

970079



ance Report

Department of
Trade and Economic
Development

1996

JK
6135
.A56
1996
TED

AGENCY PERFORMANCE REPORT

1996

RECEIVED

JAN 31 1997

LEGISLATIVE REFERENCE LIBRARY
STATE OFFICE BUILDING
ST. PAUL, MN 55155

TRADE & ECONOMIC DEVELOPMENT

Final Format Prepared : November 22, 1996

TABLE OF CONTENTS

	PAGE NO
AGENCY SUMMARY	1
AGENCY EXPENDITURE SUMMARY	5
Program: BUSINESS/COMMUNITY DEVELOPMENT	6
Program: MINNESOTA TRADE OFFICE	59
Program: OFFICE OF TOURISM	79
APPENDIX	105

The Department of Trade and Economic Development is organized under M.S. 116J into three programmatic areas or divisions: 1) Business and Community Development; 2) the Minnesota Trade Office; and 3) the Office of Tourism; and two support divisions, the Information and Analysis Division (IAD) and the Administrative Support Division (ASD).

As suggested by the Legislative Auditor ("Comments on the Department of Trade and Economic Development's 1993 Draft Performance Report"), the department's performance report includes outcome measures for only the three programmatic divisions which focus on outcomes outside the department. The two internal support divisions utilize aspects of outcome measurement for internal management purposes. Descriptions of the department's five divisions follow:

PROGRAMMATIC DIVISIONS

The Business and Community Development Division (BCD) has five major program activities: 1) The Business Development and Finance Office assists business with their expansion and location needs, especially in targeted industries; 2) The Minnesota Job Skills Partnership (MJSP) provides grants to educational institutions to design curricula to meet unique training needs of Minnesota businesses; 3) The Office of Community Finance provides financial assistance to communities for community development projects; 4) The Office of Regional Initiatives provides departmental outreach, and delivers development capacity building services to communities and regional development organizations; and 5) The Small Business Assistance Office provides technical assistance and information to Minnesota businesses.

The Minnesota Trade Office (MTO) promotes, facilitates and develops international trade activity for small and medium-sized Minnesota businesses through export education programs; international export counseling; export financing; and a variety of information services. The MTO also works with the Business and Community Development Division to locate, identify and respond to foreign direct investment opportunities.

The Office of Tourism (MOT) markets Minnesota's travel-related products and services; provides joint venture marketing partnerships with local and regional organizations 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.

SUPPORT DIVISIONS

The Information and Analysis Division (IAD) and the Administrative Support Division (ASD) provide support to the three operating divisions. IAD provides centralized communication, marketing, research, analysis, program evaluation and governmental liaison services to support the department's programmatic divisions, Advantage Minnesota and the Competitiveness Task Force. ASD offers administrative, fiscal, human resources, and information/computer services.

The Department of Trade and Economic Development does not propose major statutory changes at this time. In principle, the department continues to support using market forces and incentives where possible to encourage productivity and efficiency improvements in the department.

The department has aggressively placed a strong emphasis on increasing program efficiency and effectiveness through organizational changes, strategic planning, and technology:

-- Late in FY 1996, services in three key areas -- information management, research and analysis, and communications -- were centralized to more efficiently support the department's three programmatic operating divisions: Business and Community Development; Minnesota Trade Office; and the Minnesota Office of Tourism. The Information and Analysis Division now houses research, analysis and communications, while the Administrative Support Division is home to the new Information Management Office. The productivity and efficiency gains resulting from these reorganizations continue to yield improved outcomes.

-- The department is continuing its development and review of strategic plans, at both the department and division level. These efforts have resulted in further refinement and integration of the department's goals and strategies. This process identified 18 department strategies, including leveraging resources through partnerships; improving systems for client feedback and outcome measurement; and improving access and performance of programs through technology. The department believes that these departmental and divisional strategies, goals, and activities will improve staff productivity and program effectiveness, efficiency and outcomes. Quality in services, products, and work systems continues to be a priority.

-- Technology is increasingly used to improve program outcomes. Computer systems including Tourism's "Journey" Travel Planning Service, and Business and Community Development's electronic Community Profiles ("DYLAN") were introduced in FY 1996 and will significantly improve the ability of the department to service prospective travelers and businesses seeking site location assistance. DTED is also utilizing the Internet to improve access to department programs and services, and the new Web page has been positively received.

DTED's Quality Improvement Measurement Team and staff from unrepresented divisions and employee associations (MMA and AFSCME) were designated to review the agency's 1994 performance report and to provide leadership in improving the department's process for reporting performance.

The team reviewed a number of background materials including:

- "1994 DTED Agency Performance Report;"
- Publications from the Office of the Legislative Auditor including "Comments on the 1994 Annual Performance Report," "State Agency Use of Customer Satisfaction Surveys," and "State Grant and Loan Programs for Businesses;" and,
- Other correspondence with the Office of the Legislative Auditor.

After reviewing these materials, the team met with a program evaluator from the Legislative Auditor's Program Evaluation Division. The program evaluator offered suggestions on how to enhance the report, including improving the objective and mission statements, and providing additional national and state level trend statistics in the background section.

In May 1996 the team drafted a nine-page document of recommendations. Divided into four sections, it offered general comments and specific recommendations for each of DTED's three program divisions (Business and Community Development, Minnesota Trade Office, Office of Tourism). These recommendations served as guidelines to those charged with developing DTED's 1996 performance report. The department sees the report as an important tool in achieving continuous improvement.

Date : November 22, 1996

Agency Expenditure Summary

F.Y. 1996

NAME	(in thousands \$)	% of \$	FTE	% of FT
AGENCY: TRADE & ECONOMIC DEVELOPMENT	\$65,120	100.0%	231	100.0%
PROGRAM: INFORMATION & ANALYSIS	\$0	0.0%	25	10.6%
PROGRAM: BUSINESS/COMMUNITY DEVELOPMENT	\$52,005	79.9%	67	29.0%
PROGRAM: MINNESOTA TRADE OFFICE	\$2,458	3.8%	28	12.2%
PROGRAM: OFFICE OF TOURISM	\$8,700	13.4%	79	34.0%
PROGRAM: ADMINISTRATIVE SUPPORT	\$1,957	3.0%	33	14.2%

Agency : TRADE & ECONOMIC DEVELOPMENT

Program : BUSINESS/COMMUNITY DEVELOPMENT

EXPENDITURES AND STAFFING :

	<u>(\$ in Thousands)</u>	<u>Percent of Department</u>
Total Expenditure	\$52,005	79.86%
From Federal Funds	\$30,083	
From Special Revenue Funds	\$4,288	
General	\$17,629	
From Gift Funds	\$5	
Number of FTE Staff:	67	29.01%

GOALS :

The Business and Community Development Division has five goals to support the department's mission and goals:

- Facilitate start-up and growth of businesses in Minnesota, especially small businesses, by providing information and technical assistance, and by coordinating the state's response to business expansion opportunities. (M.S. 116J.58, 116J.61)
- Help make communities viable and accommodate job growth by investing in livable housing, public infrastructure and functional business districts. (M.S. 116J.551, 116J.980)
- Stimulate job growth and private investment by providing financing stimulus to new and expanding businesses. (M.S. 116J.8731, 116M, 116N.08, 116J.876, 116J.617)
- Build stronger communities and regions by enhancing their capacity to plan and undertake appropriate economic development activities. (MS. 116J.980)
- Enhance businesses' ability to operate and grow in Minnesota by developing a trained workforce. (M.S. 116L)

Each of these goals is captured within the department's mission and four goals.

DESCRIPTION OF SERVICES :

The mission of the Business and Community Development Division 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, BCD administers programs for business financing, technical

assistance, business information and location assistance. In addition, the division provides infrastructure financing, technical assistance and capacity-building programs to Minnesota communities. The division works closely with DTED's other major programs, especially the Minnesota Trade Office (MTO). The MTO and BCD coordinate the attraction of international investment in the state when the project involves expansion or relocation of a business facility.

The division has five main program areas:

- 1) The Office of Business Development and Finance responds to business inquiries about expansion and relocation opportunities in Minnesota. The office's four industry specialists and general site location specialists help foster the growth of jobs, revenue, and investments in their specific industry groups: Computer and Electronic Components, Forest Products, Health Services and Medical Products, and Printing and Publishing. The office works with other state and local economic development organizations, including Advantage Minnesota and Minnesota Technology, to promote Minnesota's location advantages and to expand Minnesota's economic base through business relocations and expansions. The Office also provides financial assistance to businesses to encourage capital investment and job growth in Minnesota. Programs include the Minnesota Investment Fund Program, the Small Business Development Loan Program, the Capital Access Program and the Tourism Loan Program.
- 2) The Minnesota Job Skills Partnership (MJSP) provides information, technical assistance and grant assistance to develop and provide education and training for employees of Minnesota businesses. MJSP provides grants to educational institutions to design curricula programs to meet the unique and specific training needs of Minnesota businesses. The MJSP grant is matched by businesses to develop the training program.
- 3) The Office of Community Finance operates programs 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 drinking water capacity and commercial rehabilitation. Programs for rural housing and other infrastructure needs are financed through the federal Small Cities Development Program. The office administers the Contamination Cleanup Program, which is designed to return unusable property to productive industrial, commercial or residential uses, and federal flood assistance monies to rural communities hit hardest by the 1993 flood. The Minnesota Public Facilities Authority (PFA) assists communities in meeting their wastewater and drinking water needs. The PFA manages a \$450 million "AAA/Aaa" 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. It is currently drafting rules to implement the Drinking Water Revolving Loan Fund for 1997 implementation.
- 4) The Office of Regional Initiatives provides services to communities and other local economic development providers, including Regional Development Commissions, WomenVenture and MEDA, to assist in job creation and community development. Assistance includes organizational development, strategic planning, and business prospect proposal development as well as customized economic development training through conferences, seminars and workshops. The office also administers the Minnesota Challenge Grant and Urban Initiatives Programs which are designed to assist businesses located in the 80 counties outside the Twin Cities area and distressed areas within the Twin Cities metropolitan area. The Office is also home to the DYLAN Database which features community profiles and property information to assist businesses in location decisionmaking.
- 5) The Small Business Assistance Office serves as the point of first contact for business information and technical assistance from DTED. The office provides "one-stop information" and counseling on business

planning, licensing, marketing, financing, and regulatory questions. The office produces free publications on a variety of business topics. The statewide network of 21 Small Business Development Centers, part of the Small Business Assistance Office, provides one-on-one counseling and consulting services to businesses throughout Minnesota.

