
ANNUAL PERFORMANCE REPORT

1994

MINNESOTA
DEPARTMENT
OF
TRADE AND ECONOMIC
DEVELOPMENT

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AGENCY: Trade and Economic Development, Department of

MISSION:

The mission of the Minnesota Department of Trade and Economic Development (DTED) is: "to employ all of the available state government resources to facilitate an economic environment that produces net new job growth in excess of the national average and to increase nonresident and resident tourism revenues." (Minnesota Statutes 116J.001)

GOALS:

- Facilitate start-up and growth of business in Minnesota, especially small business, by providing information and technical assistance; responding to business expansion opportunities; providing financing stimulus; and by developing a trained work force;
- Help make communities viable and accommodate growth by enhancing their development capacity and by investing in public infrastructure, housing and functional business districts;
- Generate additional revenue from nonresident travel to Minnesota and retain travel dollars from Minnesotans within the state;
- Continue to develop partnerships that maximize resources with organizations and businesses to support statewide tourism objectives;
- Provide travelers with the highest quality information service based on their needs and achieve competitive advantage in the marketplace;
- Increase Minnesota business exports; and
- Attract foreign direct investment to the State.

Table 1: Department of Trade and Economic Development Expenditures and Staffing, Fiscal Year 1994

<u>Program</u>	<u>Estimated Expenditures (\$ in Thousands)</u>	<u>Percent of Total</u>	<u>FTE Staff Positions</u>	<u>Percent of Total</u>
Business & Community Development	\$73,640	85%	76	35%
Trade Office	2,096	3%	29	14%
Office of Tourism	8,934	10%	75	35%
Administration	1,595	2%	34	16%
<u>Totals</u>	\$86,265	100%	214	100%

ORGANIZATION:

The department is organized under Minnesota Statutes 116J into three programmatic areas or divisions: 1) Business and Community Development; 2) the Office of Tourism; and, 3) the Minnesota Trade Office.

- **The Business and Community Development Division** has five major program activities: 1) The Small Business Assistance Office provides technical assistance and information to Minnesota business; 2) The Business Development Office assists business with their siting, expansion, and location needs, especially in targeted industries; 3) the Business Finance Office provides financial assistance to business to promote job creation and capital investment in Minnesota; 4) The Office of Regional Initiatives provides departmental outreach and delivers development capacity building services to communities and regional development organizations; and 5) Community Finance provides financial assistance to communities for community development projects.
- **The Office of Tourism** markets Minnesota's travel-related products and services; provides joint venture marketing partnerships with local and regional organization and delivers tourist information through a statewide network of travel information centers and telecommunications systems. Travelers are the Office's primary customers, with tourism businesses and organizations as primary stakeholders.
- **The Minnesota Trade Office (MTO)** assists small and medium-sized Minnesota business and those new to exporting through a variety export education programs; a network of foreign trade offices supported through public/private partnerships; international export counseling; export financing; trade shows and foreign trading delegations; targeted market research; and, selected reverse inverse investment strategies.

The department also has an administrative services unit that provides fiscal services, personnel and information systems planning support.

WAYS TO IMPROVE PROGRAM OUTCOMES:

The Department does not propose major statutory changes to improve performance of public programs. However, in principle, we support using market forces and incentives where ever possible to encourage productivity and efficiency improvements in the department and other public agencies. Examples include improving agencies ability to offer employees appropriate incentive pay, especially for team performance, and charging user fees for services or include advertising in publications.

Statutory changes allowed the Business and Community Development Division to be created by the merger of two divisions in July, 1993. The program changes, productivity and efficiency gains resulting from this reorganization will continue to yield improved outcomes through FY 1995.

The Department is in the second year of a department-wide quality initiative. In its first year, staff were trained in quality principles and pilot projects were undertaken to demonstrate quality techniques. In FY 1995, the Quality Initiative will conduct in-depth training on quality tools and undertake a review of key departmental processes. These activities should also improve staff productivity and, as a result, program performance.

EMPLOYEE PARTICIPATION:

No formal "participation" committee was established for the 1994 performance report. However, extensive input was sought from employees and stakeholders in the development of performance measures. For example, the measures for the Trade Office were developed in collaboration with the Urban Institute in 1989. MTO staff and management participated extensively in this process. The Office of Tourism developed their performance measures through a strategic planning process conducted with their Tourism Advisory Committee and circulated a draft to staff for comments. Finally, measures for the finance programs of the Business and Community Development Division were specified by legislation (Minnesota Statutes 116J.58). Other BCD measures were developed in consultation with managers and staff.

In the future, DTED's Quality Steering Team will act as DTED's employee participation committee. It has agreed to review and make recommendations for improvements in future reports. These recommendations and changes will be incorporated in the 1995 performance report. DTED's Quality Initiative Steering Team is made up of three employees from each DTED division and the administrative services unit. At least one of the three must be a manager. Employees nominate themselves for membership on the Team. Selection is made by the Division head, in consultation with current Quality Steering Team members.

SUMMARY

AGENCY: Trade and Economic Development, Department of
PROGRAM: 01 - Business and Community Development (BCD) Division

EXPENDITURES AND STAFFING (F.Y. 1994)

(\$ in Thousands)

Total Expenditures:	\$ 73,640	85%	of Agency's budget
From State Funds	\$ 19,867	62%	
From Federal Funds	\$ 39,994	99%	
From Bond Funds	\$ 13,779	100%	
Number of FTE Staff:	76	35%	

PROGRAM GOALS:

The mission of the Business and Community Development Division program is to employ all available state resources to facilitate an economic environment, in partnership with communities, that creates wealth and produces net, new quality jobs.

In order to fulfill its mission, the Business and Community Development Division has five primary goals:

- 1) Facilitate start-up and growth of business in Minnesota, especially small business, by providing information and technical assistance and by coordinating the state's response to business expansion opportunities;
- 2) Help make communities viable and accommodate job growth by investing in decent housing, public infrastructure and functional business districts;
- 3) Stimulate job growth and private investment by providing financing stimulus to new and expanding business;
- 4) Build stronger communities and regions by enhancing their capacity to plan and undertake appropriate economic development activities;
- 5) Enhance businesses' ability to operate and grow in Minnesota by developing a trained work force.

DESCRIPTION OF SERVICES:

The Business and Community Development Division provides programs for business financing, technical assistance and business information and location assistance. In addition, the Division provides financing, technical assistance and capacity building programs to Minnesota communities.

The Business and Community Development Division has five main program areas:

The Small Business Assistance Office serves as the point of first contact for business information and technical assistance in DTED. The Office provides "one-stop information" and counseling on business planning, licensing, marketing, financing, and regulatory questions. The Office produces publications on a variety of business topics. The statewide network of 21 Small Business Development Centers, part of Small Business Assistance Office, provides one-on-one counseling and consulting services to business throughout Minnesota.

The Business Development Office responds to business inquiries about expansion and relocation opportunities in Minnesota. The Office of Business Development's four industry specialists help foster the growth of jobs, revenues, and investments in their specific industry groups: Computer and Electrical Components, Forest Products, Health/Medical, and Printing and Publishing. The Office works with Advantage Minnesota to promote Minnesota's location advantages and expand Minnesota's economic base through business relocations and expansions.

The Business Financing Office provides financial assistance to businesses to encourage capital investment and job growth in Minnesota. Programs include the Economic Recovery Fund, a tax-exempt revenue bond program through the Agricultural and Economic Development Board, the Capital Access Program and the Tourism Loan Program. The Business and Community Development Division also houses the **Minnesota Job Skills Partnership**, which provides training grants through state higher education institutions to assist business with their workforce development needs.

The Regional Initiatives Office provides services to communities and other local economic development providers to assist in job creation and community development. The Office of Regional Initiatives administers the Star Program, which builds community development capacity to create and retain jobs; the Minnesota Challenge Grant Program and Urban Initiative Program; and works with a variety regional development organizations to assist their efforts, including the Regional Development Commissions, WEDCO, and MEDA.

Community Financing programs are provided to assist Minnesota communities in making infrastructure and housing stock improvements, eliminating blight, and preserving viable business districts. Programs include financing for housing, sewer and capacity, commercial rehabilitation and disaster assistance. Programs for rural housing and other infrastructure needs are financed through the federal Small City Development Program. The Office of Community Finance also administers federal flood assistance monies to rural communities hit hardest by the 1993 flood. The **Minnesota Public Facilities Authority (PFA)** assists communities in meeting their water capacity needs. The PFA manages a \$350 million bond pool to finance wastewater treatment facilities, and uses federal dollars in cooperation with MPCA, Department of Agriculture, BWSR and MNFA to finance non-point source pollution projects.

The Office of Information, Analysis and Evaluation provides internal research, computer and administrative support for the Business and Community Development Division. The Division's Marketing Office provides communications support to the Division.

BACKGROUND INFORMATION:

	Minnesota Employment (000s)			% Change 1991-1993	
	1991	1992	1993	Minnesota	U.S.
Employment	2,137	2,185	2,242	4.9%	2.1%
Manufacturing Employment	395	397	405	2.5%	(2.2%)
Minnesota Business Establishments				% Change 1992-1993	
Births	NA	10,900	11,788	8.1%	-
Deaths	NA	10,535	8,278	(21.4%)	-

Source: Annual Average Employment, "Employment and Earnings," Bureau of Labor Statistics, U.S. Dept. of Labor, 1994.

Business Tracking System, MN Department of Trade and Economic Development, 1994.

Since the 1990-1991 recession, the Minnesota economy has shown strength and vitality. In total, more than 100,000 net new jobs were added to the economy between 1991 and 1993. The employment growth rate is significantly faster than the national rate of 2.1 percent.

Manufacturing is a focus of DTED programs because it is critical to a healthy economy. The manufacturing sector is the largest source of Gross State Product and wage income in the state. Manufacturers bring new income into the region by exporting their products to other states or nations. Manufacturers also create high-wage jobs, paying on average more than 20 percent above the statewide average.

Minnesota's manufacturing sector also expanded strongly over the period, adding 10,000 net new jobs. Its employment growth rate is 2.6 percent. In comparison, manufacturing employment nationwide declined by more than two percent over this period.

Community Population Trends Greater Minnesota			
City Size	Number of Cities	Percent Growing	Average Rate of Growth (1980-1990)
100,000 +	0	0%	-
50,000 - 99,999	2	50	3.5%
10,000 - 49,999	22	68	5.5
2,500 - 9,999	68	53	2.9
0 - 2,499	625	30	(3.6)

Source: "Minnesota's Changing Population," 1992 Economic Report to the Governor.

Minnesota communities are continuing to adjust to long-term demographic and economic shifts. Small towns are coping with population loss and declining economic bases, as larger towns and cities struggle to accommodate economic and population growth. According to the 1990 Census, 437 of greater Minnesota's 625 communities with a population of 2,500 or less declined during the 1980s.

In sharp contrast, cities and regional trade centers are experiencing strong population growth. This strong growth has resulted in localized housing shortages, labor shortages, and inadequate infrastructure capacity. The latest population forecasts suggest that these trends will continue.

PROGRAM DRIVERS:

National and international economic conditions. Minnesota's economy is inextricably linked to the national economy. As a result, Minnesota's economy generally follows national business cycles of recession and expansion. As the economy expands, more businesses in Minnesota and the nation implement start-up, expansion and location plans. This generates increased demands for BCD siting, technical assistance, and financing programs.

On the other hand, during periods of economic recession, Minnesota typically experiences jobs losses and increased business failures. During these periods, BCD's business and community clients seek assistance with job retention and to improve their competitiveness.

Demographic and population shifts. As discussed in the background section, the major population shift out of small towns and into larger towns and cities can cause economic dislocation and other hardships for both the smaller communities and growing trade centers.

Availability of credit. Both national and local credit conditions directly affect business conditions and business demand for BCD services. For example, lack of capital in certain regions of Minnesota for industrial projects or equity investments may constrain growth in the region. During the mid-1980s, capital markets nationwide became very tight as lenders responded to spreading bank failures. In these cases, demand for BCD's financing services and technical assistance increases.

Accelerating technology changes. As technology changes, businesses must continually invest in new equipment and upgrade the skills of its work force to remain competitive. In order to make these investments, businesses seek BCD Division's assistance, training resources and financing.

Federal/State regulations and policy. Federal trade policy, such as NAFTA and GATT, have direct impact on Minnesota businesses, increasing both market opportunities and competition. In turn, demand for BCD services and the type of services sought from the BCD Division is also affected. Similarly, state and federal environmental regulations, labor policy, and employer mandates for such things as health coverage all directly affect Minnesota businesses and, in turn, BCD services and programs.

AGENCY: Trade and Economic Development, Department of
 PROGRAM: 01 - Business and Community Development (BCD) Division

OBJECTIVE, MEASURE

Objective 1: To facilitate the start-up and growth of businesses, especially small businesses, in Minnesota by providing information and technical assistance.

Measure (1): Improve operations of Minnesota small business through technical assistance.

