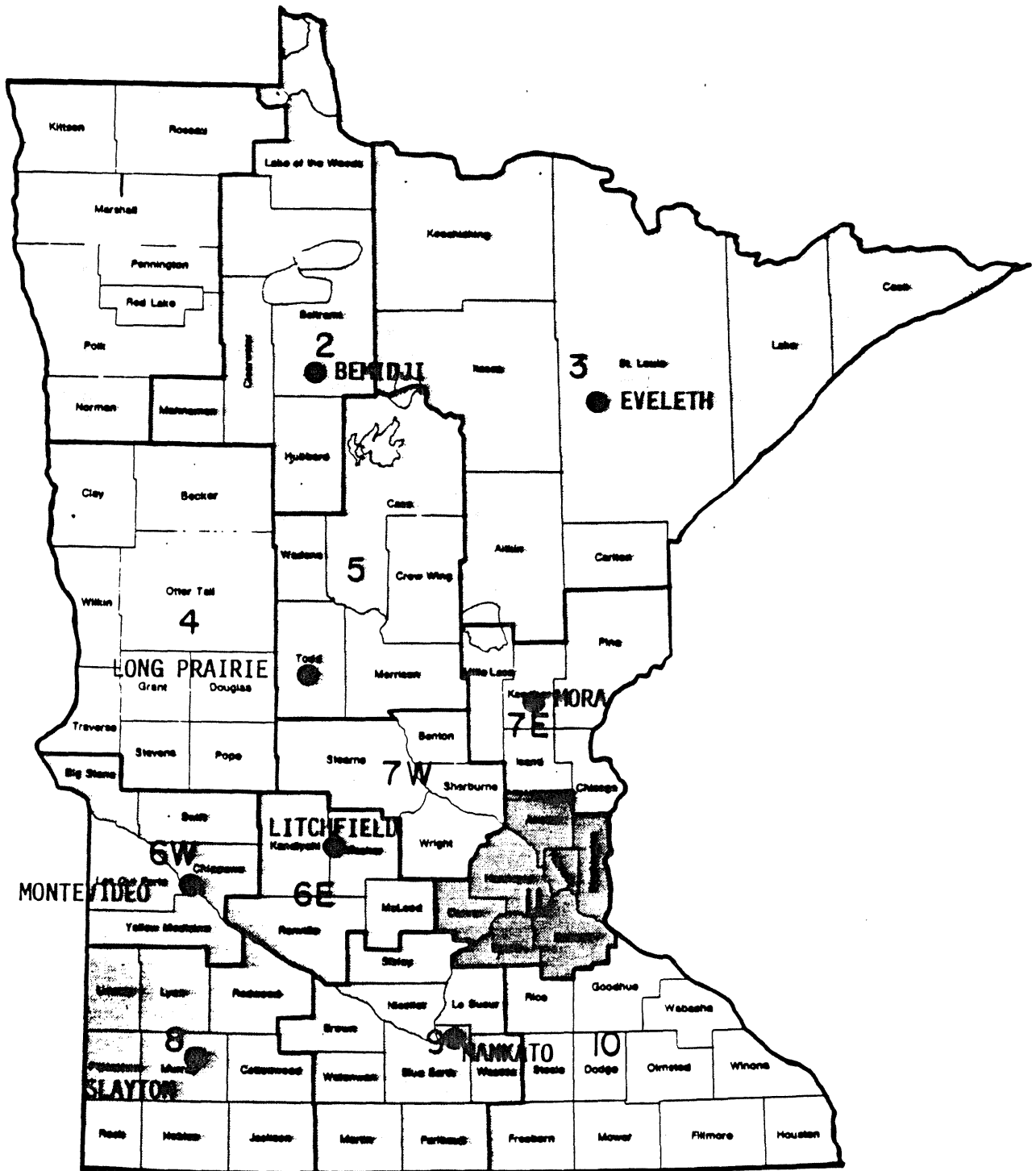
Refining our economic development/job creation strategy: identifying goals for state government; examining current state programs by category (people, resources, infrastructure, taxes/regulation, marketing, and incentives); defining strategies that most effectively foster Minnesota's productivity and competitiveness; maximizing the public return on economic development expenditures while targeting assistance to the most troubled areas in our dual economy; interrelating state and local development tools and programs.

INTERAGENCY TEAM

Agriculture - Eldon Brustuen  
Education - Nan Skelton  
Energy and Economic Development - Lee Munnich  
Finance - Glenn Nelson  
IRRRB - Mark Phillips  
Jobs and Training - Hal Lofgreen  
Natural Resources - Gene Hollenstein  
Office of Full Productivity and Opportunity - Kathryn Roberts  
Revenue - John Haynes  
State Planning - Steve Nelson  
Transportation - Jonette Kreideweis  
University of Minnesota - Richard Heydinger  
Science and Technology - Jayne Khalifa, Beverly Jones

Figure 2

FOCUS GROUP AND REGIONAL MEETINGS  
ON ECONOMIC DEVELOPMENT STRATEGY



Focus Group Meetings -- Oct - Nov 1985

Regional Strategy Meetings -- May - July 1986

Bob Hansen of the University of Minnesota's Management School, Tom Von Kuster of Tom Von Kuster & Associates, and Lee Munnich of the Minnesota Department of Energy and Economic Development. Jonette Kreideweis of the Minnesota Department of Transportation and Kathy Gaalswyk representing the regional development commissions were particularly important in organizing and carrying out the focus groups and regional meetings.

This report summarizes the findings and conclusions from the focus groups and regional strategy meetings.