BACKGROUND INFORMATION INTRODUCTION

Since the 1990-1991 recession, the Minnesota economy has shown strength and vitality with the addition of more than 200,000 net new jobs between 1991 and 1995. Minnesota's employment grew more than 11 percent during this period, significantly faster than the national rate of about 8 percent. Despite accounting for only 1.8 percent of the nation's population, Minnesota accounted for 2.7 percent of the nation's new jobs during this period.

Improvements in the state's business climate have played an important role in Minnesota's recent strong economic performance. With these business climate improvements and the expanding economy, BCD programs have had the opportunity since 1991 to assist thousands of businesses with information, technical assistance, and training services. Hundreds were provided financial assistance to facilitate their expansions or improve business operations. In fact, many of these businesses attribute their improved business operations and thousands of new jobs, in part, to DTED services. Although BCD's services focus on high-valued added industries like manufacturing, computer services or health care services, BCD programs are offered to diverse businesses spanning the economy.

Manufacturing is one focus of BCD programs because it is critical to a healthy economy. Not only is the manufacturing sector the largest source of Gross State Product (21%) and wage income (24%) in the state, manufacturers bring new income into the region by exporting products to other states or nations, and pay above-average wages. In fact, the average 1994 salary in the manufacturing sector was \$34,390, about 30 percent above the statewide average for all sectors. Wages in other high value-added industries (e.g., computer services, \$40,943 and engineering and management services, \$36,708) were even higher.

Many of Minnesota's high valued-added sectors expanded strongly during the 1991 - 1995 period. For example, the manufacturing sector grew nearly 8 percent and added nearly 31,000 jobs. In comparison, manufacturing employment nationwide grew by .3 percent over this same period. As a result, despite accounting for about 1.8 percent of the nation's population, Minnesota accounts for about 2.3 percent of the nation's manufacturing employment.

This strong growth has affected Minnesota communities throughout the state. During the 1980s, most small towns were coping with population loss and a declining economic base, and larger towns and cities struggled to accommodate economic and population growth. Although the most rapid population growth continues to be in the outlying suburban areas of the state's metropolitan areas, the growth rate between 1990 and 1993 slowed in these areas. Rural areas, especially regional trade centers, are experiencing strong population growth and improving economic conditions. In fact, according to the State Demographer's Office, 55 percent of cities with populations less than 2,500 actually grew during this period. Despite the population growth in rural areas, the rural population declined in 36 counties, particularly in the farming areas of southern and western Minnesota between 1990 and 1993.

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. As an economic development

TRADE & ECONOMIC DEVELOPMENT

1996 Agency Performance Report

agency, DTED is working to help communities adjust to these challenges and changing conditions. The department's programs and services are designed to work with and through communities rather than directly through businesses.

The section below provides some data on BCD's operating environment. Because many factors contribute to employment growth, the success of BCD's limited programs and services should not be tied directly to overall economic indicators, but rather to the performance of each program relative to the departmental and divisional goals.

BACKGROUND INFORMATION :

MEASURE TYPES: ACTIVITIES (A), EFFICIENCY (E), OUTPUT (O), OUTCOMES (OC), OTHER DATA (OD), UNIT COSTS (UC), WORKLOAD (W)

DATA BASED ON: CALENDAR YEAR (CY), FISCAL YEAR (FY), FEDERAL FISCAL YEAR (FFY), BIENNIAL YEARS (BY)

Type	Based	Measure	1994-95	1995-96
EMPLOYMENT DATA				
OD	CY	Minnesota Total Employment (thousands)	2,310	2,374
OD	CY	U.S. Total Employment (thousands)	114,172	117,203
OD	CY	Minnesota Employment Growth	3.0%	2.8%
OD	CY	U.S. Employment Growth	3.1%	2.7%
MANUFACTURING EMPLOYMENT DATA				
OD	CY	Minnesota Mfg. Employment (thousands)	415	426
OD	CY	U.S. Manufacturing Employment (thousands)	18,321	18,468
OD	CY	Minnesota Manufacturing Employment Growth	2.0%	2.7%
OD	CY	U.S. Manufacturing Employment Growth	1.4%	.8%
SOURCE: U.S. Department of Labor and Minnesota Department of Economic Security.				
BUSINESS ACTIVITY DATA				
OD	CY	Minnesota Business Birth Rate (1990 - 1994)	42.5%	N/A
OD	CY	U.S. Business Birth Rate (1990 - 1994)	47.5%	N/A
OD	CY	Minnesota Business Births	13,337	13,236
OD	CY	Minnesota Business Terminations	10,011	9,119
OD	CY	Minnesota Major Business Expansions	3,791	3,518
OD	CY	Minnesota Major Business Contractions	3,159	2,882
SOURCE: U.S. Small Business Administration and Minnesota Department of Trade and Economic Development.				
SELECTED BCD ACTIVITIES				
W	CY	Number of SBDC Counseling Hours	27,750	33,900
W	CY	Number of Small Cities Proposals Received	84	105
W	CY	Number of Part I Assistance Applications Received	481	500

O	CY	Number of Electronically-Accessible Community Profiles ("DYLAN")	N/A	220
---	----	--	-----	-----

N/A = Data not available for indicated year.

PROGRAM DRIVERS :

Several factors affect BCD services and are considered 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 job losses and increased business failures. During these periods, BCD's business and community clients seek assistance with job retention and support for improving their competitiveness.

Demographic and population shifts -- As discussed in the Description of Services section, business growth and population changes in rural areas and cities can result in labor shortages, housing shortages and inadequate infrastructure capacity. Economic dislocation and hardship result in areas that have experienced business slowdowns and population declines.

Availability of credit -- Both national and local credit conditions directly affect business conditions and business demand for BCD services. Although the availability of both debt and equity financing is currently strong in the state, capital markets nationwide became very tight as lenders responded to spreading bank failures in the 1980s. Any lack of capital in certain regions of Minnesota for industrial projects or equity investments could constrain growth in the region.

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

Federal/State regulations and policy -- Federal trade policy, such as NAFTA and GATT, directly impact 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.

Incentives -- State and local competition for business expansion and new plants has grown fierce. Governments outside Minnesota are offering businesses a wider variety of incentives and incentive packages are getting larger. As states increasingly offer incentives, Minnesota businesses often look to the state and local governments for assistance.

Goal 1 : Facilitate start-up and growth of businesses in Minnesota, especially small businesses, by providing information and technical assistance, and by coordinating the state's response to business expansion opportunities.

Objective 1 : Improve operations and contribute to the growth of Minnesota's small businesses through technical assistance by achieving CY 1999 targets for SBDC outcome and cost effectiveness measures.

Measure 1 : Percent of clients that achieve stated outcome and attribute it at least to "some" SBDC services, and direct program cost per hour of counseling.

	<u>C.Y.1993</u>	<u>C.Y.1994</u>	<u>C.Y.1995</u>	<u>C.Y.1996</u>	<u>C.Y.1997</u>	<u>C.Y.1998</u>
Obtained financing						
Actual	31.1%	71.0%	77.0%			
Target	N/A	N/A	N/A	77.0%	77.0%	77.0%
Added employees						
Actual	39.4%	48.0%	51.1%			
Target	N/A	N/A	N/A	51.1%	51.1%	51.1%
Developed business plans						
Actual	73.8%	82.1%	87.7%			
Target	N/A	78.0%	78.0%	85.0%	85.0%	85.0%
Improved understanding of regulations and policies						
Actual	72.4%	71.8%	89.1%			
Target	N/A	75.0%	75.0%	80.0%	80.0%	80.0%
Increased in cash flow						
Actual	45.1%	52.2%	55.0%			
Target	N/A	50.0%	50.0%	55.0%	55.0%	55.0%
Direct (cash) program costs per hour of SBDC counseling						
Actual	N/A	\$88.16	\$73.17			
Target	N/A	\$90.00	\$90.00	\$75.00	\$75.00	\$75.00

DEFINITION :

The Small Business Assistance Office seeks to reduce the cost of obtaining information for potential, new, and existing small businesses by offering one-to-one counseling through Small Business Development Center (SBDC) services on business planning, financing, marketing, regulation and other areas of business management and operation.

Each indicator within this measure is the percent of clients who reported on the annual SBDC client survey that they achieved the indicated improvement in their business operations or business condition, and that SBDC program services had at least "some" contribution to this improvement. The SBDC annual survey asks clients the extent to which SBDC counseling contributed to each achieved business improvement, i.e. "significant," "some" or "little or no" contribution.

"Direct (cash) program cash costs per hour of SBDC counseling" represents the actual dollars funding the program (federal dollars and matching dollars provided by the state and the SBDC centers) divided by the hours of counseling provided.

For some outcomes, targets were not established until CY 1995 to ensure that a better base of historical performance data could be used to establish realistic targets. In these cases, "N/A" indicates that the target had not yet been established.

RATIONALE :

The outcomes selected as performance measures are the best indicators of program effectiveness and are closely aligned with DTED's mission and goals and the goals of the SBDC program. The unit cost measure is a good measure of the cost effectiveness of the service.