Actual Performance	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
Hours of counseling provided	NA	NA	25,601	25,600	25,600	25,600
*Business Operation Improvements due to the program:						
a) Solved Business Problem	68.9%	69.3%	72.0%	72.0%	72.0%	82.0%
b) Developed Business Plans	72.4%	73.8%	78.0%	78.0%	78.0%	78.0%
c) Understanding and Compliance with Regulations	74.5%	72.4%	75.0%	75.0%	75.0%	75.0%
d) Change in Business Strategy	NA	67.4%	75.0%	75.0%	75.0%	75.0%
e) Increase in Cash Flow	44.7%	45.1%	50.0%	50.0%	50.0%	50.0%

*Percent of clients achieving outcome, that attribute it at least "some" to SBDC service.

DEFINITION, RATIONALE, DATA SOURCE:

The Small Business Assistance Office seeks to reduce the cost of information to potential, new and existing small businesses by offering one-to-one counseling on business planning, financing, marketing, regulation and other areas of business management and operation. "Hours of counseling provided" is a measure of the activity of the program. It is the number of counseling hours provided by the Small Business Development Centers (SBDC) around the State.

The outcome measures are the percentages of clients who indicated improvement in business operations or business condition as a result of the program's services. All the figures are based on a calendar year rather than a state fiscal year.

Actual data covers 1992 and 1993. The period 1994 through 1997 are projections. Detailed data on the outcome measures is obtained by conducting an annual survey of all clients served by the SBDC. The methodology used and detailed definition of each measure can be obtained from the report of the survey results.

DISCUSSION OF PAST PERFORMANCE:

The Office uses the survey results to evaluate and monitor program performance. When necessary, corrective actions are taken in a timely manner. The program strives for continuous improvements in serving its clients. However, at this point improved program outcomes can only be achieved by increasing resources, as described in DTED's budget request.

PLAN TO ACHIEVE TARGETS:

In Fall of 1994 the program conducted a small business needs assessment to establish the number and kind of services most needed by high growth potential industries. Program services will, then, be directed to these areas with regular follow-up evaluation and necessary adjustment.

OTHER FACTORS AFFECTING PERFORMANCE:

The demand for sophisticated counsel and assistance continually increases as competitive pressures increase for business. Beginning in 1995, the U.S. Small Business Administration, which funds the program's one-to-one counseling, will require the program to deliver more sophisticated, longer-term services to existing job creating firms and less service to pre-venture clients. This shift in services should improve program performance. However, because these services are more costly and labor intensive than current services, they will require additional resources. The Department will be seeking new appropriation dollars from the 1995 Legislature to fully match the federal funds and adequately maintain the statewide SBDC network.

Measure (2): Number of business publications distributed to Minnesota businesses.

Actual Performance	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
Copies published and distributed:						
A Guide to Starting A Business in Minnesota	NA	30,000	30,000	30,000	30,000	30,000
An Employer's Guide to Employment Law Issues in Minnesota	NA	20,000	21,000	21,000	21,000	21,000

DEFINITION, RATIONALE, DATA SOURCE:

In addition to the counseling services noted in Measure Number One, the Small Business Office assists in reducing the cost of information to potential, new and existing small businesses by providing free of charge publications which address topics and issues that affect the success of small business. There are presently nine publications. The two most requested are "A Guide to Starting A Business in Minnesota" and "An Employer's Guide to Employment Law Issues in Minnesota." The number of copies distributed measures the output of these publications.

The number of copies distributed is measured on a calendar year basis. Detailed data is obtained from the internal record files maintained by program staff.

DISCUSSION OF PAST PERFORMANCE:

Demand for these publications continue to exceed the resources available to print them. The number of copies demanded for "A Guide to Starting A Business in Minnesota" exceeded the supply by 70 percent in FY 1994, and demand for "An Employer's Guide to Employment Law Issues in Minnesota" by 52 percent.

	FY 1993	FY 1994
"A Guide to Starting A Business in Minnesota:"		
Copies produced and distributed	30,000	30,000
Copies demanded	48,000	51,000
"An Employer's Guide to Employment Law Issues in Minnesota:"		
Copies produced and distributed	20,000	21,000
Copies demanded	29,000	32,000

PLAN TO ACHIEVE TARGETS:

Additional resources will be required to meet demand. The Department will seek an increased appropriation to meet demand for publications.

OTHER FACTORS AFFECTING PERFORMANCE:

Changing business, legal and economic conditions create the need for continuous, at least yearly, amendment and updating of publications.

Measure (3): Number of assisted projects; number of assisted businesses that select Minnesota for expansion or relocation; number of jobs created or retained by assisted projects; and capital investment from assisted projects.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Number of Assisted Projects	NA	NA	260	300	300	300
Percent of Assisted Businesses Selecting Minnesota for Expansion	NA	NA	27%	27%	27%	27%
Number of Jobs Created	NA	NA	940	1,000	1,500	1,500
Capital Investment (\$ in million)	NA	NA	\$30.0	\$50.0	\$70.0	\$70.0

DEFINITION, RATIONALE, DATA SOURCE:

The programs of the Office of Business Development also aim to achieve Objective 1. The Office is responsible for bringing together the state's resources to assist in business retention, expansion and relocation opportunities. The program identifies targeted industries to strengthen the state's economic base. Targeted industry specialists help foster the growth of jobs, revenues, and investments in their specific industry group. Types of assistance provided include site location, factor cost analysis, market/sales opportunities, solutions and opportunities involving sources and processes, etc. Less than five percent of assisted projects receive financial assistance from the department.

The number of assisted projects provides a measure for the program's output. The reported number of projects is based on a fiscal year. The number of assisted businesses that select Minnesota for expansion, number of jobs created by the assisted projects and capital investment amount are outcome measures, indicating the extent to which the goals of the program are achieved.

FY 1994 data is actual data. FY 1995-FY 1997 are projections. Detailed data on these measures is collected by industry staff through client's application and the project's progress reports. This data is then stored in the DTED's computerized "PDS" database.

DISCUSSION OF PAST PERFORMANCE:

Performance measures had not been developed or maintained for this unit prior to FY 1994. In FY 1994 the Office added one new industry specialist and two business development specialists. These new staff added significantly to the unit's 1994 work load and Office performance. It is anticipated that this level of activity will continue.

PLAN TO ACHIEVE TARGETS:

The Office of Business Development will achieve its targets through improved marketing from Advantage Minnesota. This agency just began its campaign to promote Minnesota for development opportunities to targeted industries in late FY 1994. Prospects generated by this initiative will result in increased expansion and investment in Minnesota, by marketing to targeted industries and fully utilizing state and local resources to secure business expansions in Minnesota.

OTHER FACTORS AFFECTING PERFORMANCE:

The economy, tax climate, and availability of capital will affect the performance of this program. During a period when the economy is growing, there are more expansion and relocation opportunities. If there is a downturn in the economy, the activities of the program are more in the area of retention and crisis counseling.

The state's tax structure can have a positive or negative impact on the type of service provided. Higher taxes tend to thwart growth and increase the need for retention activities, while the decrease or stabilization of taxes tends to promote growth and expansion.

Businesses need capital to expand. If there is a shortage of capital, or if higher interest rates occur, then expansion opportunities are diminished.

AGENCY: Trade and Economic Development, Department of
 PROGRAM: 01 - Business and Community Development (BCD) Division

OBJECTIVE, MEASURE

Objective 2: To help make communities viable and accommodate job growth by investing in decent housing, public infrastructure, and functional business districts.

Measure (1): Number and amount of wastewater treatment projects funded.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Number of Projects Funded	16	14	29	30	20	30
Amount Revenue Bonds (\$ in thousands)	\$52,736	\$26,797	\$42,849	\$84,000	\$45,000	\$85,000

DEFINITION, RATIONALE, DATA SOURCE:

The Public Facilities Authority (PFA) is responsible for providing financial assistance to communities for the construction of essential water quality improvement projects. This is accomplished through the Water Pollution Control Revolving Fund (SRF) for wastewater and stormwater, the Wastewater Infrastructure Fund (WIF) for wastewater, the Once-Through Cooling Conversion Loan Program to preserve groundwater resources, and the Drinking Water Revolving Loan Program to provide safe drinking water. The number of projects funded and the amount of revenue bonds issued are output indicators which provide reliable measures on the scope and the quantity of work performed by PFA.

FY 1992 through FY 1994 data is actual data. Quantity and dollar amounts for FY 1995 through FY 1997 are based on projected needs.

Data on these measures is collected by program staff and kept in the project record files maintained by program staff.

DISCUSSION OF PAST PERFORMANCE:

The PFA has experienced a strong demand from Minnesota communities for assistance in water quality improvement projects. Communities must comply with federal clean water regulations. Since the end of grant programs in 1990, communities have had to finance investments to meet EPA requirements.

PLAN TO ACHIEVE TARGETS:

The PFA anticipates that the number of loans is going to be at least 30 in FY 1995. The PFA anticipates increased bonding authority to accommodate the projected needs forecast by the Minnesota Pollution Control Agency (MPCA). PFA expects that the number of projects funded in FY 1996 to decrease because the Metropolitan Council is seeking financing for projects in FY 1995 for construction in FY 1995 and FY 1996, resulting in an unusually large number of projects for FY 1995. Similarly, the Metropolitan Council is expected to seek financing for several projects in FY 1997.

The PFA will be seeking increase in the agency's bonding authority to continue to finance these projects.

OTHER FACTORS AFFECTING PERFORMANCE:

The federal capitalization dollars have been scheduled to expire in 1994. However, the program is expected to be reauthorized through the year 2000. When the funding does end, federal dollars for administrative costs will also end. There is a request in the capital budget for the necessary state funds to match the federal capitalization dollars at a rate of 1:5.

Measure (2): Number of projects certified as effectively treating water and tax revenue savings due to PFA.

Actual Performance	YEAR CERTIFIED					
	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Projects Certified						
Number of Projects:						
YEAR FUNDED						
1992 16		2	9	5		
1993 14		1	2	5	6	
1994 29			3	10	12	4
1995 30				3	10	17
1996 20					3	10
1997 20						3
Tax Savings (\$ in thousands)	\$12,575	\$9,663	\$8,309	\$16,500	\$9,000	\$16,500

DEFINITION, RATIONALE, DATA SOURCE:

The main responsibility of the PFA is to provide financial assistance to localities for the construction of essential water quality improvement projects. The number of projects certified is the number of projects which have been approved by MPCA as achieving water quality standards in compliance with the Clean Water Act. This number provides a direct measure of the success of these projects funded by this program in meeting water quality requirements.

The savings to Minnesota residents of taxes and users fees is measured by the interest rate subsidy provided by the SRF financing as opposed to communities obtaining market rates on loans. Detailed data used to derive these measures is gathered by program staff and maintained in internal project record files.

DISCUSSION OF PAST PERFORMANCE:

In the past, the time required for a project to get certified by the MPCA has ranged from one to five years. The PFA plans to work with MPCA to continue to obtain 100 percent certification of projects within five years. The increase in the number of projects certified by years provides a measure for this effort.

PLAN TO ACHIEVE TARGETS:

The PFA will be seeking increase in the agency's bonding authority to continue to meet demand for financing these projects. Tax savings for FY 1996 are expected to be reduced due to the reduced number of projects anticipated by the PFA and resulting reduction in dollar volume of loans from the program.

OTHER FACTORS AFFECTING PERFORMANCE:

See the description of "Other Factors Affecting Performance" under Measure (1).

Measure (3): Number of units rehabilitated or constructed and dollars awarded for housing, commercial structures, water systems and wastewater systems.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Number Funded:						
Water Systems	14	9	9	10	6	6
Wastewater Systems	7	6	11	8	5	5
Housing						
Rehabilitated:						
Proposed	975	631	950	852	500	500
Completed	317	12	0	NA	NA	NA
Commercial Structure						
Rehabilitated:						
Proposed	143	127	67	112	70	70
Completed	15	0	0	NA	NA	NA
Dollars Awarded						
(\$ in thousands):						
Water System	\$4,048.1	\$2,785.6	\$2,500.1	\$3,100.0	\$2,500.0	\$2,500.0
Wastewater System	\$1,070.9	\$1,614.4	\$3,404.7	\$2,026.6	\$1,500.0	\$1,500.0
Housing						
Rehabilitated	\$9,851.2	\$6,290.7	\$12,465.8	\$9,533.3	\$8,500.0	\$8,500.0
Commercial						
Structures						
Rehabilitated	\$2,100.0	\$2,580.2	\$1,188.0	\$1,953.3	\$1,300.0	\$1,300.0

DEFINITION, RATIONALE, DATA SOURCE:

The Small Cities Development Program (SCDP) assists Minnesota communities by providing federal Community Development Block Grant (CDBG) funds to rehabilitate owner-occupied or rental housing, construct new or rehabilitate existing public infrastructure, and rehabilitate commercial structures. The two measures "number funded" and "dollars awarded" provide a measure of the output or activity level of this program.

The number of projects funded and dollars awarded are the total number of units funded and the total dollar amount awarded during a fiscal year. Detailed data on these measures is obtained from the program's internal computerized database kept by program staff.