#### SUMMARY OF FINDINGS AND CONCLUSIONS

- Minnesota has a strong economy, particularly in comparison with other Midwestern states.
- Minnesota's greatest economic problem at the current time is the unequal distribution of economic growth and benefits around the state. This problem has been precipitated by the decline in mining and the agricultural crisis, while urban centers such as the Twin Cities, St. Cloud, Rochester have experienced strong growth.
- The first priority of state government in the area of economic development must be to help the communities of Greater Minnesota solve their economic problems and diversify their economies.
- Minnesota's economic development strategy should include all elements of state government. All state policies and programs can have an impact on the state economy.
- Minnesota's most important economic resource is its people. In the long-run public investments in people, particularly through high-quality education, will be our most important economic development strategy.
- The state's resources must be nurtured and developed through long-term strategies of soil and water conservation, forest management, mineral diversification, and energy conservation.
- Transportation and communication systems are vital to Minnesota's economic health. State government and local communities must continue to work together in assuring an adequate infrastructure to support economic growth.
- State government should seek to solve problems identified by businesses which may affect their willingness to locate or expand in Minnesota. These include the commercial-industrial property tax, unemployment compensation, workers compensation, and liability insurance costs. State agencies should minimize regulatory and paperwork costs which may act as a deterrent to business development in Minnesota.

- State marketing and information efforts, such as Minnesota's tourism promotion and Star Cities programs, are important elements in the state economic development strategy.
- Financial incentives for businesses are most important in Greater Minnesota to help overcome economic inertia and where Minnesota must compete with incentives offered by other states. These incentives should be flexible enough to respond in a timely manner to the needs of Greater Minnesota, particularly smaller cities.
- State agencies should communicate regularly and work closely with community leaders in Greater Minnesota. An effective economic development strategy requires continuing communication and cooperation.
- Several state agencies have field staff, regional operations or local offices in Greater Minnesota. State government should explore ways of establishing or improving linkages among these staff to provide more effective support to communities in achieving their economic development goals.

#### ECONOMIC DEVELOPMENT: WHAT IS IT?

Economic development is a generic term that means many different things to Minnesotans. Rather than risk our own definition of economic development, we asked each participant in our focus groups and regional meetings to give his or her own definition.

The diversity of answers suggests a broad rather than narrow interpretation of the term economic development. According to our participants, there is no simple measure of economic development, but instead the term includes a wide-range of indicators of economic well-being.

Economic development is an issue of central importance for Minnesota state government. All state programs and policies can affect the future development of the state economy and thus should be considered as part of a comprehensive economic development strategy.

The following are the most common responses of participants in defining economic development.

#### Jobs

By far most people say "jobs" when asked to define economic development. Job growth is a basic measure of economic development for most people. Several participants, however, made it clear that the focus of economic development should not just be creating new jobs but also retaining existing jobs. Also, we should be concerned about the quality of jobs, not just the quantity.

While most people agreed that jobs are the most important element of economic development, several participants were concerned that we don't

overemphasize jobs at the expense of other important aspects of the state's economic health.

### People

The focus of economic development should be people. A number of participants talked about dealing with the special economic problems of farmers, keeping young people in rural communities and maintaining population stability in times of economic distress.

### Stability

While economic development usually implies growth, in areas of the state which have experienced economic decline, stability is a primary concern. It is important to maintain or reestablish an economic base so that communities do not experience further decline.

### Businesses

Business growth and development are essential for good jobs and a healthy economy. Small businesses in particular are important to Greater Minnesota and are the basis for future job growth. While the market determines which businesses will succeed, state government policies and actions can have an impact on where businesses locate and the extent to which they thrive.

### Quality of life

A number of participants pointed out that the real purpose of economic development is to create and maintain a good quality of life. Quality of life includes all those things that we find important in our lives --- health, safety, cultural amenities, recreational opportunities, sense of community, as well as personal, social and spiritual growth.

### Community

While state government has a key role and responsibility in economic development, many indicated the community should be the focal point for economic development activities. Each community has its own set of strengths and needs, and the people of a community can be the most effective in finding and capitalizing on economic opportunities.

### Income

The level and distribution of income are important in economic development. A community should have an adequate economic base to assure that all families have an opportunity to earn a decent income.

### Wealth

While income is a measure of flow of economic resources into or within a community, wealth is a measure of the stock of those resources. Building the wealth of a community is another important objective of economic development.

## Entrepreneurship

Several participants saw economic development as encouraging entrepreneurship, the creative risk-taking required for business development. All of Minnesota's successful businesses started at some point with an entrepreneur who had an idea and organized, managed and assumed the risk for a new enterprise.

## Diversification

One of the goals of economic development should be to diversify the economic base of an area. This is particularly important for areas that have been heavily dependent on industries such as mining and agriculture.

## Competitiveness

A successful economic development strategy requires being competitive with other states and nations. This means implementing strategies to improve markets, reduce public and private costs and improve productivity.

## MINNESOTA'S ECONOMY: STRENGTHS AND WEAKNESSES

Minnesota's economy has shown amazing strength in recent years. By most measures Minnesota as a state has outperformed the Midwest region and continues to do so. The state economy also compares well with the nation as a whole, in spite of a serious agricultural crisis and continued decline in the mining industry.

### Strong overall growth

During the 1980s Minnesota's jobs and income have consistently grown faster than the 12-state Midwestern region of which Minnesota is a part (Figure 3). Minnesota's manufacturing industries provided 11 percent more jobs in 1985 than they did in 1977, while U.S. manufacturing jobs declined one percent over the same period.

Minnesota's personal income per capita, adjusted for inflation, grew at a 34 percent faster rate than the U.S. average from 1983 to 1985.