DATA SOURCE :

Detailed data on SBDC outcome measures is obtained by conducting an annual survey of all clients served by the SBDCs during the previous calendar year. The response rate for calendar year 1992 was 52.9 percent, 50.9 percent for 1993, 46.1 percent for 1994, and 43.9 percent for 1995. Statistical tests indicate that there was no significant statistical difference between the 1995 respondent sample and the overall population (i.e., the sample responses are representative of the overall client population). Despite this statistical testing, the department is concerned about the decline in the response rate and is studying ways to improve the rate. The survey and testing methodology used, and a detailed definition of each measure, can be obtained from the report of the survey results.

Data on SBDC funding and counseling hours provided are maintained in program files.

DISCUSSION OF PAST PERFORMANCE :

The SBDC program has been very aggressive in utilizing annual surveys to measure performance. Targets were established for most outcomes in 1993; some targets were not established until 1995 to ensure that realistic outcome targets could be established.

The SBDC program achieved a 22 percent increase in hours of counseling provided between 1994 and 1995 (27,754 in 1994 and 33,900 in 1995) with no increase in funding. Despite this workload increase, every program outcome indicator measure has improved and generally has exceeded established targets. Moreover, funding based on individual center productivity reduced direct program costs per hour of SBDC counseling 23 percent between 1994 and 1995.

PLAN TO ACHIEVE TARGETS :

The SBDC program strives for continuous improvements in serving its clients and to reach outcome measure targets. For example, the office uses the annual client survey results to evaluate and monitor program performance and, when necessary, to take timely corrective actions.

As part of the annual client survey, the SBDC program also conducts a needs assessment to establish the number and kind of services most needed by clients with high growth and job creation potential. Program services are then directed to these areas.

OTHER FACTORS AFFECTING PERFORMANCE :

Demand for sophisticated business management assistance continues to grow as small businesses face increased competitive pressures. Federal and state resources for the SBDC program have not increased to keep pace with demand, however. In order to more effectively utilize public dollars and better address the department's mission, beginning in 1995, the SBDC program initiated a strategy of targeting its counseling assistance to existing, growing companies with a significant potential for job creation. Most pre-venture individuals are served in less labor-intensive group settings. This shift toward targeting SBDC services appears to be improving program performance. Because one-on-one counseling is more costly, however, this strategy will require cash resources in order to significantly affect program performance in the future. Also, the direct (cash) cost per hour depends on the mix of cash and noncash match provided by the participating centers.

Goal 1 : Facilitate start-up and growth of businesses in Minnesota, especially small businesses, by providing information and technical assistance, and by coordinating the state's response to business expansion opportunities.

Objective 2 : To annually distribute at least 100,000 business publications to Minnesota businesses.

Measure 1 : Number of business assistance publications published and distributed to Minnesota businesses.

	<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>	<u>F.Y.1998</u>
Number of business publications published and distributed						
Actual	N/A	82,000	89,000	N/A		
Target	N/A	N/A	N/A	100,000+	100,000+	100,000+

DEFINITION :

The Small Business Assistance Office assists in reducing the cost of obtaining information for potential, new and exiting small businesses by publishing and distributing, free of charge, publications which address topics and issues related to small business success.

The number of individual publications offered by the office has increased from eight in 1994, to nine in 1995 and to 12 in 1996. The two most requested publications are "A Guide to Starting a Business in Minnesota" and "An Employers Guide to Employment Law Issues in Minnesota." This measure does not include the subscriptions to, and distribution of, the monthly publication "Small Business Notes."

"N/A" indicates that data is not available. For this measure, targets were not established until FY 1996 until a better base of historical performance data could be used to establish realistic targets.

RATIONALE :

The measure used above identifies the number of publications distributed in response to requests from the public. While this is an output measure rather than an outcome measure, the application of Bayes Theorem allows the volume of demand to be an identifier of the utility of these publications to the user. (See also the Plan to Achieve Targets section below.)

DATA SOURCE :

Mailing records of the department.

DISCUSSION OF PAST PERFORMANCE :

Specific Small Business Assistance Office's publications (e.g., "A Guide to Starting a Business in Minnesota," "A Guide to Intellectual Property Protection," "An Employer's Guide to Employment Law Issues in Minnesota") have evidenced substantial on-going demand over the years since their initial publication (in the case of "A Guide to Starting a Business in Minnesota," for example, demand has been steady at around 50,000 copies per year).

Other publications respond to particular economic issues (e.g., formation and operation of joint ventures) and have less persistent demand. The current level of 12 publications is at, or close to, the maximum number of publications given the office's financial resources.

Most significant is the fact that the office has the franchise on such publications in Minnesota (i.e., there are no public or private organizations providing such texts).

PLAN TO ACHIEVE TARGETS :

The Small Business Assistance Office's (SBAO) targets are in response to demand for subject specific information. Production and purchasing procedures put in place in FY 1996 allow for just-in-time printing of publications and changes in topics, numbers, and schedules. In addition, beginning in FY 96 SBAO increased the buying power available to it through use of the department's indirect cost recovery pool from the federal government. This allows for an approximate 30 percent increase in funds available for production of publications.

It is important to remember, however, that in terms both of economic theory and practical application the demand for the office's publications is perfectly elastic (i.e., the market will consume all we can produce). Further production (of new topics and increased numbers of current publications) will involve new funds not presently part of the department's budget planning.

OTHER FACTORS AFFECTING PERFORMANCE :

Changing business, legal and economic conditions create the need for continuous amending and updating of publications.

Goal 1 : Facilitate start-up and growth of businesses in Minnesota, especially small businesses, by providing information and technical assistance, and by coordinating the state's response to business expansion opportunities.

Objective 3 : To annually visit 400 businesses and provide technical assistance to at least 87 projects that will create 2,000 jobs and invest \$175 million.

Measure 1 : Number of businesses visited; number of assisted projects; percent of assisted projects selecting Minnesota for expansion or relocation; number of jobs created or retained by assisted projects; and capital investment from assisted projects.

	<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>	<u>F.Y.1998</u>
Number of business outreach visits						
Actual	N/A	N/A	350	500		
Target	N/A	N/A	N/A	400	400	400
Number of assisted projects						
Actual	N/A	260	294	352		
Target	N/A	N/A	300	300	325	325
Number of assisted projects selecting a Minnesota site						
Actual	N/A	70	112	74		
Target	N/A	N/A	81	81	87	87
Percent of assisted projects selecting a Minnesota site						
Actual	N/A	27%	38%	21%		
Target	N/A	N/A	27%	27%	27%	27%
Number of jobs created						
Actual	N/A	940	2,590	2,430		
Target	N/A	N/A	1,000	1,000	2,000	2,000
Value of capital investment (millions)						
Actual	N/A	\$30	\$148	\$209		
Target	N/A	N/A	\$50	\$70	\$175	\$175

DEFINITION :

The Office of Business Development and Finance and the Office of Regional Initiatives are responsible for bringing together state and local resources to assist in business retention, expansion, and relocation opportunities. The department has identified industries to strengthen the state's economic base and the department's targeted industry specialists help foster and facilitate the growth of jobs, revenues and investment in their specific industry. Types of technical assistance provided include site location, factor cost analysis, market/sales opportunities, solutions and opportunities involving sources and processes, etc. The department learns of business expansions/relocation opportunities through proactive business visits, referrals from external sources (e.g., economic development officials, businesses, etc.) and internal referrals (e.g., Minnesota Trade Office foreign direct investment opportunities). The definition of terms used above are below:

"Number of business outreach visits" is the number of businesses proactively contacted by DTED staff to introduce DTED services and identify how the department might assist them.

"Number of assisted projects" is the number of business expansion or relocation projects staff assisted that may or may not have resulted in a Minnesota site expansion or relocation.

"Number of assisted projects selecting a Minnesota site" is the number of actual projects that staff assisted which actually resulted in a Minnesota expansion or relocation.

"Percent of assisted projects selecting a Minnesota site" is derived by dividing "Number of assisted projects selecting a Minnesota site" by "Number of assisted projects."

"Number of jobs created" represents those jobs created by assisted businesses.

"Value of capital investment" is the total Minnesota investment made by the expanding or relocating businesses provided technical assistance by DTED.

"N/A" indicates that data is not available. For some performance outcomes and activities, a better base of historical information was needed before targets could be established. As a result, targets were not established for some performance outcomes prior to FY 1994 and FY 1995. Moreover, because some performance measures were new, they were not tracked prior to FY 1994.

RATIONALE :

These measures reflect the department's proactive outreach visit strategy and technical assistance efforts with businesses. "Number of assisted projects" and "Number of business outreach visits" provide measures for the program's output. "Number of assisted projects selecting a Minnesota site," "Number of jobs created or retained," and "Value of capital investment" are outcome measures which help determine the success of the program in meeting Goal 1 and are closely tied to divisional and departmental goals. "Percent of assisted projects selecting a Minnesota site" indicates the effectiveness and efficiency of the department's technical assistance activities.

DATA SOURCE :

Detailed data on these measures is collected by departmental staff through client applications and project progress reports. Beginning in FY 97, this data will be stored in DTED's Integrated Data Base.

DISCUSSION OF PAST PERFORMANCE :

Most performance measures were not developed or maintained for this work unit prior to FY 1994. Performance data was first collected on the business outreach visits in FY 1995. Since FY 1994, this work unit has been very successful and has exceeded most target measures in FY 1995 and FY 1996. During these two years, this program has assisted in the creation of more than 5,000 jobs and \$350 million in capital investment.

Three key factors help explain this impressive performance. First, DTED's proactive business outreach visit strategy increased the visibility of DTED staff and programs to Minnesota businesses, which resulted in an increase in the number of expansion opportunities for DTED staff to influence and facilitate. Second, Minnesota's economy experienced rapid growth in 1995, resulting in an above-average number of expansion opportunities. Third, an increase in the number of staff working on business issues and an improved knowledge base improved the ability of the department to work with more businesses.

The measures above may include some duplication from the department's financial assistance programs. However, because most businesses receiving technical assistance do not receive financial assistance from DTED, most of the job creation data cited in this section is not duplicative of the job creation data cited in the financial assistance performance report section.