DISCUSSION OF PAST PERFORMANCE:

The program distributes an estimated \$20 million per year in SCDP grants. SCDP funds are frequently used in conjunction with other public funds to complete a project, including funds administered by the U.S. Farmers Home Administration, the Minnesota Housing Finance Agency, the U.S. Economic Development Administration, the Minnesota Department of Natural Resources and the U.S. Army Corps of Engineers. SCDP funds are also used in conjunction with funds from DTED's Public Facilities Authority for municipal wastewater projects.

In FY 1993 and FY 1994, SCDP received flood funds in the amount of \$11.8 million and \$11.9 million respectively. About \$8.6 million in FY 1993 and \$6.2 million in FY 1994 have been awarded. The money was used mainly for sewer and residential housing rehabilitation. However, in FY 1994 about \$1.2 million were used in a buyout of houses located in the flood area.

PLAN TO ACHIEVE TARGETS:

The anticipated amount of federal CDBG funds for the program is expected to remain the same or increase slightly. While this information suggests that DTED should be able to increase the FY 1996 and 1997 targets, DTED is experiencing a serious state administrative match deficit. HUD has informed DTED that CDBG administrative funds cannot be drawn in adequate amounts to properly manage the program until the state increases its general fund administrative match. The target figures reflect an inadequate state/federal administrative budget, staff layoffs and subsequent DTED inability to distribute federal CDBG funds.

In order to prevent this, DTED is preparing a budget request to address the state administrative match deficit.

OTHER FACTORS AFFECTING PERFORMANCE:

The availability of funding for both staff and projects dictates the performance of this program. Recent federal regulatory changes require states to identify needs differently than in the past. This change may affect the number and types of facilities funded through the SCDP.

AGENCY: Trade and Economic Development, Department of
 PROGRAM: 01 - Business and Community Development (BCD) Division

OBJECTIVE, MEASURE

Objective 3: To stimulate job growth and private investment by providing financing stimulus to new and expanding businesses.

Measure (1): Dollars awarded, number of projects awarded, estimated job creation and job retention, actual job creation, new jobs providing benefits, public dollars leveraged and private dollars leveraged by funds.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>		<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
		Open Projects	Closed Projects				
ECONOMIC DEVELOPMENT PROGRAM:							
a) Dollars Awarded (\$ in thousands)	NA	\$6,478.0		\$7,000.0	\$8,500.0	\$8,500.0	\$8,500.0
b) Projects Awarded	NA	25	8	43	45	45	45
c) Estimated Job Creation	NA	1,138	190	1,300	1,500	1,500	1,500
d) Estimated Job Retention	NA	0	30	200	400	200	200
e) Actual Job Creation	NA	865	210	1,300	NA	NA	NA
f) Average Hourly Wage	NA	\$8.22	\$7.98	\$8.20	NA	NA	NA
g) New Jobs Providing Benefits (Health, Life or Retirement)	NA	650	164	NA	NA	NA	NA
h) Public Dollars Leveraged (\$ in thousands)	NA	\$13,809.5	\$3,835.9	\$15,000.0	\$15,000.0	\$15,000.0	\$15,000.0
i) Private Dollars Leveraged (\$ in thousands)	NA	\$41,061.1	\$5,461.4	\$50,000.0	\$60,000.0	\$60,000.0	\$60,000.0
	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>		<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
CHALLENGE GRANT PROGRAM:							
a) Dollars Awarded (\$ in thousands)							
MN Initiative							
Funds	NA	\$ 885.1		\$1,925.2	\$2,500.0	\$1,000.0	\$1,000.0
State	NA	1,025.9		2,054.4	2,500.0	1,000.0	1,000.0
b) Projects Awarded	NA	37		62	65	40	40
c) Estimated Job Creation	NA	542		800	825	500	500
d) Estimated Job Retention	NA	132		150	150	150	150
e) Actual Job Creation	NA	681		NA	NA	NA	NA
f) Average Hourly Wage	NA	\$6.36		NA	NA	NA	NA
g) New Jobs Providing Benefits (Health, Life or Retirement)	NA	646		NA	NA	NA	NA
h) Public Dollars Leveraged (\$ in thousands)	NA	\$ 3,483.3		\$ 5,000.0	\$ 3,000.0	\$1,500.0	\$1,500.0
i) Private Dollars Leveraged (\$ in thousands)	NA	\$14,307.7		\$16,000.0	\$12,000.0	\$6,000.0	\$6,000.0

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	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
TOURISM LOAN PROGRAM:						
a) Dollars Awarded (\$ in thousands)	NA	\$198.9	\$465.0	\$890.0	\$1,015.0	\$1,015.0
b) Projects Awarded	NA	5	18	31	31	31
c) Private Dollars Leveraged (\$ in thousands)	NA	\$347.4	\$500.8	\$961.2	\$1,096.2	\$1,096.2

	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>		<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
		All					
		<u>Projects</u>	<u>Respondents</u>				
CAPITAL ACCESS PROGRAM:							
a) Dollars Awarded (\$ in thousands)	NA	\$80		\$70	\$70	\$70	\$70
b) Projects Awarded	NA	28	22	32	32	32	32
c) Estimated Job Creation:	NA	19	10	51	51	51	51
d) Estimated Job Retention:	NA	176	132	116	116	116	116
e) Actual Job Creation:	NA	NA	10	NA	NA	NA	NA
f) Average Hourly Wage	NA	NA	NA	NA	NA	NA	NA
g) New Jobs Providing Benefits (Health, Life or Retirement)	NA	NA	NA	NA	NA	NA	NA
h) Public Dollars Leveraged (\$ in thousands)	NA	0	0	0	0	0	0
i) Private Dollars Leveraged (\$ in thousands)	NA	\$1,025.7	NA	\$872.1	\$872.1	\$872.1	\$872.1

DEFINITION, RATIONALE, DATA SOURCE:

The Business and Community Development Division operates various programs to provide financing to Minnesota businesses. These programs include: the Economic Development Program, the Challenge Grant Program, the Tourism Loan Program, the Capital Access Program and the Small Business Development Loan Program. The main purposes of these programs are to create jobs, stimulate new private investment, and increase tourism revenues.

Minnesota Statutes 116J.58 specifies performance measures that must be collected for these programs:

a) "Dollars awarded" from the program is provided both as a measure of program activity and to allow analysis of program efficiency. For the Economic Recovery Program, dollars awarded is the total amount of awards made to local units of government during FY 1993 for specific business projects. The amount includes both state funds and federal funds. Dollars awarded for the Challenge Grant Program include both state general funds and Minnesota Initiative Funds. The dollars awarded for the Tourism Loan Program are from revolving funds created by repayment of the state portion of the loans. The dollars awarded for the Capital Access Program are state general funds deposited with the participating lending institutions as the state's contribution toward the loan reserve fund.

b) The number of projects awarded provides information on program activity or output. The number of projects awarded is the total number of projects awarded from DTED during the fiscal year.

c) The estimated number of jobs created is the number of jobs expected to be created in the project during FY 1993, as reported by business applicants. This measure is required by law and is provided by the grantees in their program applications.

d) The estimated number of jobs retained is reported only for projects where there is no new net job creation and the funds were awarded solely for job retention purposes. DTED programs are rarely used solely for retention purposes. As can be seen, less than 10 percent of jobs generated by the programs are retained jobs. Measures "a" through "d" are measures of the output of these programs.

e) The agency to report the actual number of jobs created by funded projects is based on those projects funded in FY 1993. Applicants typically have two years to create the jobs projected. Many projects funded in FY 1993 still have less than one year to create the proposed jobs. To prevent any underestimating of the job impact of these projects, two numbers are reported: one is for projects which are still open; the other, for projects which are closed.

f) Hourly wage and g) benefits of jobs created provide an indication of the quality of jobs created through these programs. This information had not been regularly collected prior to the passage of the Minnesota Statutes 116J.58. Information systems and status reports have now been designed to collect data on these measures.

h) Public dollars leveraged and i) private dollars leverage are measures of another important goal of DTED e.i. to encourage capital investment. It is important for DTED's funds to leverage investment from other public and private sources. Dollars leveraged provide information on the additional financial investment that was made in the projects.

Economic Recovery Fund (ERF) projects are given two years to meet their job creation targets. Projects awarded under the ERF in FY 1994 will not be completed until FY 1995 or FY 1996. As a result, outcome measures provided are for FY 1993 projects which have had at least one full year to accomplish project results. To assess the impact more accurately, the information provided reports for both "closed projects" and "open projects." Data for FY 1993 and FY 1994 is actual data. FY 1995-FY 1997 are targets.

Detailed data on these measures is provided by the participating businesses as part of their application and reporting requirements. For the Capital Access Program, a brief telephone survey was conducted to collect actual job creation data. The data is collected by program staff and entered into the agency's computerized contract management database. Minnesota Statutes 116J.58 duplicate the Agency Performance Report legislation. As a result, the Department is recommending its repeal.

DISCUSSION OF PAST PERFORMANCE:

Completed ERF FY 1993 projects achieved at least 100 percent of their estimated job creation goals. Open ERF projects funded in FY 1993 have already achieved 75 percent of their projected new jobs. The Challenge Grant Program achieved more than 100 percent of its FY 1993 job creation projections. This is a fully satisfactory level of performance.

The wage of jobs created in completed ERF projects is \$8.00 per hour, and for open projects \$8.20. Together jobs created from FY 1993 projects provide an average wage that is 190 percent of the state minimum wage. The wage for jobs created through the Challenge Grant projects is \$6.36, or 150 percent of the minimum wage. The lower wages paid by the Challenge Grant projects is likely due to the more entrepreneurial, micro-enterprise projects funded through this program than the ERF. Challenge Grant awards decisions are made by individual Initiative Funds and do not consider wages offered as a criteria at this time.

The vast majority of jobs created through both programs offer life, health or retirement benefits. At least 75 percent of ERF jobs and 90 percent of Challenge Grant jobs offer fringe benefits. Health insurance is the most commonly offered benefit. Nearly 100 percent of jobs that have benefits have health insurance.

Dollars awarded for the Challenge Grant Program identify both state general funds and Minnesota Initiative Funds awarded through the program. State dollars exceeded Minnesota Initiative Funds dollars awarded in FY 1993 because the Initiative Funds had met their match requirement for the first \$1 million of state funds.

The number of projects awarded during FY 1993 for the Challenge Grant Program was unusually small. The original legislative appropriation for the program had been fully used during FY 1993, and the funds from the revolving loans were substantially reduced from the previous year.

A telephone survey was conducted to FY 1993 clients of the Capital Access Program to gather data on the number of jobs created. Based on those who responded, the program achieved 100 percent of its 1993 job creation goals. Staff feel that the program will not expand due to the fact that no new banks have signed up for the program.

No estimated number of jobs created was reported for the Tourism Loan Program, because the program is intended to help improve existing tourism business facilities and has no direct job creation goal. The Small Business Development Program did not make loans in FY 1992 through FY 1994. As a result, no data is provided for that program.

Demand for financial assistance increasingly exceeds the resources available for the ERF. The ERF program will seek ways to increase the funding to accommodate the projected needs.

PLAN TO ACHIEVE TARGETS:

Many of the performance measures for these projects do not have targets for FY 1995 through FY 1997. The performance measures for these programs are new, providing only one year of historical data. With this limited information, it is very difficult to project future program performance. Targets for program performance will be added as a better historical base of information is developed.

Grant decisions for the Challenge Grant programs are decentralized, made by the individual Regional Initiative Funds. Each Fund selects projects that are determined to best meet the needs of the region. As a result, it is difficult to set targets for the program as a whole.

The Department is currently facing a backlog of fundable projects that will not proceed due to lack of funds. DTED is requesting an increase in the funds for the Economic Recovery Fund.

OTHER FACTORS AFFECTING PERFORMANCE:

The condition of the national and state economies will affect the performance of this program. When the economy is growing, more opportunities for business expansion will be created and, thus, require more funding to help businesses grow. When the economy is depressed, the need shifts to assist businesses in retaining currently existing jobs.

Another important factor, the availability of capital, also dictates the performance of this program. Tighter credit markets and resulting higher interest rates make traditional sources of capital unavailable to some businesses. These businesses often turn to DTED programs for assistance.

AGENCY: Trade and Economic Development, Department of
PROGRAM: 01 - Business and Community Development (BCD) Division

OBJECTIVE, MEASURE

Objective 4: To build stronger communities and regions by enhancing their capacity to plan and undertake appropriate economic development activities.

Measure (1): Number of assistance projects implemented and percent of communities satisfied with the assistance.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Number of Assistance Activities Implemented	NA	NA	98	120	144	144
Percent satisfied	NA	NA	NA	NA	NA	NA

DEFINITION, RATIONALE, DATA SOURCE:

The Office of Regional Initiatives (ORI) provides assistance to community and regional development organizations through programs such as the Star Program, Business Retention and Expansion, and Community Needs Assessment. The assistance includes organizational development, strategic planning, area studies, marketing planning and implementation, and business prospect proposal development. The completion of these assistance activities enhances communities' ability to foster an environment suitable for job creation.

The measure "number of assisted projects" is a measure of the activity or output of the program. The percent of communities satisfied with the assistance from ORI provides an indication of the quality of the assistance provided through the program.