Minnesota's ranking among all states in per capita income improved from 19th in 1983 to 14th in 1985.

### Regional disparities

In spite of these strengths, these benefits have not been shared equally throughout the state, resulting in regional disparities. The economic growth Minnesota has seen in recent years has largely benefited the Twin Cities, St. Cloud, Rochester and some of the larger cities in Greater Minnesota (Figure 4). Northeastern Minnesota has suffered with the decline in mining. Southwestern Minnesota along with many smaller rural communities around the state have been hurt by the agricultural crisis.

Figure 3

# Minnesota Total Personal Income As Percent of the Midwest Region Income

[Midwest Region States: IL, IN, IA, KS, MI, MN, MO, NB, ND, OH, SD, WI]



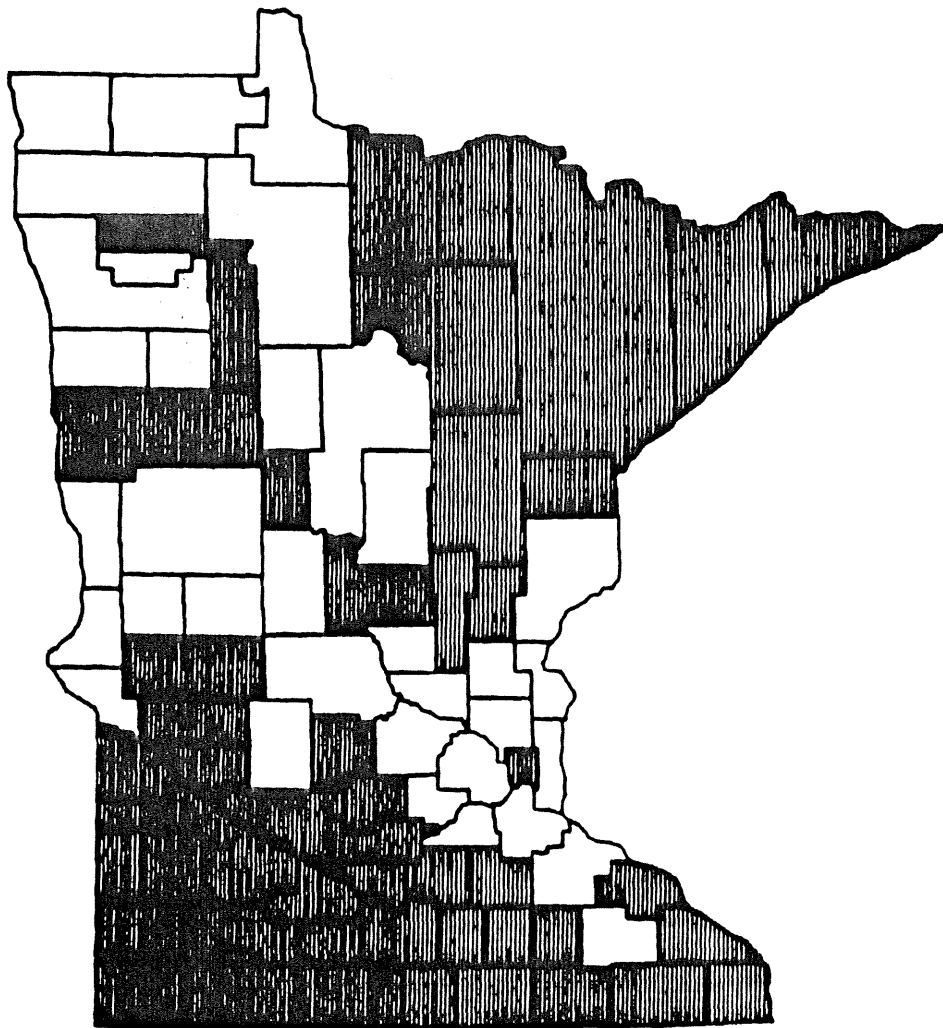
Source: Survey of Current Business & Bureau of Economic Analysis



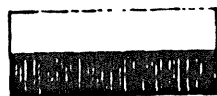
Figure 4

# Change in Share of Total State Income

1979-1984



Gain  
Loss



Source: MN State Demographer's Office, St. Planning Agency

### Small vs. large cities

In general larger cities have fared better economically than smaller cities. This has been true throughout Minnesota. A recent study by the State Demographers Office shows that the four largest cities in each of the state's 12 non-Metro region increased their share of retail sales to population at the expense of smaller cities.

### Family income disparities

Nationally disparities in family income have been increasing in recent years. Minnesota is no different. However, there is additional evidence from the State Demographer's Office that income disparities are becoming larger in Greater Minnesota than they are in the Twin Cities (Figure 5).

### Comparative advantage

There is considerable evidence that Minnesota's people, natural resources, infrastructure and strong base of existing businesses give the state a comparative advantage in competing for business development with other states.

For example:

- MN. has the highest high school graduation rate in the nation.
- MN. leads the Midwest region in patents issued per capita.
- MN. roads are in better condition than surrounding states and the U.S. as a whole.
- MN. only uses a small percentage of its renewable water supply compared with other states, particularly in the West and South.

### STATE GOVERNMENT'S ROLE

Participants in the focus groups and regional strategy sessions were asked to describe how they saw the role of state government in economic development. Each participant was provided with a matrix showing six areas of state government activity that can affect economic development (Figure 6). The discussions were frequently lively and covered a wide range of issues. The following is a summary of the major points made during the sessions.