PLAN TO ACHIEVE TARGETS :

The Office of Business Development and Finance will achieve its outcome targets through increased outreach services, more knowledgeable staff, continued strong partnership with other state and local economic development organizations, and enhanced marketing materials developed by DTED's Information and Analysis Division. Expanding numbers of prospects generated will result in increased expansion and investment in Minnesota.

OTHER FACTORS AFFECTING PERFORMANCE :

The economy, tax climate, and availability of capital are just a few of the business site location factors that 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, business retention and crisis counseling activities increase.
- Minnesota's state-imposed costs also can impact the types of businesses served and the types of service provided. Higher taxes tend to thwart growth and increase the need for retention activities, while tax decreases or stability tend to promote growth and expansion.
- Capital is needed by businesses to expand. If there is a shortage of capital, or if higher interest rates occur, then expansion opportunities diminish.
- Other factors like labor shortages, infrastructure and financial incentives are examples of other factors that may affect program performance.

Goal 2 : Help make communities viable and accommodate job growth by investing in livable housing, public infrastructure and functional business districts.

Objective 1 : To reach FY 1999 PFA targets for wastewater projects, contribution from funding sources and tax savings to local governments.

Measure 1 : Number of wastewater projects funded, amount and source of funding and local tax savings.

	<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>	<u>F.Y.1998</u>
Number of projects funded						
Actual	14	29	30	23		
Target	N/A	N/A	30	20	30	30
Amount funded through SRF (millions)						
Actual	\$25.9	\$41.3	\$80.3	\$42.5		
Target	N/A	N/A	\$84.0	\$45.0	\$75.0	\$75.0
Amount funded through WIF (millions)						
Actual	N/A	N/A	N/A	\$4.7	\$15.0	\$10.0
Target	N/A	N/A	N/A	N/A	\$15.0	\$10.0
Amount provided for non-point pollution programs (millions)						
Actual	N/A	N/A	\$15.5	\$18.5		
Target	N/A	N/A	\$15.5	\$18.5	\$11.5	\$17.0
Amount funded through other funding programs (millions)						
Actual	N/A	N/A	\$3.6	\$8.0		
Target	N/A	N/A	\$4.0	\$4.0	\$4.0	\$4.0
Local tax savings (millions)						
Actual	\$9.6	\$10.7	\$12.4	\$20.7		
Target	N/A	N/A	\$16.5	\$9.0	\$20.0	\$20.0

DEFINITION :

The 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, and the Once-Through Cooling Conversion Loan Program to preserve groundwater resources. The PFA also provides funding to state agencies to implement non-point source pollution programs. The terms used above are defined below:

"Number of projects funded" is the number of actual wastewater projects funded by the Public Facilities Authority (PFA) through its various funding programs.

"Amount funded through SRF" refers to the value of Water Pollution Control Revolving Fund loans made to municipalities for the construction of wastewater and storm water facilities, and the value of funding provided from the same fund to Department of Agriculture (DOA) for their Agricultural Best Management Practices Loan Program; the Pollution Control Agency (MPCA) for the Clean Water Partnership loan programs, and the Department of Trade and Economic Development for two different individual on-site treatment loan programs.

"Amount funded through WIF" is the value of deferred loans provided through the Wastewater Infrastructure Funding Program for high cost wastewater projects and the Once-Through Cooling Conversion Loan Program to preserve ground water resources.

"Amount funded for non-point source pollution programs" is the value of funding used to create local loan programs to help homeowners, farmers and tourism-related lodging facilities reduce non-point source pollution. The PFA is on a two-year pilot study using programs at the MPCA, DTED and DOA.

"Amount funded through other funding programs" is the value of funding obtained through other local, state, and federal agencies to contribute to PFA projects.

"Local tax savings" refers to tax savings or user fee savings that result from the difference in interest rates offered by the PFA and a conservative estimated market rate that communities would borrow at if they sold bonds in the market. Any savings generated by interest-free financing during construction are not included. These benefits are in addition to the actual savings realized by using the tax savings.

"N/A" indicates that data is not available. For some performance measures, tracking of some targets and actual performance could not begin until the program was established. For other measures, realistic targets could not be established without a good base of historical performance data.

RATIONALE :

This information provides reliable measures on the impact, scope and quantity of work performed by the PFA. "Number of projects funded" and the amount funded through SRF, WIF and provided for non-point pollution programs are output indicators on overall PFA activities. Since the PFA is required to assist applicants in obtaining complete financing before it can finance projects, "Amount funded through other funding programs" is an outcome measure demonstrating fund leveraging and coordination with other agencies to maximize limited resources. Local tax/user fee savings is another outcome measure which demonstrates how PFA financial assistance directly benefits local communities through tax savings.

DATA SOURCE :

Detailed data is gathered by program staff and maintained in internal project record files.

DISCUSSION OF PAST PERFORMANCE :

Several recent events affected the PFA's ability to provide financing to communities. The 1993 and 1994 flooding drastically reduced the amount of construction activity in the program. In 1996, the Met Council did not obtain financing during the fiscal year which affected the PFA since the Met Council historically has funded between five and 18 different projects and spent between \$20-\$65 million on capital improvement projects each year.

PLAN TO ACHIEVE TARGETS :

The Federal Government needs to continue providing funding for the SRF program in order for it to fund non-point pollution projects. The Federal grant for 1997 is \$11.5 million and all will be distributed to non-point programs.

The newly revised Wastewater Infrastructure Funding Program received \$17.5 million which has generated interest by many communities that previously would not have proceeded with construction projects due to high costs. We anticipate some continued growth in small unsewered communities, especially lakeshore areas, seeking funding for municipal systems. The Met Council is expected to continue using PFA financing on an "as needed" basis for their capital improvement programs.

The PFA targets are projections based on anticipated demands and assumptions that the legislature will continue its support by: authorizing an increase in bonding authority for the PFA (to continue to pool local bonds into a single issue without forcing communities to wait for needed project financing); continue to provide state matching funds to capture federal capitalization grants (to continue to subsidize the interest rates provided communities through the loan programs); and provide additional funding for the Wastewater Infrastructure Funding Program at \$10 million annually.

Finally, the PFA will need to continue receiving staff support from the Department of Trade and Economic Development to maintain the extremely well-managed Clean Water SRF program and maintain its "AAA/Aaa" bond ratings which minimizes the borrowing costs of funds.

OTHER FACTORS AFFECTING PERFORMANCE :

The Authority has been able to finance all wastewater projects that have been ready to proceed with construction and have received certification by the MPCA. MPCA's ability to conduct the reviews with limited resources is a major factor in the PFA's ability to finance projects. The general economic conditions and interest rates are the next most important factors in meeting PFA targets.

Goal 2 : Help make communities viable and accommodate job growth by investing in livable housing, public infrastructure and functional business districts.

Objective 2 : To reach FY 1999 PFA targets for drinking water program in terms of projects, funding, leveraged funding and local tax savings.

Measure 1 : Number of drinking water projects funded, source and amount of funding and local tax savings.

	<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>	<u>F.Y.1998</u>
Number of drinking water projects funded						
Actual	N/A	N/A	N/A	N/A		
Target	N/A	N/A	N/A	N/A	8	25
Amount funded through drinking water funds (millions)						
Actual	N/A	N/A	N/A	N/A		
Target	N/A	N/A	N/A	N/A	\$20.0	\$60.0
Amount funded through other funding programs (millions)						
Actual	N/A	N/A	N/A	N/A		
Target	N/A	N/A	N/A	N/A	\$2.0	\$4.0
Local tax savings (millions)						
Actual	N/A	N/A	N/A	N/A		
Target	N/A	N/A	N/A	N/A	\$5.0	\$10.0

DEFINITION :

In 1996, Congress enacted the Drinking Water Revolving Loan Fund and also appropriated funds to capitalize on the state's revolving funds for Fiscal Year 1997. The PFA, in conjunction with the Department of Health, will administer this program. The terms used in the measure are defined below:

"Number of projects funded" is the actual number of drinking water projects funded by the Public Facilities Authority (PFA) with or without funding from other agencies and "Amount funded through drinking water funds" refers to the principle of PFA loans made to local communities for drinking water projects.

"Amount funded through other funds" is the value of funding obtained through other local, state, and federal agencies to contribute to PFA projects and "Local tax savings" is the value of tax/user fee savings to Minnesota residents. Savings are measured by the value of the interest rate subsidy provided by the Authority's low-interest loan financing as opposed to communities obtaining market rates on loans.

"N/A" indicates that data is not available. Since the drinking water program will be initiated in March 1997, targets and actual performance begin in FY 1997.

RATIONALE :

"Number of drinking water projects funded" and "Amount funded through drinking water funds" are output indicators which provide reliable measures on the scope and the quantity of work performed by the PFA. "Amount funded through other funding programs" is an outcome measure demonstrating fund leveraging and coordination with other agencies to maximize limited resources and "Local tax savings" is another outcome measure which demonstrates how PFA financial assistance directly benefits local communities through tax savings.

DATA SOURCE :

Detailed data will be gathered by program staff and maintained through internal project record files.

DISCUSSION OF PAST PERFORMANCE :

Program will start during FY 1997.

PLAN TO ACHIEVE TARGETS :

The PFA, in conjunction with the Minnesota Department of Health, plans to initiate the program in March of 1997 using the \$4 million state match currently available. About \$42.2 million in federal funds is available to Minnesota provided the state can match \$1 for every \$5 of federal dollars provided during fiscal year 1997.

The Drinking Water Program is just beginning and additional staff support from both DTED and the Department of Health will be required to implement this program and keep water rates affordable throughout the state while trying to maintain compliance with the Federal Safe Drinking Water Standards.

OTHER FACTORS AFFECTING PERFORMANCE :

The Authority hopes to finance those drinking water projects that are ready to proceed with construction and have received certification by the Minnesota Department of Health (MDH). MDH's ability to conduct the reviews with limited resources is a major factor in the PFA's ability to finance projects. The general economic conditions and interest rates are the next most important factors in meeting PFA targets.