The number of assistance projects implemented is the total number of technical assistance activities implemented during a fiscal year. Percent satisfied is the proportion of communities assisted which report they were satisfied or very satisfied with the services provided.

Data on the number of assistance activities implemented is obtained from the internal data files. The percent satisfied will be determined through an annual survey of the assisted communities.

DISCUSSION OF PAST PERFORMANCE:

Restructured in FY 1993, ORI combined programs of the Rural Development Board and the Community Marketing Program. In FY 1994, ORI conducted a comprehensive assessment of its services. Communities served were generally satisfied with the assistance provided. However, needs for services identified by communities include more assistance and reduction of regulations. Based on this assessment, ORI programs have been significantly refined. As a result, historic data is not available for the restructured program and would not provide a meaningful measure of program performance. Performance data will be reported for this program beginning in the 1995 performance report.

PLAN TO ACHIEVE TARGETS:

The ORI program is too new to establish realistic targets for the services provided. But a plan to conduct a preliminary assessment of the services has been undertaken. The evaluation will help the ORI to establish reasonable, realistic targets. The numbers of assistance activities implemented for FY 1995 through FY 1997 are based on staff's educated estimations. Percent satisfied will not be available until the completion of evaluating the ORI programs in FY 1995.

OTHER FACTORS AFFECTING PERFORMANCE:

As previously discussed, major demographic shifts continue to result in population loss in small rural communities, and strong growth in regional trade centers. The need to stabilize population in small Minnesota communities creates demand for business development services aimed at job creation and retention. In struggling rural communities, efforts are made to retain jobs, develop small businesses, and foster a climate for job and business development.

Among thriving regional trade centers, there is a strong demand on the ORI program to assist with manufacturing expansions and community growth issues.

In addition, emerging recognition of the regional nature of the Minnesota economy and inter-dependence of communities will increase the demand for assistance from the ORI office.

Measure (2): Number of on-site outreach visits and percent of customers satisfied with the visits.
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Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Number of Outreach Visits	NA	NA	350	400	425	425
Percent Satisfied with Visits	NA	NA	NA	NA	NA	NA

DEFINITION, RATIONALE, DATA SOURCE:

The ORI office coordinates outreach for DTED departmental services to communities and regions. The purpose of the outreach is to educate local and regional development organization about DTED programs and services. In addition, it provides referrals to services offered by other agencies with an aim to foster an environment in which job creation can occur.

The number of outreach visits refers to the total number of on-site visits made by the staff of the ORI program during a state fiscal year. "Percent satisfied" is the proportion of those communities visited that are satisfied with the visit.

Data on the number of outreach visits is gathered by program's staff and maintained in the internal files. "Percent satisfied" will be determined through an annual survey to the communities assisted which will be available in late FY 1995.

DISCUSSION OF PAST PERFORMANCE:

See the description under Measure (1).

PLAN TO ACHIEVE TARGETS:

See the description under Measure (1).

OTHER FACTORS AFFECTING PERFORMANCE:

See the description under Measure (1).

AGENCY: Trade and Economic Development, Department of
PROGRAM: 01 - Business and Community Development (BCD) Division

OBJECTIVE, MEASURE

Objective 5: To enhance businesses' ability to grow and expand in Minnesota by developing a trained work force.

Measure (1): Number of curricula created through the program that will be used at educational institutions and workers trained.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Number of Curricula Created	NA	10	15	16	16	16
Number of training participants*	NA	3,370	3,918	3,568	3,600	3,600
Number completed training	NA	2,224	3,195	3,033	3,060	3,060
Percent completed training	NA	66.0%	81.5%	85.0%	85.0%	85.0%

*Includes individuals still in training.

DEFINITION, RATIONALE, DATA SOURCE:

The Jobs Skills Partnership, an activity of the BCD Program, provides information, technical assistance, and grant assistance to develop and provide education and training for Minnesota businesses. The activities are managed by the Minnesota Job Skills Partnership Program (MJSP).

Curricula are developed by Minnesota educational institutions through this program to meet the specific training needs of Minnesota businesses. Businesses match grants from MJSP to develop the training program. The total number of curricula created by all projects completed during a fiscal year is a measure of the program's output capacity. It also provides an indication of the extent to which the need of Minnesota businesses in the area of labor force development is being met by the program.

The educational programs funded by the MJSP attempt to provide an adequate workforce to meet the unique training needs of Minnesota employers. The number of training participants serves as an output measure for the program. The number of program participants who completed training indicates the number of trained workers produced by the program during a fiscal year. It serves as an output measure for the program.

The number of training participants is the total number of students registered in educational programs completed during the fiscal year of interest. The completed training number refers to those who have completed the training of all educational programs during the same year. The percent of those who completed the training is derived by dividing the number completing training by the total number of training participants.

Actual data is provided for FY 1993 and FY 1994. The years FY 1995 through FY 1997 are projections. Detailed curriculum and participant data is provided by participating educational organizations as part of their application and reporting requirements. This data is collected and stored in both the database developed for the program and the internal project record files.

DISCUSSION OF PAST PERFORMANCE:

Demand for special education programs or training has been increasing because Minnesota businesses increasingly need well-trained, specialized work force to remain competitive. The demand for the program has far exceeded the resources available. For example, in FY 1995 all program dollars were awarded in the first month of the year.

More and more Minnesota employers are experiencing a skills shortage in employees. As a result, the demand for special educational programs to meet employers' skill needs is increasing. However, the number of educational programs the MJSP will be able to aid is determined by the available resources.

PLAN TO ACHIEVE TARGETS:

To adequately serve Minnesota businesses, the program seeks increased resources. For example, the program plans to initiate an inquiry into a Sallie Mae Workforce Development Initiative and the Federal Technology Reinvestment Program (TRP) for a new source of funding.

MJSP anticipates to increase student graduation rate to the targeted 85 percent by requesting stricter selection criteria for program participants employed by educational institutions and participating businesses.

OTHER FACTORS AFFECTING PERFORMANCE:

The available resources dictate the performance of the program. Demand for the program vastly exceeds the resources available. The demand is driven by the following factors: (1) business demand for education and training to remain competitive, (2) educational systems' needs to revitalize curricula to meet business needs, (3) workers' need for new skills to gain or retain employment at livable wages, and (4) communities' needs for economic development assistance to keep them viable.

National economic conditions, including national economic cycles, also affect the performance of the program. During recessionary periods there is less business expansion and lower demand for new workers. However, during these periods employers need to improve workers' skills to remain competitive. During periods of economic expansion, businesses' needs for skilled workers grow.

Measure (2): Number and percent of students who completed training and were placed into employment.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Total Job Placement*	NA	1,982	3,195	2,908	2,934	2,934
Training-related Job Placement*	NA	1,815	3,195	2,472	2,494	2,494
Percent of those completed training placed into related employment	NA	81.6%	100.0%	85.0%	85.0%	85.0%

*Excludes individuals still in training.

DEFINITION, RATIONALE, DATA SOURCE:

The ultimate purpose of the MJSP program is to facilitate the creation and the retention of jobs in Minnesota. The job placement number provides a direct measure of the program's performance.

The job placement number is the total number of students who completed the training and were placed into related employment during the fiscal year when the education program is completed.

Actual data is provided for FY 1993 and FY 1994. Detailed data is provided by participating organizations as part of their application and reporting requirements. The data is stored in the program's computerized database and in the internal project record files.

DISCUSSION OF PAST PERFORMANCE:

Most participating businesses reported, through the program's final evaluations, that they were satisfied with the educational programs. More than 80 percent of trained participants were placed into jobs related to their training.

PLAN TO ACHIEVE TARGETS:

The program expects to increase its rate for placing students into training-related employment by requesting stricter selection criteria for program participants used by educational institutions and participating businesses. If funding is increased, the agency would expect an increase in the number of job placements by increasing the number of businesses serviced.

See the description under Measure (1).

OTHER FACTORS AFFECTING PERFORMANCE:

See the description under Measure (1).

SUMMARY

AGENCY: Trade and Economic Development, Department of
 PROGRAM: 02 - Office of Tourism

EXPENDITURES AND STAFFING (F.Y. 1994)

	(\$ in Thousands)	Percent of Department
Total Expenditures:	\$ 8,934	10.36%
From State Funds	\$ 7,207	
From Federal Funds	\$ 229	
Trunk Highway Funds	\$ 668	
Revenue Funds	\$ 830	
 Number of FTE Staff:	 75.20	 35.04%

PROGRAM GOALS:

The mission of the Office of Tourism is to market "Destination Minnesota," maintain and increase state revenues from tourism, and serve the needs of customers and stakeholders.

In order to fulfill its mission, the Division has established three goals:

- Generate additional incremental revenue from nonresident travel to Minnesota and retain travel dollars from Minnesotans within the state.
- Continue to develop partnerships that maximize resources with organizations and businesses to support statewide tourism objectives.
- Provide travelers with the highest quality information and service based on their needs and achieve competitive advantage in the marketplace.

DESCRIPTION OF SERVICES:

The Office is divided into four program areas: Program Services, Industry Relations, Marketing Services and Customer Services. In addition, the Office established the statewide tourism advisory committee to provide industry advice and communication relative to policy development.

Program Services is responsible for the overall administration of the Tourism Office including fiscal and human resources. This area conducts research projects and surveys related to advertising and promotional programs; develops and maintains an inquiry database listing tourism businesses and attractions. This database is used by travel counselors to assist callers and for development of publications.

Industry Relations is responsible for communication with stakeholders, policy development and organizational partnerships. To provide this service, the unit operates three regional offices located throughout the state and is partnered with regional associations to assist in developing marketing at a local level. Organizational partnerships are

designed to provide measurable economic return to the state through partnerships with single and multiple communities, convention bureaus, statewide and regional organizations. The unit serves as the primary liaison between the Office and communities, associations and businesses.

Marketing Services generates nonresident domestic and international travel to Minnesota and retaining travel by Minnesotans within the state. This unit initiates coverage in regional and national print and broadcast media; hosts local, national and international journalists on familiarization tours; and coordinates the mass marketing advertising program. This unit coordinates and participates in international and domestic, convention and group tour marketing programs; and participates in multi-state travel trade efforts. This unit also manages film and stock footage libraries; develops and produces Office of Tourism publications and marketing materials.

Customer Services delivers information to consumers and responds to phone, mail, fax and in-person inquiries and through Sport Shows. This unit also manages the brochure inventory, ships and receives materials, fulfills consumer requests and assembles and ships displays and materials to sport and trade shows. It is also the responsibility of this unit to respond to inquiries requiring travel counseling, handling a variety of requests from the traveling public, replying promptly and accurately. This unit operates thirteen customer service centers located throughout the state including St. Paul.

BACKGROUND INFORMATION:

Travel and tourism in the United States generated \$380 billion in expenditures in 1992 - more than one billion dollars a day. This is one of Minnesota's top industries and gross receipts totaled \$6.3 billion in 1993.

In Minnesota, the industry provides more than 128,500 jobs and individuals earn over \$2.4 billion in annual wages. The travel industry employs more people in the United States than any other industry except health services.

Nationally, travel and tourism provided \$47.4 billion in tax revenue to federal, state and local governments. Within the state, the \$412 million was distributed as follows: the Metro tourism region accounted for 54 percent of total gross receipts in 1992; the Northeast tourism region 12 percent; Northcentral/West 19 percent; and Southern 15 percent.

More than 44 million foreign travelers visited the United States in 1992, with 49 million expected in 1994. Foreign travelers spent over \$70 billion in 1992, \$20 billion more than Americans spent abroad. In Minnesota, 868,880 international travelers including overseas and Canada, generated over \$1 billion in gross sales.

(Sources: National figures are from "Talking Points Quarterly," Sept. 1993, Travel Industry Association of America. Minnesota figures are based on Minnesota Department of Revenue preliminary estimates, March 1994.)

MEASURES OF ACTIVITIES (A), WORKLOAD (W), UNIT COSTS (UC), OTHER DATA (O)

<u>Type</u>	<u>Measure</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>
W	Number of Phone Inquiries Received	556,752	510,451
W	Number of Mail Inquiries Received	304,112	182,075
W	Number of Walk-In Inquiries Received	441,794	458,376
UC	Shipping Cost Per Mail or Phone Inquiry	\$0.58	\$0.52
A	Organizational Partnership	74	39
A	Media Served	210	303
A	Media Hosted on Familiarization Tours	26*	94

* January-June only

PROGRAM DRIVERS:

Many factors could affect the Office of Tourism's performance such as prolonged economic recession, especially in the midwest area; weather or natural disasters such as flooding or drought; major changes in Minnesota's or the competitor's attraction supply; changes in Minnesota's travel advertising budget relative to the advertising budgets of other destinations; a catastrophic event within the state or our primary markets; and transportation access. In addition, Minnesota's business climate in comparison with other destinations and national policy relating to border issues are important factors affecting the success of Tourism's programs.

International travel is affected by world and regional economic and political health and stability, airline service and pricing, exchange rates, terrorism, international relations and catastrophic events.