### People/education

Minnesota's people are the state's most important asset. Minnesota's commitment to people is demonstrated by where state government invests its resources. Almost two-thirds of state government spending is invested in education, human services, and income support, with most of these dollars going to education (Figure 7).

Figure 5

TABLE 1

## Family Income Percentiles, 1979 and 1984

10%				
1979			1984	
<u>Region</u>	<u>Income</u>	<u>% of Region 11</u>	<u>Income</u>	<u>% of Region 11</u>
1	\$3,314	43.5%	\$2,985	27.6%
2	3,289	43.2	3,898	36.0
3	5,826	76.5	6,729	62.2
4	3,888	51.1	4,094	37.8
5	3,329	43.7	3,375	31.2
6E	4,660	61.2	4,233	39.1
6W	3,163	41.6	2,189	20.2
7E	4,565	60.0	5,501	50.8
7W	5,517	72.5	6,298	58.2
8	3,862	50.7	1,830	16.9
9	5,047	66.3	4,592	42.4
10	5,415	71.1	6,099	56.4
11	7,612	100.0	10,821	100.0

25%				
1979			1984	
<u>Region</u>	<u>Income</u>	<u>% of Region 11</u>	<u>Income</u>	<u>% of Region 11</u>
1	\$7,684	52.4	\$9,005	45.2
2	6,708	45.8	8,609	43.2
3	11,663	79.6	12,837	64.5
4	7,876	53.7	9,569	48.1
5	6,799	46.4	8,406	42.2
6E	9,321	63.6	10,832	54.4
6W	7,513	51.3	8,684	43.6
7E	9,114	62.2	11,556	58.0
7W	11,001	75.1	13,418	67.4
8	8,460	57.7	8,967	45.0
9	10,055	68.6	11,381	57.2
10	10,862	74.1	13,125	65.9
11	14,655	100.0	19,907	100.0

50%				
1979			1984	
<u>Region</u>	<u>Income</u>	<u>% of Region 11</u>	<u>Income</u>	<u>% of Region 11</u>
1	\$14,561	62.4%	\$18,006	55.8%
2	12,217	52.4	16,252	50.3
3	19,824	85.0	23,676	73.3
4	14,708	63.1	18,464	57.2
5	12,914	55.4	16,273	50.4
6E	16,634	71.3	20,688	64.1
6W	14,083	60.4	16,926	52.4
7E	16,591	71.1	21,447	66.4
7W	18,161	77.9	24,162	74.8
8	15,422	66.1	17,901	55.4
9	17,196	73.7	21,133	65.4
10	18,575	79.6	23,935	74.1
11	23,322	100.0	32,297	100.0

TABLE 1 (cont'd)

75%				
1979			1984	
<u>Region</u>	<u>Income</u>	<u>% of Region 11</u>	<u>Income</u>	<u>% of Region 11</u>
1	\$22,205	70.4%	\$28,795	64.4%
2	19,753	62.7	27,233	60.9
3	26,189	83.1	33,205	74.2
4	22,251	70.6	29,270	65.4
5	20,262	64.3	27,056	60.5
6E	23,854	75.7	31,652	70.8
6W	21,081	66.9	26,806	59.9
7E	23,704	75.2	32,290	72.5
7W	25,110	79.6	34,548	77.2
8	22,929	72.7	28,157	63.0
9	24,411	77.4	31,541	70.5
10	26,354	83.6	35,368	79.1
11	31,529	100.0	44,728	100.0

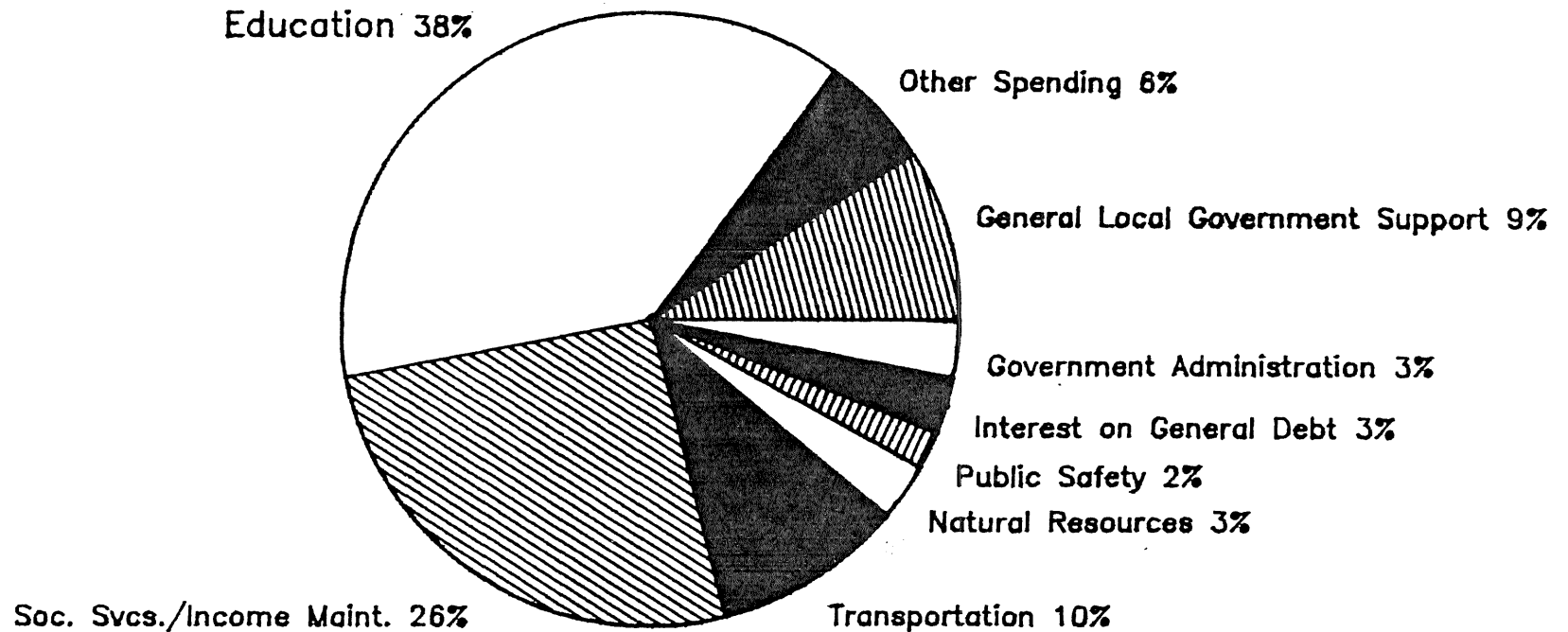
90%				
1979			1984	
<u>Region</u>	<u>Income</u>	<u>% of Region 11</u>	<u>Income</u>	<u>% of Region 11</u>
1	\$30,484	72.9%	\$39,898	67.4%
2	27,740	66.4	38,303	64.7
3	33,541	80.3	43,339	73.2
4	30,421	72.8	40,420	68.3
5	27,632	66.1	37,868	63.9
6E	32,193	77.0	42,477	71.7
6W	29,354	70.2	37,192	62.8
7E	30,656	73.4	42,559	71.9
7W	32,582	78.0	45,082	76.1
8	32,071	76.7	39,072	66.0
9	32,934	78.8	42,108	71.1
10	35,044	83.9	47,534	80.3
11	41,790	100.0	59,222	100.0