Goal 2 : Help make communities viable and accommodate job growth by investing in livable housing, public infrastructure and functional business districts.

Objective 3 : To reach the FY 1999 targets for the number of SCDP Program and Contamination Cleanup Program projects funded and amount of awards.

Measure 1 : Number of SCDP Program or Contamination Cleanup Program projects funded.

	<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>	<u>F.Y.1998</u>
Number of water system projects						
Actual	9	9	8	5		
Target	N/A	N/A	9	8	8	8
Number of wastewater system projects						
Actual	6	11	8	6		
Target	N/A	N/A	11	8	8	8
Number of rehabilitated housing unit projects						
Actual	631	950	797	856		
Target	N/A	N/A	852	800	800	800
Number of rehabilitated commercial structure projects						
Actual	127	67	160	213		
Target	N/A	N/A	112	150	150	150
Number of contaminated site cleanup projects						
Actual	N/A	N/A	2	6		
Target	N/A	N/A	2	6	10	10

DEFINITION :

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 Contamination Cleanup Program provides funding to return unusable property to productive industrial, commercial or residential uses.

"Number of projects" is the total number of units funded during the fiscal year for the indicated type of Small Cities Development Program (SCDP) or Contamination Cleanup Program project.

"N/A" indicates that performance data is not available. Because the performance outputs were new in FY 1993, it was difficult to project future program performance for future years without a base of historical data. Targets have since been established for subsequent years. In addition, contaminated site program grants were not awarded until FY 1995.

RATIONALE :

The "Number of projects" provides a measure of the output or activity level of this program.

DATA SOURCE :

Detailed data on these measures is obtained from the program's internal computerized database kept by program staff.

DISCUSSION OF PAST PERFORMANCE :

Each year, the program distributes an estimated \$20 million in SCDP grants and \$3.9 million in Contamination Cleanup grants. SCDP funds are frequently used in conjunction with other public funds to complete a project, including funds administered by the U.S. Rural Development, 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.

Contamination Cleanup funds are used in conjunction with local and private funds to complete cleanup and redevelopment projects. Contamination Cleanup funds may also be used in conjunction with Metropolitan Council polluted site cleanup funds and DTED economic development funds.

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, construction costs continue to escalate. DTED is estimating that any increase in program funds will be offset by increased construction costs. DTED is requesting that Contamination Cleanup biennial funds remain at \$7.8 million.

The Small Cities Development Program is also evaluating the implementation of a customer satisfaction survey. Such a survey instrument will enable program clients to evaluate the program and service and assist staff in improving the program operations. Plans are also underway to study the potential of job creation outcome measures for the Contamination Cleanup Program.

OTHER FACTORS AFFECTING PERFORMANCE :

The availability of funding for both staff and projects dictates the performance of these programs. 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. State budgetary constraints will affect the number of sites benefiting from the Contamination Cleanup program.

Goal 2 : Help make communities viable and accommodate job growth by investing in livable housing, public infrastructure and functional business districts.

Objective 3 : To reach the FY 1999 targets for the number of SCDP Program and Contamination Cleanup Program projects funded and amount of awards.

Measure 2 : Thousands of dollars awarded for SCDP Program or Contamination Cleanup Program projects

	<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>	<u>F.Y.1998</u>
Dollars awarded for water system projects						
Actual	\$2,786	\$2,500	\$3,000	\$2,300		
Target	N/A	N/A	\$3,100	\$3,000	\$3,000	\$3,000
Dollars awarded for wastewater system projects						
Actual	\$1,614	\$3,405	\$2,000	\$2,800		
Target	N/A	N/A	\$2,026	\$3,000	\$3,000	\$3,000
Dollars awarded for rehabilitated housing unit projects						
Actual	\$6,291	\$12,466	\$11,500	\$8,100		
Target	N/A	N/A	\$9,533	\$11,500	\$11,500	\$11,500
Dollars awarded for rehab. commercial structure projects						
Actual	\$2,580	\$1,188	\$2,500	\$2,800		
Target	N/A	N/A	\$1,953	\$2,500	\$2,500	\$2,500
Dollars awarded for contaminated site cleanup projects						
Actual	N/A	N/A	\$1,700	\$3,900	\$3,900	
Target	N/A	N/A	\$1,700	\$3,900	\$3,900	\$3,900

DEFINITION :

See the Definition section under Goal 2, Objective 3, Measure 1 for program background. The "Dollars awarded" is the total dollar amount awarded during a fiscal year for the indicated type of Small Cities Development Program (SCDP) or Contamination Cleanup Program project.

"N/A" indicates that performance data is not available. Because the performance outputs were new in FY 1993, it was difficult to project future program performance for future years without a base of historical data. Targets have since been established for subsequent years. In addition, contaminated site program grants were not awarded until FY 1995.

RATIONALE :

The "Dollars awarded" provide a measure of the output or activity level of this program.

DATA SOURCE :

Detailed data on these measures is obtained from the program's internal computerized database kept by program staff.

DISCUSSION OF PAST PERFORMANCE :

See the Discussion of Past Performance section under Goal 2, Objective 3, Measure 1.

PLAN TO ACHIEVE TARGETS :

See the Plan to Achieve Targets section under Goal 2, Objective 3, Measure 1.

OTHER FACTORS AFFECTING PERFORMANCE :

See the Other Factors Affecting Performance section under Goal 2, Objective 3, Measure 1.

Goal 3 : Stimulate job growth and private investment by providing financing stimulus to new and expanding businesses.

Objective 1 : By FY 1999, the Minnesota Investment Fund Program will annually assist 41 projects (25-state, 16-federal) that will create 2,050 jobs (1,200-state, 850-federal) and meet wage and other investment measures.

Measure 1 : Number of state-funded projects, dollars awarded, job creation and retention, wages and benefits in new jobs and dollars leveraged.

	<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>	<u>F.Y.1998</u>
Dollars awarded (thousands)						
Actual	\$5,314	\$5,771	\$6,038	\$4,897		
Target	N/A	\$5,517	\$5,517	\$6,017	\$5,512	\$5,000
Number of projects						
Actual	29	36	29	21		
Target	N/A	30	30	30	25	25
Proposed job creation						
Actual	1,306	1,226	1,279	1,231		
Job creation						
Actual	1,306	1,563	1,279	N/A		
Target	N/A	1,300	1,300	1,200	1,225	1,200
Job retention						
Actual	30	200	278	1,249		
Target	N/A	200	250	300	400	400
Average hourly wage of new jobs						
Actual	\$8.00	\$8.66	\$9.06	N/A		
Target	N/A	N/A	\$9.05	\$11.60	\$11.00	\$11.00
Number of new jobs providing benefits						
Actual	1,175	1,545	1,183	N/A		
Target	N/A	1,100	1,200	1,000	1,050	1,000
Public dollars leveraged (thousands)						
Actual	\$13,697	\$11,183	\$7,637	N/A		
Target	N/A	N/A	\$13,700	\$8,000	\$8,000	\$8,000
Private dollars leveraged (thousands)						
Actual	\$49,479	\$44,402	\$136,300	N/A		
Target	N/A	N/A	\$141,000	\$106,000	\$100,000	\$100,000

DEFINITION :

The Minnesota Investment Fund is DTED's community-based business financing program. To create jobs and stimulate private investment, the program awards grants to local units of government, which use the money to help finance new or expanding businesses.

"Dollars awarded" is the total amount of awards to local units of government during each fiscal year for specific business projects and "Number of projects" is the total number of projects awarded from DTED during the fiscal year.

"Proposed job creation" is the number of jobs expected to be created by the project as reported by business applicants. Because the department is concerned about actual jobs created rather than those simply proposed, job creation targets are associated with the "Job creation" outcome. "Job creation" is the number of jobs that have been created by businesses since receiving assistance and "Job retention" is the number of jobs expected to be retained due to a business project. Job retention is reported only when there is no new net job creation and the funds were awarded solely for job retention purposes.

"Average hourly wage of new jobs" is the weighted average salary of all new employees hired by the business since receiving assistance and "Number of new jobs providing benefits" represents the number of jobs created that provide at least one of the following four benefits: health insurance, life insurance, dental insurance, or retirements benefits.

"Public dollars leveraged" and "Private dollars leveraged" provide the value of additional financial investment that was made in the business projects.

"N/A" indicates that data is not available. Because applicants generally have two years to create the proposed jobs and secure additional financing in the project, data is sometimes not available for projects awarded assistance in FY 1996. (FY 1995 information underestimates actual final data.) Final actual data is available once all projects for a fiscal year are closed. In addition, because these performance measures were new in FY 1993, it was difficult to establish performance targets for FY 1993 and FY 1994. With a better historical base of information, targets were established for subsequent years.

These measures include only the data resulting directly from the program. Any jobs that are created indirectly as a result of departmental assistance are not included. For example, if a recipient of DTED assistance increases employment and orders additional materials from their suppliers, only the recipient's employment increase is counted, not their supplier's employment increase which is necessary to fulfill the increased orders.

The department recognizes that the program is only one part of a public/private technical and financial assistance package. Although the program is likely an essential piece of a package (and often is), the job creation and investment data is a result of all components in the package and thus typically are not entirely attributable to only this program. Moreover, because some projects receive funding from more than one DTED program, the measures (i.e., projects, jobs, etc.) include some duplication and thus cannot be added to report total numbers for all DTED programs.

RATIONALE :

Minnesota Statutes 116J.58 specifies some performance measures that must be collected for DTED business loan and grant programs. DTED collects additional measures to properly assess the program performance. The outcome measures described below are key to determining program effectiveness and whether the program has met the objective.

"Dollars awarded" from the program is provided both as a measure of program output and activity and to allow analysis of program efficiency. The "Number of projects" provides information on program activity or output. Both measures are also required by M.S. 116J.58.