Increasing costs of delivering information also affects Tourism's programs. Customers expect to receive information quicker than in previous years. While newer electronic methods for information delivery are meeting some of the expectations, quicker delivery of brochures, maps and other printed material continue to be the only method of reaching traditional customers. As postage and delivery service rates increase, they drive up unit costs of deliveries. The current proposal before regulatory bodies is to increase United States postal rates by 13 percent. Delivery service rates are sure to follow suit even though many cost reducing innovations have been implemented in handling delivery services.

The majority of resources have been focused on the spring/summer season. Traditionally, the seasonal market share pattern for Minnesota has shown peaks in travel during the second and third quarters and losses during the first and fourth quarters which is reflective of Minnesotans traveling to warm climates during this time.

Conversion rates tend to be directly related to distance from Minnesota, that is, inquiries received from more distant markets tend to result in lower conversion rates than those received from nearer markets. Additional customer information is also collected about travelers to Minnesota. In the most recent survey conducted of 1993 travelers, 34 percent of non-Minnesotan respondents who took a 1993 spring/summer trip were first-time visitors to Minnesota. In addition, information is gathered on number of nights in paid accommodations, average length of stay, average party size, families or those traveling without children, activities, etc. This information is used in developing and executing marketing programs that will generate the greatest return on investment.

PLAN TO ACHIEVE TARGETS:

Over time, the Office plans a shift in strategy from direct response advertising which results in a large number of inquiries to a "share of market strategy." The Office will identify individual target markets which provide both the greatest rate of return on investment and growth potential for the state, in recognizing that all customers do not have the same economic value for the state.

The Office of Tourism develops a work plan on an annual basis. Programs are research driven and target travelers that demonstrate the greatest return, e.g. nonresidents. Advertising strategies include:

- 1) Create mass market advertising programs focusing on, but not exclusively limited to, population centers within a six hundred mile radius to promote the state and travel planning information. Efficiency of media purchase is measured by cost per inquiry basis. Effectiveness is measured by seasonal conversion studies of those responding to advertising.
- 2) Create vertical market promotional programs, specifically targeting times when there is room for growth, e.g. fall, or activities that demonstrate high rate of return, e.g. snowmobilers. Evaluation is determined on a project basis.
- 3) Provide materials to advertising respondents that influence their decision to choose Minnesota and that provide the necessary information for trip planning. Conduct ongoing customer assessment of materials.
- 4) Develop cooperative advertising opportunities that maximize state and tourism industry resources. Evaluation based on estimated return on investment by project.

OTHER FACTORS AFFECTING PERFORMANCE:

Many factors beyond the control of the Office of Tourism's performance affect the travel to and in the state, such as prolonged economic recession, weather or natural disasters such as flooding or drought (e.g. the flooding in 1993 and cool rainy weather affecting outdoor recreation oriented businesses such as resort, campground and ancillary business that generate sales tax revenue) or catastrophic events within Minnesota or its primary markets. Other factors include major changes in Minnesota's or competitors' attractions supply, e.g. the opening of the Mall of America in 1992 has had a major positive impact on tourism in the metro area. Increased global competition for the travel dollar and changes in Minnesota's travel advertising budget relative to advertising budgets of other destinations are also factors. Continued growth cannot be achieved given the increase in media and production costs and the reduction in the amount of available marketing resources.

AGENCY: Trade and Economic Development, Department of
 PROGRAM: 02 - Office of Tourism

OBJECTIVE, MEASURE

Objective 2: Increase domestic group tour travel expenditures in Minnesota and increase Minnesota's share of tours.

Measure (1): Number of group travelers to Minnesota and share of region's group tours.
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Actual Performance	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Groups:						
North Central						
Region	3870.1	5835.0	3396.2	3500	3500	3600
Minnesota	259.1	605.1	486.9	500	525	530
MN Market Share	6.7%	10.4%	14%	14%	15%	15%

Note: Reports are on a calendar basis
 (\$ in Thousands)

DEFINITION, RATIONALE, DATA SOURCE:

A group tour is a prepaid packaged tour, allowing special transportation fares, and requiring that all the members travel in the same vehicle, round-trip and that they all must travel together during the entire trip.

Group tour travel is a growth market as the population ages and the number of potential travelers in this market segment increases. According to the National Tour Association, in 1993 the average total expenditures per person per day for a multi-day tour in the United States was \$151.91. This exceeds the national average expenditure for independent travelers (\$98.71 for those using paid accommodations and \$50.39 for campers).

The number of tours to Minnesota and share of tours is a measure of the success or performance of the Office's marketing programs to those groups. Annualized group tour data is obtained from National Family Opinion. Actual data is available through 1993. Market share data, expressed as the ratio of group tour visitors to Minnesota to group tour visitors to the North Central Region, has been estimated for the four year period. The data, however, relates to a very small sample size. Beginning 1994, the Office will begin using the United States Travel Data Center's TravelScope data which has a broader scope. 1994 through 1996 data are targets.

DISCUSSION OF PAST PERFORMANCE:

The Minnesota Office of Tourism has had an active marketing program to increase domestic group travel to the state since 1983. Primary techniques have included attendance at national and regional trade shows, sales missions hosting familiarization tours, advertising in trade publications and direct mail campaigns. Marketing to the group trade market involves considerable cooperation with the Minnesota travel industry working to promote the state as a destination. The level of involvement by the Minnesota travel industry has also seen steady growth. More than 150 businesses and organizations are now part of the Group Tour Committee.

PLAN TO ACHIEVE TARGETS:

The Office of Tourism develops an annual marketing plan in conjunction with an industry Group Tour Committee. Strategies include:

- 1) Promoting Minnesota as a destination to domestic group tour operators through attendance at national and regional trade shows, production and distribution of promotional and information materials. Leads are shared with the Minnesota tourism industry. New business is tracked by company.
- 2) Convincing tour operators to include Minnesota in brochures and catalogs by providing familiarization tours for targeted operators and specific information and itinerary planning services. Individual company contacts are tracked by addition or expansion of Minnesota tours.
- 3) Encouraging Minnesota based tour operators/travel trade to include and expand Minnesota itineraries in their travel brochures and catalogs.
- 4) Cooperatively marketing Minnesota as a destination with the Minnesota tourism industry by planning and implementing an annual plan of specific targeted projects.

Results are monitored on a project by project basis to determine the effectiveness of each strategy.

OTHER FACTORS AFFECTING PERFORMANCE:

Like other travel, group travel can be influenced by the economy, weather, natural disasters, catastrophic events, major new attractions and competition. In addition, support of and participation by the Minnesota tourism industry is essential.

AGENCY: Trade and Economic Development, Department of
 PROGRAM: 02 - Office of Tourism

OBJECTIVE, MEASURE

Objective 3: Increase the number of international travelers from both Canada and overseas, to Minnesota at a rate faster than the national growth rate.

Measure (1): Number and growth rate of international travelers to Minnesota.
--

Actual Performance	1992	1993	1994	1995	1996	1997
Overseas Visitors	NA	280,680	294,714	309,449	324,921	341,167
MN Growth Rate	NA	15.6%	5%	5%	5%	5%
U.S. Growth Rate	NA	10.0%	-	-	-	-
Canadian Visitors*	NA	588,200	588,200	552,908	519,734	519,734
Growth Rate	NA	(10.8%)	-	-	-	-

*Overnight

Note: Reports are on a calendar basis

DEFINITION, RATIONALE, DATA SOURCE:

International travel includes visits from both overseas markets and Canada. Minnesota's top three sources of overseas travelers are Japan, the United Kingdom and Germany accounting for 35 percent of total visits. International travel brings new dollars into the country and the state. The mean expenditure for overseas travelers to Minnesota is estimated by the United States Travel and Tourism Administration to be \$2095 per trip. Based on these figures, the economic impact to Minnesota in 1992 was \$1.1 billion in gross sales resulting in \$427 million in salaries and wages.

The number of international visitors provides a measure of the outcome of the Office's marketing and attraction programs.

The data is from United States Travel and Tourism Administration in-flight surveys, U.S. Immigration arrival data at the Minneapolis/Saint Paul International Airport and Statistic Canada reports. 1993 figures are actual data. 1994 through 1997 are targets.

DISCUSSION OF PAST PERFORMANCE:

International marketing is a long term effort which requires maintaining ongoing efforts to establish positive relationships and develop partnerships with the travel trade industry, i.e. tour operators, tour wholesalers, receptive operators, travel agents. The trade partners are needed to develop travel products which can be sold to the traveling public. Since 1983, the Office of Tourism has had an active program to increase international travel to the state. Marketing techniques have included attendance at international trade shows, sales missions, hosting familiarization tours of the state, trade advertising, direct mail and work with the international media.

By far, the largest number of international travelers to Minnesota come from Canada. According to figures from the United States Travel and Tourism Administration, Canadian person visits to Minnesota grew 109.5 percent over the thirteen year period 1979-92. This is equivalent to an average annual growth rate of 5.9 percent. In 1992, the average total expenditure per person-visit was \$172.60. The majority of Canadians that spend at least one night in Minnesota come from Ontario with Manitoba the second largest source of visitors.

PLAN TO ACHIEVE TARGETS:

The Office of Tourism targets its proactive activities toward Canada and overseas markets of Japan, German speaking countries, the United Kingdom and the Benelux countries.

- 1) Promote Minnesota as a destination to international travel trade through attendance at trade shows and sales missions.
- 2) Convince international tour operators to include Minnesota in tour brochures and catalogs.
- 3) Generate consumer interest through international print and broadcast media.
- 4) Cooperatively market through regional multi-state efforts including Great Lakes States, USA and Mississippi River Country.
- 5) Marketing efforts are conducted in conjunction with international airline partners Northwest/KLM and the United States Travel and Tourism Administration, the federal agency for international travel promotion.

Travel from Canada is expected to decline through 1997 due to the decreasing value of Canadian currency relative to U.S. currency. This causes the cost for Canadian visitors to U.S. destinations to increase, discouraging travel to Minnesota and the U.S., in general.

OTHER FACTORS AFFECTING PERFORMANCE:

Factors that affect international travel include world and regional economic and political health and stability airline service, pricing, terrorism, international relations, catastrophic events, currency exchange rates, and national and international media coverage, competition from other states and development of new major attractions. Similarly, support by Minnesota tourism entities also influences travel to Minnesota. Other factors that have affected growth include the increase in non-stop airline flights connecting Minnesota to international locations and a weak dollar in comparison to foreign currency.

AGENCY: Trade and Economic Development, Department of
PROGRAM: 02 - Office of Tourism

OBJECTIVE, MEASURE

Objective 4: Expand exposure of Minnesota as a travel destination in regional, national and international broadcast and media.

Measure (1): Amount of coverage generated in regional, national and international media.
--

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Value of Media Space	NA	NA	NA	\$600,000	\$650,000	\$700,000

NA=Not Available

DEFINITION, RATIONALE, DATA SOURCE:

Media contacts handled by Office of Tourism staff range from providing brief information to extensive research. Familiarization tours are a tool used to provide travel media on assignment with first hand experience in Minnesota. Travel industry partners provide accommodations, meals and admissions as well as providing local information. Numerous requests for slides and film are handled and these Minnesota images appear in a wide range of publications and productions.

Contacts with media are recorded by staff on tracking forms. The forms identify the purpose of and information provided to each contact. Media hosted by the Office on familiarization tours in turn provide the Office with copies of resulting articles and broadcast programs as part of the condition for participating in the tours. The value of media coverage is measured by applying the cost equivalent for securing similar coverage through paid advertising. A standard practice in the industry is to retain a service to clip articles and monitor broadcast exposure, however, it is cost prohibitive for the Office of Tourism to purchase such services. Therefore, there may be many more articles covering Minnesota than the Office of Tourism includes in this estimate.

DISCUSSION OF PAST PERFORMANCE:

The media program has both responsive and proactive components. Numerous members of the travel media contact the Office of Tourism for information on features or columns. Major events hosted by Minnesota in 1992 including the Superbowl, NCAA Final Four, the International Special Olympics and the opening of the Mall of America in August of 1992 has led to unprecedented media interest in Minnesota as a travel destination both nationally and internationally. The Office of Tourism is now tracking both by number of contacts with the travel media and identifying a value of press coverage which will enable the Office to better evaluate program effectiveness, as well as determine fiscal and human resource allocation.

PLAN TO ACHIEVE TARGETS:

To achieve the targets for this measure, the Office of Tourism plans to:

1. Conduct a proactive schedule of familiarization tours in conjunction with the Minnesota tourism industry.
2. Expand instate print and media coverage by providing weekly radio broadcasts, sending information to travel, feature and sports writers and proactively contacting media.
3. Coordinate special media events such as the Governor's Fishing Opener and the Governor's Snowmobile Ride.

4. Establish ongoing methods of communication with potential media including targeted mailings, sales calls, newsletters and contacts through trade associations and journals.
5. Service requests for information and assistance from individual media working on Minnesota assignments.
6. Provide technical assistance to areas in Minnesota in developing media programs.

OTHER FACTORS AFFECTING PERFORMANCE:

Working with the media is labor intensive and the ability to respond to opportunities is directly tied to the staff time available to respond and to proactively develop programs.