Figure 5  
ECONOMIC DEVELOPMENT AREA MATRIX

KEY INGREDIENTS	GOALS	KEY ELEMENTS	STATE AGENCIES
PEOPLE	Encourage and nurture the creative, technical, and entrepreneurial abilities and the productivity of Minnesotans.	K - 12 Teachers/Professors Job Placement/Retraining Quality of Work Life (Productivity) Research	Education Jobs and Training University System AVTT's Community Colleges State Colleges MN Jobs Skills Partnership Human Services
RESOURCES	Promote the most productive use of Minnesota's natural resources while maintaining a balance between economic needs and environmental stewardship.	Soil Conservation/Agriculture Water Quality/Quantity Air Quality Forest/Agriculture Lands Minerals Energy Outdoor Recreation	Natural Resources Agriculture Pollution Control Agency IRRRB DEED
INFRASTRUCTURE	Continue to improve necessary infrastructure at reasonable cost.	Highways Air Transportation Waterways Railroads Communications Education Facilities	Transportation Metropolitan Council
TAXES/REGULATION	Lower state induced cost to a competitive level. Encourage an appropriate division of public and private regulatory responsibility.	Workers Compensation Unemployment Compensation State Taxes (personal, corporate, sales) Local Property Taxes Regulation Business, Environmental, Safety Agriculture	Revenue Pollution Control Agency Public Service Commission Jobs and Training Commerce Labor and Industry DNR
MARKETING/ INFORMATION	Improve Minnesota's image as a place to do business.	Image Building Recreation/Tourism Targeted Business Recruitment Information/Research Int'l Business Development	DEED IRRRB Agriculture/Trade Office DNR
INCENTIVES	Maximize public return on economic development expenditures	Grants Loans Venture Capital Tax Abatement	DEED Revenue

# Minnesota Spending By Function, 1984

Total Spending by Minnesota State Government, 1984 — \$6.98 Billion.  
[This includes all state spending — general, federal, and special funds.]



Source: "State Government Finances in 1984", U.S. Dept. of Commerce, Oct 85.

While the primary purpose of state investments in education is not necessarily economic development, there is no question that education is key to the development of our work force and to our competitiveness with other states and nations.

The focus group on people and economic development held in the fall of 1985 dealt with education as a system. The group suggested that we should get away from thinking of education as K-12 and four years of college. Instead we should think how our educational system impacts on people's total lives. What government does to support learning depends on your stage in life: birth to 15 years (effectively under parents' control) or age 16 and above (pre-adult or adult).

While the regional meetings did not deal extensively with the broader issues of the educational system and how to improve it, they did cover several topics directly related to economic development activities. Several regional participants talked about the importance of vocational education and the need for the system to adapt to change. This includes anticipating future occupational growth, adjusting to the needs of the individual, and tying vocational education more closely with business needs.

Several participants commented on the importance of Jobs Service in placing employees and helping to lower employers' costs. The efforts by Job Service to speed up placements and work with local businesses were noted in the regional sessions.

### Resources

Minnesota's natural resources have played an important role in the development of the state's economy. Mining, agriculture, forestry at one time dominated the Minnesota economy. Over the years the state shifted from a resource-based economy to one that depended on the manufacturing of these resources. Minnesota's economy is now undergoing another transformation, relying more heavily on technology and services.

Yet Minnesota's natural resources remain important to the future of the state economy. Agriculture will continue to be a significant industry in much of the state. While mining may not be the dominant industry it once was in Northeastern Minnesota, the mineral wealth which still remains in the region may be key to future economic opportunities.

While agriculture and mining have suffered recent setbacks, Minnesota's wood products and tourism industries have shown much better performance in Greater Minnesota. Minnesota's wood industry has been reborn of late, with expanding opportunities in paper, lumber, furniture and energy.