"Proposed job creation," "Job creation," and "Job retention" are outcome measures of the program and are required by M.S. 116J.58. "Average hourly wage of new jobs" and "Number of new jobs providing benefits" are outcome indicators and provide a measure or indicator of the quality of jobs created through these programs. These measures are required by M.S. 116J.58 and are important indicators to measure if the program is meeting the department's goals and mission.

"Public dollars leveraged" and "Private dollars leveraged" are outcome measures and are indicators of another important goal of DTED -- to encourage capital investment. It is important for DTED to leverage its funds through investment from other public and private sources.

DATA SOURCE :

Detailed data on these measures is provided by the participating businesses as part of their application and reporting requirements. Because much of this information had not been regularly collected prior to the passage of the Minnesota Statutes 116J.58, information systems and status reports were designed to collect data in an improved format. Subsequent performance reports should reflect this improved system. For example, as suggested by the Office of the Legislative Auditor, future performance reports will provide wage and compensation ranges, rather than simply weighted averages.

DISCUSSION OF PAST PERFORMANCE :

State-funded Minnesota Investment Fund projects have consistently improved their performance since FY 1993. Projects funded in FY 1994 and FY 1995 are creating more high quality jobs with improved wage levels and benefits. In fact, despite having up to one year left to create jobs, FY 1995 projects have achieved 92 percent of the targeted proposed job creation. Moreover, these projects are paying an average of \$9.06 and nearly 90 percent are offering employees at least one of the following benefits: health insurance, life insurance, dental insurance or retirement benefits.

PLAN TO ACHIEVE TARGETS :

The department continues to improve the performance of the Minnesota Investment Fund. As a result of the Office of Legislative Auditor's 1996 report, "State Grant and Loan Programs for Businesses" and internal discussions, the department's commissioner and staff determined that the Minnesota Investment Fund's state funds would be dedicated to assisting businesses that create high quality jobs paying employees at least \$10 per hour in the Twin Cities metropolitan area and \$8 per hour in other areas. The department also determined that these jobs should also provide good benefit packages. The combined value of the wage and benefit levels will be significantly higher than required by statute. In addition to high quality jobs, DTED's programs continue to be designed to stimulate capital investment and leverage private and other public funds.

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 Minnesota Investment Fund.

OTHER FACTORS AFFECTING PERFORMANCE :

The economy, tax climate, and the availability of capital are just a few of the locational factors that will affect the performance of this program:

-- During a period when the economy is growing, there are more expansion and relocation opportunities and thus more funding is needed to help businesses grow. When the economy is depressed, the need shifts and assisting businesses with retention of existing jobs becomes a priority.

-- Minnesota's state-imposed costs also can impact the types of businesses served and the type of service provided. Higher taxes tend to thwart growth and increase the need for retention activities, while tax decreases or stability tend to promote growth and expansion.

-- 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.

-- Other factors like labor shortages, infrastructure, and financial incentives are examples of other factors that may affect program performance.

- Goal 3** : Stimulate job growth and private investment by providing financing stimulus to new and expanding businesses.
- Objective 1** : By FY 1999, the Minnesota Investment Fund Program will annually assist 41 projects (25-state, 16-federal) that will create 2,050 jobs (1,200-state, 850-federal) and meet wage and other investment measures.
- Measure 2** : Number of federally-funded projects, dollars awarded, job creation and retention, wages and benefits in new jobs and dollars leveraged.

	<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>	<u>F.Y.1998</u>
Dollars awarded (thousands)						
Actual	\$978	\$1,393	\$5,775	\$3,488		
Target	N/A	\$1,500	\$3,500	\$3,500	\$4,938	\$4,500
Number of projects						
Actual	4	4	18	19		
Target	N/A	6	12	12	16	16
Proposed job creation						
Actual	181	337	857	629		
Job creation						
Actual	181	337	857	N/A		
Target	N/A	200	1,000	600	850	850
Job retention						
Actual	0	0	93	144		
Target	N/A	0	100	100	100	100
Average hourly wage of new jobs						
Actual	\$7.97	\$10.27	\$7.08	N/A		
Target	N/A	\$7.50	\$8.26	\$8.85	\$8.85	\$9.00
Number of new jobs providing benefits						
Actual	165	326	685	N/A		
Target	N/A	231	850	450	600	600
Public dollars leveraged (thousands)						
Actual	\$519	\$640	\$6,688	N/A		
Target	N/A	\$728	\$16,000	\$3,098	\$4,000	\$4,000
Private dollars leveraged (thousands)						
Actual	\$2,931	\$2,536	\$57,976	N/A		
Target	N/A	\$7,495	\$33,000	\$35,570	\$35,000	\$35,000

DEFINITION :

See the Definition section under Goal 3, Objective 1, Measure 1.

RATIONALE :

See the Rationale section under Goal 3, Objective 1, Measure 1.

DATA SOURCE :

See the Data Source section under Goal 3, Objective 1, Measure 1.

DISCUSSION OF PAST PERFORMANCE :

Awards from the federal source of funds must meet federal objectives which specify that a majority of jobs created must benefit low-to-moderate-income people. FY 1995 awards have created jobs that pay an average wage of \$8.26 per hour, which exceeds the federal poverty level for a family of four.

PLAN TO ACHIEVE TARGETS :

Minnesota Investment Fund awards using federal funds are generally awarded to areas outside the Twin Cities metropolitan area. The expanding economy in outstate areas, especially in the manufacturing sector, will provide many opportunities to stimulate capital investment and job creation throughout the state.

OTHER FACTORS AFFECTING PERFORMANCE :

See the Other Factors Affecting Performance section under Goal 3, Objective 1, Measure 1.

TRADE & ECONOMIC DEVELOPMENT

1996 Agency Performance Report

- Goal 3** : Stimulate job growth and private investment by providing financing stimulus to new and expanding businesses.
- Objective 2** : By FY 1999, the Urban Challenge Grant program will annually assist 60 projects that will create 260 jobs with an average wage of \$9.50 and meet other investment measures.
- Measure 1** : Number of projects, dollars awarded, job creation and retention, wages and benefits in new jobs and dollars leveraged.

	<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>	<u>F.Y.1998</u>
DTED Dollars awarded (thousands)						
Actual	N/A	N/A	\$171	\$847		
Target	N/A	N/A	\$150	\$900	\$1,100	\$1,300
Number of projects						
Actual	N/A	N/A	9	45		
Target	N/A	N/A	7	50	55	60
Proposed job creation						
Actual	N/A	N/A	36	185		
Job creation						
Actual	N/A	N/A	61	177		
Target	N/A	N/A	30	200	225	250
Job retention						
Actual	N/A	N/A	48	71		
Target	N/A	N/A	50	75	100	120
Average hourly wage of new jobs						
Actual	N/A	N/A	\$9.12	\$8.50		
Target	N/A	N/A	\$8.50	\$9.00	\$9.25	\$9.50
Number of new jobs providing benefits						
Actual	N/A	N/A	51	144		
Target	N/A	N/A	20	155	190	220
Public dollars leveraged (thousands)						
Actual	N/A	N/A	\$342	\$1,792		
Target	N/A	N/A	\$325	\$1,500	\$1,500	\$2,000
Private dollars leveraged (thousands)						
Actual	N/A	N/A	\$1,226	\$3,961		
Target	N/A	N/A	\$2,000	\$4,000	\$4,500	\$5,000

DEFINITION :

The Urban Challenge Grant Program (also known as the Urban Initiatives Program) provides matching grants to non-profit organizations that make low-interest loans to businesses located in distressed areas within the Twin Cities area.

"Dollars awarded" indicates the total value of Urban Initiative funds provided through state general funds. Dollars provided through other organizations are included under "Dollars leveraged." "Number of projects" is the total number of projects awarded during the fiscal year.

"N/A" indicates that data is not available. The Urban Challenge Grant Program's first loan was completed in FY 1995 and performance targets were established for FY 1995 and future years.

For definitions of other outcomes measures, see the Definition section under Goal 3, Objective 1, Measure 1.

RATIONALE :

The Rationale section under Goal 3, Objective 1, Measure 1 describes the importance of performance measures for DTED's business assistance projects.

DATA SOURCE :

See the Data Source section under Goal 3, Objective 1, Measure 1.

DISCUSSION OF PAST PERFORMANCE :

Legislative appropriation for the Urban Initiative Program was granted during the 1993 session. The first loan was awarded in January of 1995. This first award fit within the time frame established for the program, which also included appointing a Board of Directors, establishing program rules and procedures, identifying certified partners as the source for matching funds, marketing the program, and completing several other start-up operational procedures.

PLAN TO ACHIEVE TARGETS :

Loan decisions for Urban Initiative Program funds are decentralized and made by 16 certified partner organizations. Each certified partner selects projects that are determined to match the purpose of the partners matching loan fund. As a result, setting targets for the program as a whole is somewhat difficult and is based mainly on past performance.

OTHER FACTORS AFFECTING PERFORMANCE :

Loans made as part of the Urban Initiative Program usually go to businesses facing difficulty in obtaining funds from a traditional lender. Also, these higher risk businesses often face limitations in available staff and resources for operating a business, thus, they rely more on additional technical assistance and training that may enable them to operate their business successfully.

Goal 3 : Stimulate job growth and private investment by providing financing stimulus to new and expanding businesses.

Objective 3 : By FY 1999, the Rural Challenge Grant program will annually assist 40 projects that will create 900 jobs with an average wage of \$8.65 and meet other investment measures.

Measure 1 : Number of projects and dollars awarded, job creation and retention, wages and benefits in new jobs and dollars leveraged.