AGENCY: Trade and Economic Development, Department of
 PROGRAM: 02 - Office of Tourism

OBJECTIVE, MEASURE

Objective 5: Utilize organizational partnerships to generate nonresident travel expenditures to Minnesota or retain travel dollars of Minnesotans within the state and encourage incremental spending by travelers in the state.

Measure (1): Sales tax revenue generated through organizational partnerships.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Sales Tax Revenue from Organizational Partnerships	NA	NA	\$1,230.0	\$1,641.0	\$1,557.0	\$1,557.0

NA = Not Applicable
 See discussion of past performance

Measure (2): Cash and in-kind dollars contributed by partnerships.

Actual Performance (\$ in thousands)	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Regional Programs	569.6	571.8	569.0	600.0	600.0	600.0
Revenue	143.9	207.3	241.0	523.0	493.0	493.0
Joint Venture/ Partnerships	1,591.9	1,107.3	717.4	544.0	519.0	519.0
Corporate Contributions	1,129.9	2,678.9	2,058.1	2,000.0	2,000.0	2,000.0
TOTAL	3,435.3	4,565.3	3,605.5	3,667.0	3,612.0	3,612.0

Revenue based on receipts.
 Private sector involvement will exceed \$2 million.

DEFINITION, RATIONALE, DATA SOURCE:

This objective includes the Organizational Partnership Program; ongoing partnerships with stakeholders; legislatively mandated partnerships, marketing partnerships with corporate and travel related affinity business stakeholders and participation of tourism businesses to provide resources for marketing efforts.

The ability to generate travel to Minnesota is a combined effort of the Office of Tourism and the travel industry throughout the state. Partnerships can enhance the outcome with increased coordination and exposure while reducing duplication and expenditures.

Tax revenue generated by partnerships is a measure of the success of these activities in generating tourism related income and, in turn, taxes in the State.

Measurement of sales tax generated is based on the following standard impacts: Meetings and Conventions - expenditure per day, including lodging - \$140 per day. Group Tour - for one day/with lodging \$118 per person; one day/no lodging \$67 per person (from National Tour Association); standard for individual travelers is estimated at expenditures of \$40

per person, per day. Average party size is 3.5 people according to the spring/summer survey. Other measurements will be considered if appropriately documented.

Actual data is provided for years FY 1992 through FY 1994. FY 1995 through FY 1997 are targets.

The Tourism Office is required by statute to generate \$2 million annually from partnership contributions, of which up to 50 percent can be in-kind. The second measure directly addresses this requirement. State deposits, contract match requirements or project by project calculations of in-kind value are compiled and are contained in a state match report which is prepared annually.

DISCUSSION OF PAST PERFORMANCE:

Measure 1:

For FY 1992 and FY 1993, the organizational partnership program performance related to the generation of matching funds by local communities or areas. It was broken into separate funding programs, including Destination Marketing Organizations, Local Organizations, Statewide Organizations (FY 1992 only), and in FY 1992, the NCAA Men's Final Four and the Superbowl were included. In FY 1993, Traverse de Sioux was included as a separate appropriation.

In FY 1994, the organizational partnership program was restructured to allow partnership proposals to be submitted on a year-around basis. Both cash and services were allowed as a state resource, rather than sole reliance on cash. The outcome/performance measures for the program were revised to focus on a minimum of a return of the money requested from the state in the form of sales tax, with a goal of a 3/1 return to the state. A separate appropriation for FY 1994 provided funding of up to \$300,000 to the Women's Final Four. A special appropriation of \$25,000 for the Lake Superior Center Authority was included in FY 1994 and FY 1995, as well as \$30,000 for the World Ringette Championships in FY 1994. The Office administers a grant to the Minnesota Film Board.

Measure 2:

To develop maximum private sector involvement in tourism, \$2,000,000 of the amounts appropriated for marketing activities are contingent upon receipt of an equal contribution of nonstate sources that have been certified by the commissioner. Up to one half of the match may be given as in-kind contributions. This appropriation may not be expended until the money is matched. The Office of Tourism has always exceeded this requirement.

PLAN TO ACHIEVE TARGETS:

The Office plans to establish, implement and measure partnerships on a national, statewide, regional and local level.

Regional partnerships focus on marketing and are subject to the same measurements as other marketing initiatives of the Office of Tourism. They also contribute to the required match.

Coordinate with statewide organizations and state agencies to share information and reduce duplication.

OTHER FACTORS AFFECTING PERFORMANCE:

All partnerships are dependent upon reaching agreement with an organization outside of the Office of Tourism. They are dependent upon all partners willingness to coordinate efforts and reduce duplication, which goes beyond the measurement of sales tax generated in determining successful performance. All factors that effect statewide marketing efforts, such as economy, weather, etc., also influence local partnership performance in generating travel expenditures.

AGENCY: Trade and Economic Development, Department of
PROGRAM: 02 - Office of Tourism

OBJECTIVE, MEASURE

Objective 6: Customers are satisfied with the Office of Tourism's information and service.

Measure (1): Customers satisfaction rating.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Target Rating*	NA	NA	NA	8.0	8.3	8.5

* Ongoing surveys of customers on a scale of 1-10, with 10 meaning "Strong Agreement" with statement on overall satisfaction with service.

NA = Not Available

DEFINITION, RATIONALE, DATA SOURCE:

The Office of Tourism's primary product is information and its delivery. If the Office can produce a positive experience by matching customers' needs to appropriate destinations or activities, and meet or exceed expectations, the customer is likely to have a satisfying Minnesota travel experience, become a repeat visitor and become a positive source of information about Minnesota by telling others about the experience. Thus, the customer satisfaction rating is a measure of the performance or success of the services provided by the Office.

The specific components of the customer satisfaction surveying and monitoring were developed in 1994 and will be implemented as a regular part of a performance reporting system. The surveys will continuously measure performance by site and by delivery system and allow evaluations of trends, changes in delivery practices and other factors.

Detailed data on customer satisfaction with Office services, will be provided through independent survey of randomly selected customers.

DISCUSSION OF PAST PERFORMANCE

Over the years, the Office has made efforts to determine levels of customer satisfaction but the effort has been limited to snapshot surveys which measure only one location or service at a given point in time. In 1994, the Office began a continuous program of measuring customer satisfaction and relating changes in satisfaction levels to performance activities and expectations. Customers are selected at random following the information delivery transaction and their reactions compiled into a customer satisfaction index for each location and program which delivers information to customers.

PLAN TO ACHIEVE TARGETS:

To achieve the target levels of customer service index, the Office will further define customer needs by surveying customers and staff to determine what information customers need, as well as how and when they want it delivered. New programs will be developed to gather or otherwise acquire and interpret, verify, organize and package information customers need. Emphasis will be placed on the perishable nature of some information. Information will be formatted so it is readily converted between electronic, voice, visual and hard copy formats. Development of data information systems that provide quick retrieval for staff and customers is also necessary.

Information will be delivered in ways that are timely and meet customer needs. Customer needs will be analyzed including needs for in-person voice, print, electronic, and disabled accessible formats. Investigation of alternative delivery programs and formats will continue in cooperation with partners while operating a continuously improving network of

delivery sites and programs. Integration of the Office's customer service units group will continue so information flows easily and quickly among them and to customers. Improvement of the present publication inventory system will insure accurate timely delivery of needed publications to distribution sites.

OTHER FACTORS AFFECTING PERFORMANCE:

Customer satisfaction demands awareness of trends in customer needs. Currently identified trends include the need for quicker delivery of information through technological and presentation formats not previously utilized. Fax on demand, computer networks, voice mail, audio text, interactive video kiosks are rapidly coming into tourism information delivery systems.

Vacation trends are toward shorter but more frequent trips with shorter planning cycles. Information must be more current and delivered in shorter time periods. Autumn and winter travelers are more likely to select destinations only a few days before departure and need updated information on snow conditions, fall color and lodging vacancy.

SUMMARY

AGENCY: Trade & Economic Development, Department of
PROGRAM: 03 - Minnesota Trade Office

EXPENDITURES AND STAFFING (F.Y. 1994)

(\$ in Thousands)

Total Expenditures:	\$ 2,096	2.4% of Agency's budget
From State Funds	\$ 2,069	
From Federal Funds	\$ 27	
 Number of FTE Staff:	 29	 14%

PROGRAM GOALS:

The goal of the Minnesota Trade Office (MTO) is to increase employment through:

- increasing Minnesota business export (M.S. 116J.966, subd. 1).
- attracting foreign direct investment to the State (M.S. 116J.966, subd. 1 (a)(9)).

DESCRIPTION OF SERVICES:

The Minnesota Trade Office program is comprised of five service functions: Information Services; Education/Training; Export Finance; Marketing/Export Counseling; and International Information Network. These functions deliver the following services:

International business library service. The MTO international business library provides a source of focused export information to private and public sector customers and facilitates delivery of international information to other libraries in the state. As a result, the service positions Minnesota at the high-end of economic competitiveness.

Publications. The MTO produces trade-related directories featuring specific industry sectors (e.g. AgriSource, Environmental Protection) and international business service providers. In addition, MTO publishes an international trade statistics factbook about Minnesota.

International business education service. The MTO provides formal basic export training workshops and seminars to increase company export-related knowledge, skills and abilities. These training opportunities, delivered throughout Minnesota, are offered approximately twice a week.

Finance service. The MTO, through the Minnesota Export Finance Authority, provides Minnesota exporters with financial assistance through working capital loan guarantees and risk insurance.

Export finance counseling service. The financial counseling service provides Minnesota businesses with information on matters related to export-financing, including how to structure payments terms, foreign exchange, accessing federal financing programs, reducing transaction risk, etc.

Agent/Distributor service. The agent/distributor service provides Minnesota businesses with lists of potential agents/distributors for their products in specific international markets.

Introduction to foreign buyer/investor service. The MTO introduces Minnesota companies to foreign buyers/investors travelling to Minnesota who have an interest in the companies' products or services.

On-call counseling service and specific inquiry service. The on-call counseling service and specific inquiry service provide Minnesota businesses with one-on-one resources in developing marketing plans, pricing strategies and export logistic assistance.

Trade missions. The MTO organizes trade missions to foreign countries, linking Minnesota businesses with international buyers.

Trade and catalog show service. The MTO coordinates presentations of Minnesota businesses at international market shows.

Export outreach service. The export outreach service delivers MTO services to businesses in the six Initiative Fund regions throughout Minnesota.

Minnesota international information network service. The Minnesota international information network service utilizes a network of representatives throughout the world to assist Minnesota companies in establishing contact with international buyers in foreign locations.

BACKGROUND INFORMATION:

International Trade					
	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>Percent Change 1991-1993</u>	
				<u>MN</u>	<u>U.S.</u>
Minnesota Manufactured Exports (\$ in billions) ¹	5.974	6.662	6.913	16%	12%
	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>Percent Change 1989-1991</u>	
				<u>MN</u>	<u>U.S.</u>
Minnesota Employment in Foreign Owned Mfg. Establishments ²	28,900	31,900	34,200	18%	9%

SOURCE: ¹ U.S. Department of Commerce, University of Massachusetts at Amherst (MISER).

² U.S. Department of Commerce, Bureau of Economic Analysis "Foreign Direct Investment in the United States: Operations of U.S. Affiliates of Foreign Companies," June 1994.

In 1993, Minnesota's exports of manufactured goods rose 3.7 percent over the previous year for a total of \$6.9 billion, trailing U.S. growth of 5.1 percent. Minnesota's manufactured exports accounted for 1.6 percent of all U.S. manufactured exports. Per capita manufactured exports increased 2.9 percent from \$1,487 in 1992 to \$1,530 in 1993, while the U.S. per capita growth increased by 4.0 percent during the same period.

Due to tracking difficulties, the Federal government does not provide accurate state of origin statistics for agricultural exports. The U.S. Department of Agriculture has estimated exports of agricultural products from Minnesota, including both agricultural commodities and processed food products, for 1993 to be approximately \$1.99 billion.

According to the U.S. Department of Commerce, every \$1 billion in exports accounts, directly or indirectly, for approximately 23,000 jobs. In Minnesota, export income may generate up to 200,000 jobs, based on this estimate.

Like investments in Minnesota by U.S. firms located outside the state, foreign direct investment (FDI) is a source of additional capital for Minnesota's industries. Capital investment, regardless of the source, can increase Minnesota's economic capacity and create employment.

In 1991, 34,200 Minnesota workers were employed by foreign-owned manufacturing firms. (Foreign-owned firms are defined as businesses with direct or indirect ownership of 10 percent or more of the voting securities of an incorporated business by individuals or companies of a foreign country.) Between 1989 and 1991, Minnesota's manufacturing employment in foreign-owned companies grew by 18 percent, as compared to an increase of nine percent nationwide.

PROGRAM DRIVERS:

There are many factors which affect the performance of the Minnesota Trade Office. In addition to the quality and effectiveness of MTO services, Minnesota's job growth related to exports and foreign direct investment are driven by: 1) swings in the national and global economies; 2) the diversity of our economy; 3) the level and quality of the state's infrastructure; 4) available natural resources; 5) productivity levels; 6) currency valuations (eg., strength of the dollar); 7) availability and skill of labor; 8) availability of investment capital; 9) quality of product; 10) training of work force; 11) local business climate; 12) tariffs and taxes. All of these factors combine to drive and influence Minnesota's ability to successfully grow jobs through competition in the global economy.