Minnesota's tourism industry relies heavily on Minnesota's natural resources -- water, forests, wildlife -- as well as the state's urban amenities. DEED's coordinated tourism marketing efforts combined with lower gas prices, a lower-valued dollar and international events have all helped boost the state's tourism industry.

The resource focus group talked about the need for good stewardship through a long-range natural resource policy. This applies to all the state's natural resources -- soil, water, forests, minerals, wildlife.

Minnesota currently spends about three percent of its state budget on natural resource programs and activities.

### Infrastructure

The most consistently positive remarks in the regional strategy sessions were about the Minnesota Department of Transportation and the state road system. This seemed to be as much a testimony to the customer/service orientation of MNDot staff in Greater Minnesota as to the quality of the roads themselves.

Minnesota state government spends about ten percent of its budget resources on transportation, the state's most significant investment in infrastructure. Most of these dollars go to highways, with the state also providing limited support to air transportation and transit.

The relationship between infrastructure investments and economic development is not well understood. If you don't have roads, sewers, and an adequate infrastructure, economic development may not be able to occur. Thus infrastructure is necessary but not sufficient for economic growth. Whether additional investment in infrastructure is necessary for economic development depends on the situation and whether a lack of adequate infrastructure is a barrier to development.

Weight restrictions for Minnesota highways were mentioned as a possible barrier to economic development in greater Minnesota. However, increasing weight limits can result in worse roads and may require greater highway maintenance costs than the resulting benefits.

An emerging infrastructure issue for Greater Minnesota is the economic opportunities that can result with telecommunications. In the past the economic development of rural communities has been limited by their distance from major market areas. With new telecommunications technologies these communities may be able to take advantage of expanding economic opportunities in the information industry.

### Taxes/regulation

Concerns about Minnesota's business climate were raised in most of the regional strategy meetings. High taxes, particularly the commercial-industrial property tax, are a deterrent to economic development, according to many of the business people who attended the sessions.

Workers compensation and unemployment compensation costs were frequently mentioned as negative factors for the state economy. Some participants felt it was impossible to move forward on other strategies for economic development until these negative matters were resolved by policymakers.

Another issue which came up in the regional strategy sessions was the rising cost of liability insurance. This is becoming a major problem for many resorts in Greater Minnesota, along with many other types of businesses.



A common concern raised by the participants in the regional meetings was the approach to businesses by state regulatory agencies. They felt that regulatory agencies should be more understanding of the problems of businesses, particularly small businesses, and should seek to reduce regulatory burdens.

#### Marketing/information

There was a general consensus among the focus group and regional meeting participants that the state can play a critical role in marketing and providing information for effective economic development. There were many positive comments about the tourism marketing program and DEED's Star Cities program. The latter program helps cities in putting together their own economic development strategies by establishing effective public/private partnerships.

It was clear in these sessions that communities wanted the support and assistance of state government in economic development, but didn't want the state to do it for them. Several suggested that the state support and provide assistance for regional marketing efforts.

The focus group on marketing held in the fall of 1985 emphasized the importance of defining the economic development strategy before deciding on marketing strategy. The participants felt that recent improvements in the business climate as well as Minnesota's strong economic performance were good selling points. At the same time the diversity and lack of focus in economic development efforts may be confusing to businesses.

An important element in marketing Minnesota to businesses is the attitudes and actions of state government. We should assure that the commitment of the Governor to encouraging business location and expansion in the state are carried through to state agencies, so that businesses are not receiving mixed signals.

#### Incentives

There was no consensus on the issue of financial incentives to businesses. In general, participants in regional strategy meetings felt that the state should provide more support to Greater Minnesota and smaller cities, but that this support should come with fewer strings attached and that regional or local units should have greater involvement in business funding decisions.

A few participants felt state government had no role in providing financial assistance to businesses. Others felt the state should expand its role by providing seed capital to start-up firms. In some cases people felt that too much of the money to assist business development was going to another part of the state. In fact, some regions pointed to each other as getting too much of the money.

Some regional participants felt that DEED's loan programs are too inflexible, conservative, or required too much paperwork. Some suggested that retail establishments should be able to get assistance and that a firm should not be disqualified for a loan because it did not create or retain jobs if it is important to a community.

There seemed to be a lot of confusion and misunderstanding about just what the state is doing in the area of financial incentives for business development. Four candidates for governor were arguing different points of view on this issue at the time the regional sessions were being held. It may have been difficult to separate myth from reality during this period.

The state spends less than one-half on one percent of its state budget on economic development incentives. Nearly four out of five state dollars spent on economic development incentives go to Greater Minnesota.

## DIRECTIONS FOR THE FUTURE

### Importance of education

A high-quality educational system at all levels is central to an effective economic development strategy for Minnesota. Minnesota already invests a substantial part of its budget in K-12 and higher education. We need to continue to examine the linkage between education and economic development and how to use the state's vast educational resources in improving economic opportunities for all Minnesotans.

A particular challenge is to enhance training opportunities for the rural work force. The vocational educational system, in particular, can create training programs which meet the needs of businesses and create job opportunities for workers in distressed areas.

### Help Greater Minnesota

The state's economic development efforts should focus on helping Greater Minnesota. This means helping industries critical to Greater Minnesota and targeting assistance for new businesses and expansions to rural Minnesota. Strategies include:

- Expand tourism promotion
- Increase efforts to develop the wood products industry
- Capture more of the value added from resource industries of agriculture and mining.
- Diversify the rural economic base with new technology and information industries.

### Work with communities

State government should expand its efforts to work with communities, building on successful programs such as Star Cities. The most effective economic development strategies come from the people in communities, but communities frequently lack the necessary skills or tools to be effective.