	<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>	<u>F.Y.1998</u>
DTED Dollars awarded (thousands)						
Actual	\$1,064	\$2,041	\$1,906	\$1,836		
Target	N/A	\$2,000	\$1,900	\$1,750	\$1,600	\$1,500
Number of projects						
Actual	38	62	64	53		
Target	N/A	65	62	60	40	40
Proposed job creation						
Actual	542	1,240	998	1,055		
Job creation						
Actual	681	1,020	1,132	989		
Target	N/A	800	800	825	850	850
Job retention						
Actual	132	591	550	723		
Target	N/A	150	150	150	212	212
Average hourly wage of new jobs						
Actual	\$6.36	\$8.05	\$8.01	\$8.13		
Target	N/A	N/A	N/A	N/A	\$8.25	\$8.40
Number of new jobs providing benefits						
Actual	646	892	1,005	875		
Target	N/A	800	800	800	800	800
Public dollars leveraged (thousands)						
Actual	\$3,483	\$8,788	\$6,993	\$7,052		
Target	N/A	\$7,000	\$5,000	\$3,000	\$3,000	\$3,000
Private dollars leveraged (thousands)						
Actual	\$14,308	\$28,081	\$17,264	\$22,448		
Target	N/A	\$25,000	\$16,000	\$12,000	\$15,000	\$15,000

DEFINITION :

The Rural Challenge Grant Program provides grants to the six Minnesota Initiative Funds that provide loans to new or expanding businesses to stimulate job creation, private investment and economic growth in the 80 counties outside the Twin Cities area.

"Dollars awarded" indicates the total value of Rural Challenge Grant funds provided through state general funds. Dollars provided through other organizations are included under "Dollars leveraged." "Number of projects" is the total number of projects awarded during the fiscal year.

"N/A" indicates that data is not available. Because these performance measures were new in FY 1993, it was difficult to establish performance targets for FY 1993 and FY 1994. With a better historical base of information, targets were established for most outcomes in subsequent years.

For definitions of the other performance measures, see the Definition section under Goal 3, Objective 1, Measure 1.

RATIONALE :

The Rationale section under Goal 3, Objective 1, Measure 1 describes the importance of performance measures for DTED's business assistance projects.

DATA SOURCE :

See the Data Source section under Goal 3, Objective 1, Measure 1.

DISCUSSION OF PAST PERFORMANCE :

Because the Challenge Grant Program funds mostly entrepreneurial, micro-enterprise projects, the performance measures tend to be lower than in traditional assistance programs. For example, pre-fiscal year 1997 Challenge Grant award decisions made by the regional McKnight Initiative Funds did not include wage rates as a criteria for awarding assistance, which resulted in lower wage rates than other programs.

Overall, program performance continues to improve and exceed targets in a number of key measure indicators, including hourly wages and dollars leveraged. Moreover, more than 50 percent of the jobs created and retained though this program offer fringe benefits.

PLAN TO ACHIEVE TARGETS :

Setting targets for the program as a whole is somewhat difficult because loan decisions for the Challenge Grant Program funds are initiated by the six McKnight Initiative Funds (final approval still rests with ORI and the Commissioner). Therefore, projections are based mainly on past performance.

However, effective in fiscal year 1997, the McKnight Funds will consider wage rates as a criteria in each funding decision. This change is likely to raise average wages above the targeted levels. In addition, the number of projects for fiscal year 1997 through fiscal year 1999, will likely decrease as the FY 1993 appropriation runs out and loans made from the 1987 and 1993 revolving funds are drawn down.

OTHER FACTORS AFFECTING PERFORMANCE :

The availability of capital and the condition of the economy dictate the performance of this program. With the current conditions, such as the downsizing of corporate America and others, the Challenge Grant Program faces high demand from entrepreneurial and micro-enterprise businesses looking for hard-to-find sources of capital.

- Goal 3** : Stimulate job growth and private investment by providing financing stimulus to new and expanding businesses.
- Objective 4** : By FY 1999, the Small Business Development Loan Program will annually assist five projects that will create 200 jobs with an average wage of \$11.00 and meet other investment measures.
- Measure 1** : Number of projects, dollars awarded, job creation and retention, wages and benefits in new jobs and dollars leveraged.

	<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>	<u>F.Y.1998</u>
Dollars awarded (thousands)						
Actual	\$0	\$0	\$0	\$12,840		
Target	\$0	\$0	\$0	N/A	\$15,000	\$15,000
Number of projects						
Actual	0	0	0	4		
Target	0	0	0	N/A	4	5
Proposed job creation						
Actual	0	0	0	170		
Job creation						
Actual	0	0	0	60		
Target	0	0	0	170	200	200
Job retention						
Actual	0	0	0	0		
Target	0	0	0	0	0	0
Average hourly wage of new jobs						
Actual	\$0.00	\$0.00	\$0.00	\$11.30		
Target	\$0.00	\$0.00	\$0.00	\$11.00	\$11.00	\$11.00
Number of new jobs providing benefits						
Actual	0	0	0	60		
Target	0	0	0	170	200	200
Public dollars leveraged (thousands)						
Actual	0	0	0	\$2,996		
Target	0	0	0	N/A	\$3,000	\$3,000
Private dollars leveraged (thousands)						
Actual	0	0	0	\$18,065		
Target	0	0	0	N/A	\$20,000	\$20,000

DEFINITION :

The purpose of the Small Business Development Loan Program is to create jobs and stimulate new private investment in the state. The program makes loans directly to businesses through issuance of industrial development bonds backed by a state reserve.

"N/A" indicates that targets were not established. Because the program was not active from FY 1993 through FY 1995, it was difficult to establish realistic performance targets for FY 1996. For definitions of other terms used above, see the Definition section under Goal 3, Objective 1, Measure 1.

RATIONALE :

For rationale of measures, see Rationale section under Goal 3, Objective 1, Measure 1.

DATA SOURCE :

See the Data Source section under Goal 3, Objective 1, Measure 1.

DISCUSSION OF PAST PERFORMANCE :

The Small Business Development Loan Program was active in FY 1996 and issued bonds for the first time in several years. Federal law occasionally precluded issuance of these types of bonds during FY 1992 and FY 1993. From five to seven years ago, the average size bond issue has increased from \$1.5 million to more than \$3 million for the most recent projects.

PLAN TO ACHIEVE TARGETS :

The Small Business Development Loan Program will continue to issue bonds for qualified manufacturing companies for their capital expansion projects. The department is currently in discussions with several companies that are planning to expand facilities and are eligible for this program.

OTHER FACTORS AFFECTING PERFORMANCE :

See the Other Factors Affecting Performance section under Goal 3, Objective 1, Measure 1.

Goal 3 : Stimulate job growth and private investment by providing financing stimulus to new and expanding businesses.

Objective 5 : The Capital Access Program will annually assist 30 projects that will create 50 jobs and meet other investment measures.

Measure 1 : Number of projects, dollars awarded, job creation and retention and private dollars leveraged.

	<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>	<u>F.Y.1998</u>
Dollars awarded (thousands)						
Actual	\$80.0	\$70.7	\$98.0	\$82.0		
Target	N/A	\$70.0	\$70.0	\$70.0	\$100.0	\$100.0
Number of projects						
Actual	28	33	45	24		
Target	N/A	32	32	32	30	30
Proposed job creation						
Actual	19	52	54	50		
Job creation						
Actual	19	52	54	50		
Target	N/A	50	50	50	50	50
Job retention						
Actual	176	87	234	163		
Target	N/A	116	116	116	116	116
Private dollars leveraged						
Actual	\$1,026	\$897	\$1,565	\$1,252		
Target	N/A	\$872	\$872	\$872	\$1,500	\$1,500

DEFINITION :

The Capital Access Program has goals of stimulating capital investment by private lenders and promoting small business development in Minnesota. The program encourages private investment and lending by providing loan protection for banks and other private lending institutions in Minnesota. To protect the lender from possible future losses, a special reserve is created through contributions from the state, the lender, and the borrower. The program is not widely used by banks in Minnesota.

"Dollars awarded" are state general funds deposited with the participating lending institutions as the state's contribution toward the loan reserve fund and "Number of projects" is the total number of projects for which DTED provided loan protection.

"Proposed job creation" and "Job retention" provides the expected number of jobs created and actual jobs retained for the projects which were awarded assistance. "Job creation" is the actual number of jobs created by funded projects and "Private dollars leveraged" is the value of private financial investment that was made in the program's business projects.

"N/A" indicates that data is not available. Without historical performance information, it was difficult to establish performance targets for FY 1993. With a better historical base of information, targets were established for subsequent years.

RATIONALE :

The Capital Access Program is designed to provide capital to businesses and operates to provide loan guarantees to private lenders for loans. As such, the program does not use wage or benefit levels as performance measures. The measures used do provide information as to whether the program is meeting its primary purposes of fostering economic development (job creation) and providing capital (including leveraged funds) (M.S. 116J.8761).

"Dollars awarded" and "Number of projects" are indicators of the program's activity or output. "Proposed job creation" and "Job retention" are two outcome indicators for the program and relate to the department's mission of job creation. "Job creation" is an outcome indicator and provides information on the effectiveness of the programs in creating jobs. "Private dollars leveraged" also is an outcome measure and relates directly to the loan guarantee purpose of the program.

DATA SOURCE :

Detailed data on these measures is provided by the participating businesses as part of their application and reporting requirements. The data is collected by program staff and entered into the agency's computerized contract management database.

DISCUSSION OF PAST PERFORMANCE :

The Capital Access Program exceeded its proposed job creation targets in FY 1994 and FY 1995. Fiscal year 1996 job creation activity fell short of the target by only one job, and the private dollars leveraged for these projects was more than 43 percent above the target.

PLAN TO ACHIEVE TARGETS :

Bank participation has not increased significantly in recent years and existing participating banks are expected to account for the majority of future projects.

OTHER FACTORS AFFECTING PERFORMANCE :

Other financing programs offered by the U.S. Small Business Administration or local development organizations may cause lower bank participation.

- Goal 3** : Stimulate job growth and private investment by providing financing stimulus to new and expanding businesses.
- Objective 6** : The Tourism Loan Program will annually assist 14 projects and leverage \$500,000 in private dollars.
- Measure 1** : Projects, dollars awarded and private dollars leveraged.