AGENCY: Trade & Economic Development, Department of, Minnesota Trade Office
PROGRAM: 03 - Minnesota Trade Office

OBJECTIVE, MEASURE

Objective 1: To increase overall export-related results attributed to MTO services.

Measure (1): Total number of export-related results attributed by companies to MTO services.
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Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Total Number of Export Results	2,589	5,082	N/A	5,605	5,825	6,100

DEFINITION, RATIONALE, DATA SOURCE:

The Minnesota Trade Office promotes, facilitates and delivers export services to Minnesota businesses. Our services, which contribute to the State's overall export success, are measured every 12-18 months through a survey of MTO clients.

This survey, started in 1989 with the assistance of the Urban Institute, is designed to measure "customer satisfaction" with MTO services and the "export effectiveness" of the services. This evaluation was not yet undertaken in 1994 for 1993 performance.

"Customer satisfaction" ratings are customers' grading of the quality characteristics of an MTO service (timely, relevant, accurate and professionally rendered) on a rating scale of 1) poor; 2) fair; 3) good; 4) excellent. This evaluation aids the MTO in assessing the quality of services delivered and in determining if we are "doing things right".

"Export effectiveness" is measured by the proportion of MTO customers who achieve an export-related result and attribute it, at least in part, to the receipt of an MTO service. Export-related results include: 1) decisions to export; (2) developing an export marketing strategy or plan; (3) making a foreign market contact; 4) signing an international agent or distributor; (5) beginning exporting; 6) increasing exports of current products to current markets; 7) exporting new products/services; 8) exporting to new countries; 9) adding new export-related jobs; and 10) signing a license or joint venture agreement. The survey asks MTO clients to rate whether a particular MTO service contributed to the firm's export result by a rating scale of: 1) did not occur; 2) none; 3) some; 4) a lot; 5) was essential; 6) don't know. This information provides an outcome measure for assessing the effectiveness of the services delivered.

"Total Number of Export Results" is the total number of export results achieved by the MTO from all services described above, where customers attributed the result, at least in part, to receipt of those services.

These two measurements -- customer satisfaction and export effectiveness -- are referenced throughout the following objectives. They provide an important source of information to the MTO, particularly when coupled with macro-economic data, target workload and cost goals, semi-annual objective reviews and other forms of customer feedback.

DISCUSSION OF PAST PERFORMANCE:

The growth in export-related results attributed to the services of the MTO is consistent with the State's economic growth. National trends reflect an increasing reliance by business on export to increase sales. The MTO serves Minnesota businesses through a matrix of thirteen services, each evaluated in the following sections. The ability of the MTO to deliver the services generating the above rating required the skills of international business consultants in: finance, international marketing, international education, international information and outreach.

PLAN TO ACHIEVE TARGETS:

To achieve the above aggregate objective -- 10 percent increase in export-related results attributed to MTO services -- will require achieving the Objectives 2 through 12 for each MTO service described in detail in the following sections of this chapter. The ability of the Minnesota Trade Office to help Minnesota businesses achieve export-related results can be increased through partnerships with the World Trade Center Corporation and other public and private business service providers.

OTHER FACTORS AFFECTING PERFORMANCE:

Macro-economic factors, availability of financing, company expertise, and the competitiveness of the company's product all play a role in helping a company achieve an export result.

AGENCY: Trade and Economic Development, Department of
PROGRAM: 03 - Minnesota Trade Office (MTO)

OBJECTIVE, MEASURE

Objective 2: To increase export-related results attributed to MTO library services while meeting target cost goals and maintaining past customer satisfaction ratings and increasing customers served.

Measure (1): Library service workload (customers served), export effectiveness (contribution to export result), customer satisfaction ("good to excellent") ratings, and target cost goals.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Library customers	4,200	2,800	5,400	5,520	5,640	5,640
*Export effectiveness	57%	83%	NA	80%	80%	85%
Customer satisfaction	90%	93.1%	NA	90%	95%	95%

Target costs: \$5 per outside information contact plus staff support.

*Percent of customers achieving export results that attribute it to MTO services.

DEFINITION, RATIONALE, DATA SOURCE:

The MTO international library provides a source of focused export information to private and public sector, international information to other libraries in the State, and positions Minnesota at the high-end of economic competitiveness. Businesses need information and intelligence in developing and pursuing an export market strategy. The international library provides this information.

"Export effectiveness" is the percent of customers reporting that they achieved an export result, attributable at least in part to the MTO Library service. "Customer satisfaction" is the percent of customers reporting that they were satisfied with the Library service. The data is collected through client survey. Data for FY 1992 and FY 1993 are actual data. FY 1995 through FY 1997 are projections.

DISCUSSION OF PAST PERFORMANCE:

The MTO library service, initiated in March 1990, is the Minnesota's leading international business reference library. Its holdings are frequently referenced by small, medium and large corporations seeking both regulatory and market research information. Research training sessions offered to businesses, coupled with the advent of the National Trade Data Bank (CD-ROM) disk and an MTO-copyrighted users' manual have contributed to the past performance of the library.

PLAN TO ACHIEVE TARGETS:

The need for better quality data, accessed as needed, requires a reassessment on how to improve company access to data through electronic means. The timeliness of data is also becoming more important. The MTO is exploring continued acquisition and resale of AXES (Accelerated Export Enhancement Systems) information to supplement the information contained in the library. MTO will increase the capacity of this service to serve a greater number of customers.

OTHER FACTORS AFFECTING PERFORMANCE:

The quality and availability of the data collected by the federal government affects the quality of information that can be provided by the Library to Minnesota businesses. In addition, information costs have increased six percent per year in the past four years, and are expected to continue to increase.

AGENCY: Trade and Economic Development, Department of
 PROGRAM: 03 - Minnesota Trade Office (MTO)

OBJECTIVE, MEASURE

Objective 3: To increase export-related results attributed to MTO publications while meeting target cost goals and maintaining past customer satisfaction ratings and publication distribution.

Measure (1): Publication service workload (domestic and international distribution of publications), export effectiveness (contribution to export result), customer satisfaction ("good to excellent") ratings, and cost/unit goals.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Domestic distribution	7,000	5,000	5,000	5,000	5,000	5,000
International distribution	175	200	200	200	250	300
*Export effectiveness	63%	71%	NA	65%	70%	75%
Customer satisfaction	83%	91.5%	NA	85%	90%	90%

Target costs: \$.50 per contact.

*Percent of customers achieving export results that attribute it to MTO services.

DEFINITION, RATIONALE, DATA SOURCE:

The MTO produces trade-related directories featuring specific industry sectors (eg., AgriSource, Environmental Protection), international business service providers and trade data. Directories featuring Minnesota products/companies permit international buyers to identify and consider Minnesota-produced products and services. "Distribution" is the number of publications delivered to customers. This measure provides an indication of the output of the program and indirectly will help Minnesota businesses improve their export operations. "Effort-effectiveness" and "Customer satisfaction" data are discussed under Objectives 1 and 2.

Data on export effectiveness and customer satisfaction is obtained by direct survey.

DISCUSSION OF PAST PERFORMANCE:

The MTO has been successful in developing industry directories to promote Minnesota business internationally (e.g. the Medical Alley Directory). This success has required private sector leadership, a commitment to exploring new markets, and funding.

PLAN TO ACHIEVE TARGETS:

The MTO has established a target of 75 percent of MTO clients reporting export results from publications by 1997.

The MTO will establish honorary representatives, encourage international trade show participation, increase publication distribution, improve targeting, and, possibly utilize industry cost participation to increase export-related results due to MTO publication service.

OTHER FACTORS AFFECTING PERFORMANCE:

The cost of producing and distributing publications is the main factor affecting MTO's performance in this measure. The cost of printing paper and distribution is rising each year. Without increased resources, targets will not be met.

AGENCY: Trade and Economic Development, Department of
 PROGRAM: 03 - Minnesota Trade Office (MTO)

OBJECTIVE, MEASURE

Objective 4: To increase export-related results attributed to MTO education services while meeting target cost goals and maintaining past customer satisfaction ratings and courses offered.

Measure (1): Education service workload (courses offered), export effectiveness (contribution to export result), customer satisfaction ("good to excellent") ratings, and target cost goals.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Courses offered	NA	94	96	100	100	100
*Export effectiveness	70%	80.6%	NA	70%	75%	75%
Customer satisfaction	81%	99.6%	NA	85%	90%	90%

Target Costs: \$28 per educated exporter.

*Percent of customers achieving export results that attribute it to MTO services.

DEFINITION, RATIONALE, DATA SOURCE:

MTO conducts formal basic export training workshops and seminars to increase company export-related knowledge, skills and abilities. These training opportunities are offered throughout the state, on average, twice a week. "Courses offered" is the output measure for this program and is defined as the total number of workshops and seminars provided by the MTO. "Export-effectiveness" and "Customer satisfaction" are discussed in Objectives 1 and 2.

DISCUSSION OF PAST PERFORMANCE:

Between 1987-1990, the MTO's primary international education focus was on export promotion. This focus provided the MTO with a steady stream of interested, non-exporting companies. In 1991, the MTO launched its Export Tools and Techniques course -- a three-day nuts and bolts course for companies interested in beginning to export. This course, coupled with country marketing seminars, met the increasing demand for new-to-export companies.

PLAN TO ACHIEVE TARGETS:

To achieve the targeted results, the MTO has begun to work in tandem with the Minnesota World Trade Center Corporation to identify and fill the gaps which exist in the evolving international business education arena. With the increasing sophistication and fragmentation of the marketplace, it is imperative to develop high quality lists of potentially interested businesses for marketing education offerings. Cost reductions may be possible through the use of two-way audio-visual communications systems and improved product marketing.

OTHER FACTORS AFFECTING PERFORMANCE:

The ability and capacity of participating businesses to apply the training they receive is beyond the control of the MTO.

AGENCY: Trade and Economic Development, Department of
 PROGRAM: 03 - Minnesota Trade Office (MTO)

OBJECTIVE, MEASURE

Objective 5: To increase export-related results attributed to MTO loan guarantee service while meeting target cost goals, increasing customer satisfaction and increasing loan guarantees.

Measure (1): Loan guarantee service workload (numbers of loan guarantees), export effectiveness (contribution to export results), customer satisfaction ("good to excellent") ratings, and target cost goals.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Loan guarantees	6	11	19	25	25	25
Export effectiveness	26%	66.7%	NA	80%	85%	85%
Customer satisfaction	71%	85.7%	NA	85%	90%	90%
Dollars Export (\$ in millions)	\$4.9	\$2.6	\$6.5	\$3.0	\$3.0	\$4.5

Target costs: \$.012 per export dollar increased.

*Percent of customers achieving export results that attribute it to MTO services.

DEFINITION, RATIONALE, DATA SOURCE:

The MTO's Finance Program provides Minnesota exporters with pre-export loan guarantees through the Minnesota Export Finance Authority. With the loan guarantees, Minnesota exporters will enhance their ability to export, and therefore, help increase the revenues from exports. The number of loans guaranteed provides a measure of the activity level or output of the program. "Export-effectiveness" and "Customer Satisfaction" are described in Objectives 1 and 2. Data for FY 1992 - FY 1994 is actual. FY 1995 through FY 1997 are program targets.

DISCUSSION OF PAST PERFORMANCE:

Demand for export financing has shown consistent growth over the past three years (FY 1992 through FY 1994).

PLAN TO ACHIEVE TARGETS:

In order to meet growing demand, the Minnesota Export Finance Authority will build partnerships with the Ex-Im Bank and the Small Business Administration (SBA) by establishing City/State partner designation.

OTHER FACTORS AFFECTING PERFORMANCE:

A variety of factors, including interest rates, federal export promotion activities, and banking regulations, affect the demand for and performance of the MTO's finance program.

AGENCY: Trade and Economic Development, Department of
PROGRAM: 03 - Minnesota Trade Office (MTO)

OBJECTIVE, MEASURE

Objective 6: To increase export-related results attributed to MTO finance counseling service while meeting target cost goals, maintaining customer satisfaction ratings and increasing financial counseling.

Measure (1): Finance counseling service workload (counseling sessions), export effectiveness (contribution to export result), customer satisfaction ("good to excellent") ratings, and target cost goals.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Counseling sessions	NA	354	NA	400	440	440
*Export effectiveness	38%	73.1%	NA	80%	85%	85%
Customer satisfaction	81%	95.8%	NA	85%	90%	90%

Target costs: Zero. Program costs charged to loan guarantee program (Objective 5).

*Percent of customers achieving export results that attribute it to MTO services.

DEFINITION, RATIONALE, DATA SOURCE:

The MTO provides financial counseling to Minnesota exporters. The counseling helps businesses overcome such hurdles to exporting as payment terms, credit insurance, foreign exchange, credit reports, etc. The counseling will improve exporters' management of their export operation and, therefore, help increase their export sales. The number of counseling sessions provides a measure of the output or activity of the program. "Export-effectiveness" and "Customer satisfaction" are outcome measures and are described in Objectives 1 and 2. Data for FY 1992 through FY 1994 is actual data, while FY 1995 through FY 1997 are program targets.