The state can enhance its capacity to help communities by working more closely with regional development commissions. MNDot has made especially good use of the RDCs in carrying out its programs.

An important part of state government's support of communities' economic development efforts is regular and effective communications. State agencies should look for ways of improving their communications with communities in Greater Minnesota. This was a clear message to state agencies at each of the regional strategy meetings.

#### Improve productivity

Minnesota has a better educated, harder working, and more highly motivated work force than most states. This fact may provide Minnesota with the unique opportunity to be the nation's leader in making significant improvements in productivity in both business and government. A productivity strategy means an intense effort by all Minnesotans to improve the quality of their products or services by understanding and meeting the customers' needs.

State government should take the lead in carrying out a productivity strategy itself. The Governor's STEP program is an important start in this direction. The economic development focus groups and regional strategy sessions have been an attempt to identify customer needs. We need to continue this effort and make significant improvements in the quality of state government services.

#### Provide stable, positive environment for business

Businesses, particularly small businesses, have a wide-range of problems to deal with on a regular basis. Government policies and actions can frequently be an irritant, if not an obstacle, which businesses wish would go away. State government must act in the public good, which may occasionally run contrary to the needs of a particular business. At the same time state agencies should seek to understand the problems of businesses and work to minimize the conflicts.

The state must also make a concerted effort to resolve major business climate problems which are consistently raised by business people: workers compensation, unemployment compensation, commercial-industrial property taxes, liability insurance.

#### Investment in infrastructure and resources

Long-term investments in Minnesota's physical infrastructure and natural resources are particularly important to Greater Minnesota. Given the reality of federal budget cutbacks and state government financial constraints during the next several years, the challenge of making these investments wisely will be great.

While it may seem beneficial to raise weight restrictions on Minnesota highways to promote economic development in the short run, state policymakers should carefully consider the damage to roads and the significant maintenance and rebuilding costs, which may limit economic growth in the future. Likewise, the state should focus on the long term in its natural resource policies. These long-term strategies include soil and water conservation, forest management, mineral diversification, and energy conservation.

### Cooperative, problem-solving approach

Overall, state government should take a cooperative, problem-solving approach in dealing with businesses, communities and the general public. Many Minnesotans see state government as distant and state employees as not really concerned about their problems. Only those of us who work in state government can change this perception.

## Appendix A

### Participants

The six focus groups were conducted by Robert Hansen, Associate Professor of Marketing with the University of Minnesota's School of Management, and Tom Von Kuster, an economic consultant to the Department of Energy and Economic Development.

The following 65 people participated in the focus group sessions:

Steven Alnes	Minnesota Journal
Frank Altman	Dept. of Energy & Economic Development
Roger Arent	Control Data
Betty Bethereau	St. Louis Park Community Education
William Blazar	Consultant
Eldon Brustuen	Department of Agriculture
James Campbell	Northern States Power
Gerald Christenson	Community College
Earl Craig	Craig Associates
William Craig	American Automobile Association
Carl Cummins	Minnegasco
Robert de la Vega	Citizens League
Jack de Luca	Consultant
Margaret Dewar	University of Minnesota
David Eagle	University of Minnesota
Robert Ebel	Northwestern Bell
Julie Friedman	Macalaster College
Doug Ford	Department of Natural Resources
Kathy Gaalswyk	Region 5 Development Commission
Sara Gavin	Dorn, Swenson & Meyer
Joseph Graba	Vocational Education System
Martha Greenwald	Minnesota Project
Robert Hansen	University of Minnesota
John Haynes	Department of Revenue
Richard Heydinger	University of Minnesota
Russell Hobbie	University of Minnesota
Gene Hollenstein	Department of Natural Resources
Herb Johnson	Data Myte
Beverly Jones	Dept. of Energy & Economic Development
Jayne Khalifa	Dept. of Energy & Economic Development
Robert Killeen	United Auto Workers
Jonette Kreideweis	Department of Transportation
Michael LaBrosse	First Bank
Lauren Larsen	Environmental Quality Board
Helga Leitner	University of Minnesota
Merritt Linzie	Department of Transportation
Hal Lofgreen	Department of Jobs & Training
Wilbur Maki	University of Minnesota
John Melbo	Farmers Home Administration
Peg Michels	Dept. of Energy and Economic Development
Lee W. Munnich, Jr.	Dept. of Energy and Economic Development
Thomas Neitge	Minnesota Seed Capital, Inc.
Glenn Nelson	Department of Finance
Steve Nelson	State Planning Agency

Michael O'Donnell  
John Olson  
Mark Phillips  
Lynda Rago  
Kenneth Reid  
Kathryn Roberts  
Brian Roherty  
Harry Rosefelt  
Charles Schaffer  
James Schoenwetter  
Nan Skelton  
Donald Slater  
David Speer  
Yorgos Stephanedes  
Thomas Stinson  
Steve Thorne  
Thomas Von Kuster  
Chris Welsh  
Lori Widmark  
Arlen Wittrock  
Edward Zabinski

Dept. of Energy and Economic Development  
MN Assoc. of Commerce & Industry  
IRRRB  
Vocational Education System  
Mineral Resources Center  
Office of Full Productivity and Oppor.  
Department of Finance  
Dept. of Energy and Economic Development  
Dept. of Energy and Economic Development  
3M Corporation  
Department of Education  
League of MN Cities  
Padilla & Speer  
University of Minnesota  
University of Minnesota  
Department of Natural Resources  
Dept. of Energy and Economic Development  
Dept. of Energy and Economic Development  
Dept. of Energy and Economic Development  
FMC Corporation  
Blandin Paper