DISCUSSION OF PAST PERFORMANCE:

The MTO experienced difficulty in keeping accurate records for the number of sessions conducted. Both "Export-effectiveness" and "Customer satisfaction" improved from FY 1992 to FY 1993.

PLAN TO ACHIEVE TARGETS:

To help achieve the targets, the MTO will establish partnerships with the SBA and Ex-Im Bank to provide additional resources (see Objective 5).

OTHER FACTORS AFFECTING PERFORMANCE:

AGENCY: Trade and Economic Development, Department of
PROGRAM: 03 - Minnesota Trade Office (MTO)

OBJECTIVE, MEASURE

Objective 7: To increase agent/distributor lists distributed while meeting target cost goals measuring customer satisfaction.

Measure (1): Agent/distributor workload (listings provided to customers), export effectiveness (contribution to export results), customer satisfaction ("good to excellent") ratings, and target cost goals.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Agent/distributor lists	1,424	4,309	NA	5,500	6,000	6,500
*Export effectiveness	55%	84.8%	NA	55%	60%	65%
Customer satisfaction	NA	NA	NA	65%	70%	70%

Target costs: \$4.50 per client consulted.

*Percent of customers achieving export results that attribute it to MTO services.

DEFINITION, RATIONALE, DATA SOURCE:

MTO's agent/distributor service provides Minnesota businesses with lists of potential agents/distributors for their products in specific international markets. These lists are typically generated from the National Trade Data Bank (NTDB). The number of lists generated provides a measure of the output or activity of the service. "Export-effectiveness" and "Customer satisfaction" are described in Objectives 1 and 2. FY 1992 through FY 1994 is actual data, while FY 1995 through FY 1997 are program targets.

DISCUSSION OF PAST PERFORMANCE:

Agent and distributor lists, initially difficult to obtain and disseminate, became widely available with the introduction of the NTDB. Agent/distributor lists generated from federal data sources took several days to compile three years ago. Today, with access to the NTDB lists can be generated in a matter of minutes. However, the quality of the agent/distributor contacts varies greatly and needs to be improved.

PLAN TO ACHIEVE TARGETS:

The quality and timeliness of the NTDB data must be supplemented with additional data sources. The MTO, through the development of the AXES database, may be able to increase the number of potential candidates. This could be supplemented by soliciting additional contacts from Minnesota's International Information Network (MIIN). Increasing the number of listings provided to customers will require assessing existing capacity and client account practices. Honorary representatives are also an excellent resource to help MTO "qualify" distributors.

OTHER FACTORS AFFECTING PERFORMANCE:

Staff's capacity to manage this 34 percent increase in workload is unknown. Thus, staff resource constraints may constrain service delivery.

AGENCY: Trade and Economic Development, Department of
PROGRAM: 03 - Minnesota Trade Office (MTO)

OBJECTIVE, MEASURE

Objective 8: To increase foreign buyer meetings while meeting target cost goals and maintaining customer satisfaction.

Measure (1): Introduction to foreign buyer service workload (meetings), export effectiveness (contribution to export related results), customer satisfaction ("good to excellent") ratings, and target cost goals.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Foreign buyer meetings	NA	NA	NA	50	100	110
*Export effectiveness	38%	71.7%	NA	40%	45%	45%
Customer satisfaction	75%	90.5%	NA	80%	85%	85%

Target costs: \$50 per foreign buyer contact.

*Percent of customers achieving export results that attribute it to MTO services.

DEFINITION, RATIONALE, DATA SOURCE:

Foreign officials occasionally make buying trips to the United States to make government purchases, especially of technological equipment such as computers and pollution control devices. The federal government also hosts visits of foreign buyers and through its Foreign Commercial Service Office in Minneapolis, coordinates these opportunities with the MTO.

Through this service MTO staff introduce Minnesota companies to foreign buyers traveling to Minnesota. The number of meetings conducted provides an indication of the output or activity of this services. "Export-effectiveness" and "Customer satisfaction" are described in Objectives 1 and 2. FY 1992 through FY 1994 is actual data, while FY 1995 through FY 1997 are program targets.

DISCUSSION OF PAST PERFORMANCE:

The MTO has been able to build on past successful visits, to make several of these annual occurrences (e.g. annual Korean and Taiwanese buying missions).

PLAN TO ACHIEVE TARGETS:

Current level of activity will be doubled by identifying a new sources of incoming delegations. MTO will identify potential buying groups through MIIN, industry and country staff, and Japan External Trade Organization (JETRO) representative residing at MTO. MTO will also increase marketing Minnesota as a destination for buying delegations in collaboration with other organizations.

OTHER FACTORS AFFECTING PERFORMANCE:

Foreign visitors frequently couple their business visits with similar visits to neighboring states and/or travel shopping plans to Minnesota (Mall of America, golf, resorts). The availability of these activities, climate and perception of safety for these visitors impact our ability to attract this opportunity.

AGENCY: Trade and Economic Development, Department of
 PROGRAM: 03 - Minnesota Trade Office (MTO)

OBJECTIVE, MEASURE

Objective 9: To increase on-call and specific inquiry counseling while meeting target costs, maintaining customer satisfaction and export effectiveness.

Measure (1): On-call counseling service (to field general incoming trade-related calls) and specific inquiry service (inquiries and meetings requiring trade specialist) workloads, export effectiveness (contribution to export results) and customer satisfaction ("good to excellent") ratings, and target cost goals.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
*On-call calls resolved		2,000	2,800	3,000	3,000	3,100
Specific inquiries	NA	NA	20,000	20,000	22,000	23,000
**Export effectiveness	64%	76.5%	NA	65%	70%	75%
Customer satisfaction	81%	92.7%	NA	85%	90%	90%

Target costs: \$3 per trade-related on-call call; \$14 per specific counseling inquiry.

*Export effectiveness and customer satisfaction data are not available for this service.

**Percent of customers achieving export results that attribute it to MTO services.

DEFINITION, RATIONALE, DATA SOURCE:

MTO's on-call counseling service and specific inquiry service provide Minnesota businesses with one-on-one assistance in developing marketing plans, pricing strategies and export logistics. The number of calls or inquiries handled provides a measure of the level of activity or output from this service. "Export-effectiveness" and "Customer satisfaction" are described in Objectives 1 and 2. FY 1992 through FY 1994 is actual data, while FY 1995 through FY 1997 are program targets.

DISCUSSION OF PAST PERFORMANCE:

The MTO created the on-call service to provide immediate response to MTO customers in 1993. Since its creation, the skill level of the staff in responding to inquiries has increased, as have the number of calls handled each year.

PLAN TO ACHIEVE TARGETS:

The specific inquiry and on-call services are day-to-day maintenance activities at the MTO. It may be necessary to develop a distributive phone network or institute low-level screening to better relay and resolve these calls. The MTO has undertaken a project to prioritize customers as part of DTED's 1994 Quality Initiative. This project should help establish appropriate response materials and reduce time needed to respond to some inquiries, allowing MTO staff to meet the projected increase.

OTHER FACTORS AFFECTING PERFORMANCE:

This service is responsive to customer demands. The volume of calls varies on any given day which affects the performance (i.e., timeliness) of the MTO. The quality of the MTO response to these calls is tied to the quality of information available to MTO staff.

AGENCY: Trade and Economic Development, Department of
 PROGRAM: 03 - Minnesota Trade Office (MTO)

OBJECTIVE, MEASURE

Objective 10: To increase export-related results attributed to MTO trade missions, and show and catalog services while meeting target cost goals, measure customer satisfaction and increase trade missions and shows.

Measure (1): Trade mission, show and catalog service workload (events), export effectiveness (contribution to export results), customer satisfaction ("good to excellent") ratings, and target cost goals.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Missions and shows	5	4	13	18	22	26
*Export effectiveness	35%	57.2%	NA	45%	50%	55%

Target costs: \$2 per contact at trade show; \$1,200 per trade mission.

*Percent of customers achieving export results that attribute it to MTO services.

DEFINITION, RATIONALE, DATA SOURCE:

The MTO uses trade missions to assist Minnesota businesses in linking with international buyers. MTO's trade and catalog show service presents Minnesota companies and products at international market shows. Increased international exposure of Minnesota businesses and their products increases their export opportunities, and therefore, will ultimately result in increased export sales. The number of shows and missions provides a measure of the activity or output of this service. "Export-effectiveness" is described in Objectives 1 and 2. FY 1992 through FY 1994 is actual data, while FY 1995 through FY 1997 are program targets.

DISCUSSION OF PAST PERFORMANCE:

The MTO's workload for the trade mission/show service has increased sharply, since MTO initiated cost recovery from participating businesses. Participating businesses pay for the cost of the trade show booth and part of staff costs. Cost recovery improves the quality and commitment of participating businesses and permits the MTO to increase the number of trade shows attended, resulting in improved service outcomes.

PLAN TO ACHIEVE TARGETS:

The MTO will continue to participate in proven international shows and to evaluate new shows and shows in emerging markets in order to achieve targets.

OTHER FACTORS AFFECTING PERFORMANCE:

Other states subsidize trade shows. MTO customers, while valuing the experience, question why Minnesota does not support trade shows to the same degree.

AGENCY: Trade and Economic Development, Department of
 PROGRAM: 03 - Minnesota Trade Office (MTO)

OBJECTIVE, MEASURE

Objective 11: To increase export-related results attributed to MTO export outreach service while meeting target cost goals, increasing site visits and measuring customer satisfaction.

Measure (1): Export outreach service workload (site visits), export effectiveness (contribution to export results), customer satisfaction ("good to excellent") ratings, and target cost goals.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Site visits	240	300	600	650	720	800
*Export effectiveness	NA	NA	NA	50%	55%	55%
Customer satisfaction	NA	NA	NA	70%	75%	75%

Target costs: \$50 per client visit.

*Percent of customers achieving export results that attribute it to MTO services.

DEFINITION, RATIONALE, DATA SOURCE:

The export outreach service delivers MTO technical assistance to the six Initiative Fund regions in order to serve business customers throughout Minnesota. The number of site visits provides a measure of the activity level of the service. "Export-effectiveness" and "Customer satisfaction" are described in Objectives 1 and 2. FY 1992 through FY 1994 is actual data, while FY 1995 through FY 1997 are program targets.

DISCUSSION OF PAST PERFORMANCE:

The formation of specific service territories in 1990 was finalized and implemented in 1992 and regional teams began making site visits to Greater Minnesota in 1993. This initiative provides businesses throughout Minnesota with access to all MTO services. Where appropriate, the MTO has entered into agreements with regional services providers/economic developers in rendering export assistance to Minnesota businesses.

PLAN TO ACHIEVE TARGETS:

Increasing team site visits, realigning client account structure, and streamlining on-call/inquiry service to increase staff capacity will allow MTO to meet its goals for this service.

OTHER FACTORS AFFECTING PERFORMANCE:

Collaboration with other public/private business service providers (e.g. MWTCC, Duluth Port Authority, IRRRB) can improve access to MTO customers.

AGENCY: Trade and Economic Development, Department of
 PROGRAM: 03 - Minnesota Trade Office (MTO)

OBJECTIVE, MEASURE

Objective 12: To increase export-related results attributed to Minnesota's International Information Network service while meeting target cost goals, increasing customer satisfaction and clients served.

Measure (1): Minnesota International Information Network workload (clients served), export effectiveness (contribution to export results), customer satisfaction ("good to excellent") ratings, and target cost goals.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Clients served	NA	NA*	NA	960	1,200	1,300
**Export effectiveness	33%	NA*	NA	40%	45%	45%
Customer satisfaction	79%	NA*	NA	80%	85%	85%

Target costs: \$40 per client serviced; \$.75 per Minnesota impression; \$250 per advice/strategic recommendation

*Program funding eliminated for FY.

**Percent of customers achieving export results that attribute it to MTO services.

DEFINITION, RATIONALE, DATA SOURCE:

The Minnesota International Information Network is a network of selected individuals living abroad who volunteer their time to assist the Minnesota Trade Office and its customers in entering or expanding in foreign markets. These Honorary Representatives, generally business leaders working for Minnesota companies, work on an expense-only basis. The number of clients served provides a measure of the output or activity of this service. "Export-effectiveness" and "Customer satisfaction" are described in Objectives 1 and 2. FY 1992 through FY 1994 is actual data, while FY 1995 through FY 1997 are program targets.

DISCUSSION OF PAST PERFORMANCE:

The total number of clients served has not been tracked to-date. Specific MTO requests for assistance have driven past performance. In countries where MTO has requested service, the honorary representatives have responded well. However, little effort has been made to-date to proactively deliver these services.

PLAN TO ACHIEVE TARGETS:

In order to increase utilization of these services, the MTO will improve on-going communication and linkages with existing Honorary Representatives. In addition, the MTO will establish a representative in Mexico.

OTHER FACTORS AFFECTING PERFORMANCE:

The availability of qualified candidates to work on an expense-only basis is limited. It is difficult for honorary representatives to compete with states with full-time representation and advertising budgets.