Attachment B

REGIONAL STRATEGY SESSIONS

Region 2 (Headwaters) June 17, 1986 - Bemidji

John Eix, Hubbard County Agent  
Mark Hewitt, Northwoods Bank  
Bob Tervola, Beltrami County Agent  
Dean Johnson, City Clerk of Mahanomen  
Jim Klein, Region 2  
John Ostrem, Region 2  
Tom Varberg, Region 2  
Robert Hansen, University of Minnesota (U of M)  
Lee Munnich, Department of Energy and Economic Development (DEED)  
Jon Bloom, Minnesota Department of Transportation (MNDot)  
Steve Baker, MNDot  
Ginger Sisco, Tourism  
Monica Manning, Job-Skills Partnership  
Merlyn Wesloh, Department of Natural Resources (DNR)

Region 3 (Arrowhead) June 30, 1986 - Eveleth

Marlene Pospeck, East Range Joint Power Board  
Mary Mathews, Hibbing Chamber of Commerce  
Larry Majewski, Mashwauk Area Development Corp.  
Mark Phillips, IRRRB  
Ken Swart, Environmental Energy Ltd.  
Joe Fondie, East Range Technologies  
Diane Weber, Itasca Development Corp.  
Mac Karpen, Range Association of Municipalities and Schools  
Shirley McKibbin, Babbitt Economic Development Association  
Randy Lasky, Region 3  
Dave Ekern, MNDot  
Lee Munnich, DEED  
Scott Lindahl, DEED  
Jonette Kreideweis, MNDot  
Tom Strom, Department of Education (DOE)  
Mike Gunderson, Jobs and Training

Region 5 May 22, 1986 - Long Prairie

Denis Ward, County HRA Director  
Lee Mielke, Bank President  
Dennis Gapinski, Upsala Coop Telephone  
Ruth Kuenzel, Mayor of Long Prairie  
Jim Ruhl, Hart Press  
Dick Donat, Staples Schools  
Mike Nethercutt, Cass County HRA  
Jim Parsons, Region 5  
Jamie Robertson, Region 5  
Kathy Gaalswyk, Region 5  
Bob Hance, DNR  
Don Hubert, MNDot  
Jonette Kreideweis, MNDot  
Lee Munnich, DEED

Region 6E June 12, 1986 - Litchfield

Mark Schaefer, CPA  
Robert Swanberg, City of Renville Administrator  
Richard Loftness  
Lee Larson, Pennock State Bank  
Andy Kroneberger, Indian Beach Resort  
David Daeges, Norwest Bank Litchfield  
Chad Piehl  
Gerry Grinde, Region 6E  
Gordon Folkman  
Robert Hansen, U of M  
Lee Munnich, DEED  
Dick Bautch, MNDot  
Jonette Kreideweis, MNDot

Region 6W (Upper Minnesota Valley) May 21, 1986 - Montevideo

Glen Herfurth  
Burdette Schoep  
Tim Clawson, Private Industry Council Economic Development Committee  
Johnny Larson, RDC Chairman  
Windy Block, Montevideo City Council  
Don Marchande, Montevideo Jobs Service  
Mary Anderson, Big Stone County HRA  
Lowell Schwitter  
Sharon Patnode, Region 6W  
Jim Schneider, DNR  
Dick Bautch, MNDot  
Jonette Kreideweis, MNDot  
Lee Munnich, DEED

Region 7E (East Central), July 24, 1986 - Mora

Cal Clark, Pine City State Bank  
Craig Moline, Moline Realty  
Sherman Holbert  
Phil Tideman, Hazelglade Resort  
Jerry Nelson, Mora Chamber of Commerce  
Beverly Dougherty  
Bill Coleman, Region 7E  
Mike Sobota, Region 7E  
Ken Trimble, Milaca City Hall  
Dick Roesler, People National Bank  
Marvin Athey, East Central Electric  
Ron Anderson, Sunshine Graphics  
Barbara Williamson  
Fred Matson, Jobs & Training  
Steve Nelson, State Planning Agency (SPA)  
Jon Bloom, MNDot  
Al Kelly, DEED  
Tom Strom, DOE  
Lee Munnich, DEED



Region 8 (Southwest) June 26, 1986 - Slayton

Karen Tommerasen  
Milford Gintz, Farmer  
Susan Bakke, Real Estate  
Woody Kramer, Banker  
Darold Neperman, Livestock Trucking  
Doug Erhammer, Windom Executive Development Director  
Paul Mettling, County Commissioner  
Alvin Gruis, School Board  
Gayle Davidson, Chamber of Commerce  
Steve Erbes, Worthington Job Service  
Kevin Honetschlager, Marshall Job Service  
Lou Eischens, Marshall Job Service  
Gloria Van de Brake, Region 8  
Gary Graham, Region 8  
David Nelson  
Jonette Kreideweis, MNDot  
Dick Bautch, MNDot  
Bev Jones, DEED  
Lee Munnich, DEED  
Jan Morlock, DEED  
Steve Nelson, SPA  
Sam Walker, Department of Agriculture

Region 9 June 25, 1986 - Mankato

Paul Hadley, Corporate Graphics  
Elaine Needham, Mankato Economic Development Director  
Sue Chesley, Valley Industrial Development Corporation  
Bob Dittrich, Lindsey Soft Water  
Earl Henderson, Citizens State Bank  
Steve Gohrke, New Ulm Chamber of Commerce  
Wesley Judkins, Region 9  
Lee Munnich, DEED  
Jonette Kreideweis, MNDot  
Monica Manning, Jobs Skills Partnership  
Fred Matson, Jobs & Training