	<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>	<u>F.Y.1998</u>
Dollars awarded (thousands)						
Actual	\$199	\$857	\$329	\$481		
Target	N/A	\$465	\$890	\$1,015	\$450	\$450
Number of projects						
Actual	5	22	14	20		
Target	N/A	18	31	31	14	14
Private dollars leveraged (thousands)						
Actual	\$347	\$1,032	\$351	\$484		
Target	N/A	\$501	\$961	\$1,096	\$500	\$500

DEFINITION :

The Tourism Loan Program provides low-interest loans or participation loans in cooperation with financial institutions for up to 50 percent of the total project cost. The program also provides federal funds earmarked for upgrading septic systems. Eligible projects are existing tourism-related businesses that offer overnight lodging including resorts, lodges, campgrounds, hotels, and motels.

"Dollars awarded" is the total amount of awards to local units of government during each fiscal year and "Number of projects" is the total number of projects awarded from DTED during the fiscal year. "Private dollars leveraged" provides the value of private financial investment that was made in the business projects.

"N/A" indicates that data is not available. For example, without historical performance information, it was difficult to establish performance targets for FY 1993. With a better historical base of information, targets were established for subsequent years.

RATIONALE :

The Tourism Loan Program is designed to meet the "increase tourism revenues" component of DTED's mission. As such, it aims to improve existing tourism business facilities and consequently does not have direct job creation as a goal. "Dollars awarded" and "Number of projects" are indicators of the program's activity or output, and "Actual private dollars leveraged" relates directly to the loan guarantee purpose of this program.

DATA SOURCE :

Information is collected from applications submitted to the department.

DISCUSSION OF PAST PERFORMANCE :

The level of activity has increased due to market awareness and need for the program.

PLAN TO ACHIEVE TARGETS :

Based on the number of applications pending, the program will utilize all funds appropriated during FY 97.

OTHER FACTORS AFFECTING PERFORMANCE :

General economic conditions may affect the program performance.

Goal 4 : Build stronger communities and regions by enhancing their capacity to plan and undertake appropriate economic development activities.

Objective 1 : By FY 1999, annually complete 250 on-site technical assistance projects and 200 other technical assistance projects with 83 percent of clients indicating that the projects improved their skills.

Measure 1 : Number of on-site and other technical assistance projects and client skill improvement rating.

	<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>	<u>F.Y.1998</u>
Number of on-site technical assistance projects						
Actual	N/A	98	120	185		
Target	N/A	N/A	N/A	N/A	200	225
Number of other technical assistance projects						
Actual	N/A	N/A	N/A	108		
Target	N/A	N/A	N/A	N/A	125	150
Percent of clients reporting that assistance improved skills						
Actual	N/A	74.0%	74.0%	80.0%		
Target	N/A	N/A	N/A	N/A	81.0%	82.0%

DEFINITION :

The Office of Regional Initiatives (ORI) provides assistance to community and regional development organizations. The assistance includes organizational development, strategic planning, area studies, market planning and implementation, and business prospect proposal development. The assistance activities enhance communities' ability to foster an environment that facilitates job creation. The definitions of the terms used above as follows:

"Number of on-site technical assistance projects" refers to assistance provided in the form of on-site visits to communities that address individual community targeted needs or issues.

"Number of other technical assistance projects" includes meetings, telephone assistance, and other services provided to clients that may help influence economic development activity.

"Percent of clients indicating service improved skills" is the proportion of communities assisted which report that the assistance improved their ability to conduct economic development activities.

"N/A" indicates that data is not available. In FY 1997, the Office of Regional Initiatives determined that improved performance tracking was necessary to cost effectively improve services and new performance measures were created. Although past actual performance could be tracked through historical records, performance targets were not established prior to FY 1997.

RATIONALE :

The measures used directly relate to Goal 4 and indirectly support the department's mission and goals. "Number of technical assistance projects," both on-site and other, are measures of program output. "Percent of clients reporting that the assistance improved skills" is an outcome measure and indicates whether ORI services are accomplishing the goals of the office.

DATA SOURCE :

Data on the number of technical assistance activities implemented is obtained from the internal data files. The "Percent of clients reporting that assistance improved skills" was initially determined through a comprehensive client survey, and continues through specific client surveys administered immediately after assistance is delivered.

DISCUSSION OF PAST PERFORMANCE :

Based on results from a comprehensive survey of clients conducted in fiscal year 1994, and individual and group discussion groups conducted in fiscal year 1997, ORI has significantly refined the process for which programs and services are delivered. Historically, services were delivered primarily under the umbrella of the Star Program. While known as an effective program, it had a tendency to limit the number of communities that utilized ORI assistance to those communities that were more highly populated or more economically prepared (141 communities have been designated Star Communities in the last 12 years).

The revised approach for FY 1997, which emphasizes customized, individual, on-site assistance (Goal 4, Objective 1, Measure 1) and group training (Goal 4, Objective 2, Measure 1), broadens the scope of ORI programs and services to more effectively assist all 855 Minnesota communities. As a result, historic data is either not available, or may have been re-categorized from results as reported in DTED's 1994 Agency Performance Report.

PLAN TO ACHIEVE TARGETS :

Realistic targets for technical assistance are established based on projected staffing levels for ORI and percent of time staff has committed to technical assistance activities.

OTHER FACTORS AFFECTING PERFORMANCE :

New or emerging economic development issues significantly affect the training and technical assistance provided by ORI. As the link between communities and economic development professionals, ORI staff must remain current with emerging economic development issues and tools. As a result, performance variables may be subject to change or amendment in recognition of specific needs as identified by clients.

- Goal 4** : Build stronger communities and regions by enhancing their capacity to plan and undertake appropriate economic development activities.
- Objective 2** : By FY 1999, annually conduct 15 seminars and 300 training hours to 1,600 participants with 85 percent of clients indicating that the training improved skills.
- Measure 1** : Number of statewide training seminars, training hours and participants, and client skill improvement rating.

	<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>	<u>F.Y.1998</u>
Number of seminars						
Actual	N/A	N/A	N/A	9		
Target	N/A	N/A	N/A	N/A	10	12
Number of training hours						
Actual	N/A	N/A	N/A	200		
Target	N/A	N/A	N/A	N/A	200	250
Number of participants						
Actual	N/A	N/A	N/A	847		
Target	N/A	N/A	N/A	N/A	1,100	1,450
Percent of participants reporting training improved skills						
Actual	N/A	N/A	N/A	85.0%		
Target	N/A	N/A	N/A	N/A	85.0%	85.0%

DEFINITION :

The Office of Regional Initiatives provides customized economic development training on a statewide basis through the annual Minnesota Development Conference, regional video conference programs, the National Development Council (NDC), and other formats. Participants gain valuable information on programs and activities that will enhance the economic development capacity and performance of their community.

"Number of seminars" represents the number of unique, statewide training events planned and offered by the Office of Regional Initiatives (ORI). "Number of training hours" is the actual number of group instructional hours that ORI offers to individuals each year, and "Number of participants" equals the total number of attendees per year from all training programs.

"Percent of participants reporting training improved skills" is the percent of clients that reported that their skills improved, or significantly improved, as a result of the ORI service.

"N/A" indicates that data is not available. In FY 1997, the Office of Regional Initiatives determined that improved performance tracking was necessary to improve services cost effectively and new performance measures were created. Although past actual performance could be tracked through historical records, performance targets were not established prior to FY 1997.

RATIONALE :

The first "Number" measures are indicators of output from the office and the "Percent of participants reporting training improved skills" is an outcome measure and indicates whether ORI services are accomplishing the goals of the office. The measure also directly relates to Goal 4 and indirectly to the department's mission and goals.

DATA SOURCE :

Data on the number of seminars, training hours and participants are tracked internally, while the data on "Percent of participants reporting training improved skills" is compiled through a survey that is completed by all training participants.

DISCUSSION OF PAST PERFORMANCE :

See the Discussion of Past Performance section under Goal 4, Objective 1, Measure 1.

PLAN TO ACHIEVE TARGETS :

The number of training programs and training hours are scheduled at the beginning of each fiscal year and reflect available staff resources and demand for information as expressed from clients through evaluation of survey results or direct conversation. The targeted number of participants is based on historical data, and is obtained through extensive marketing in advance of the scheduled training activity.

OTHER FACTORS AFFECTING PERFORMANCE :

See the Other Factors Affecting Performance section under Goal 4, Objective 1, Measure 1.

Goal 5 : Enhance businesses' ability to operate and grow in Minnesota by developing a trained workforce.

Objective 1 : By FY 1998, annually create 22 curricula at educational institutions, train 3,300 workers while meeting target training costs.

Measure 1 : Number of curricula created, workers trained, and MJSP training costs.

	<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>	<u>F.Y.1998</u>
Number of curricula created						
Actual	10	15	16	16		
Target	N/A	N/A	16	16	16	22
Number of participants completing training						
Actual	2,224	3,195	N/A	N/A		
Target	N/A	N/A	3,033	3,060	3,060	3,316
Percent of participants completing training						
Actual	66.0%	81.5%	N/A	N/A		
Target	N/A	N/A	85.0%	85.0%	85.0%	85.0%
MJSP training costs per trainee						
Actual	\$481	\$448	N/A	N/A		
Target	N/A	N/A	\$700	\$725	\$750	\$775

DEFINITION :

The Minnesota Job Skills Partnership (MJSP) program provides information, technical assistance, and grant assistance to develop and provide education and training for employees of Minnesota businesses. Curricula are developed by Minnesota educational institutions through this program to meet the specific training needs of Minnesota businesses.

The Partnership identifies opportunities for serving businesses primarily through the department's Business and Community Development (BCD) Division and local economic development network as well as MJSP's connections with higher education's educational system network. This approach requires and underscores the strategic necessity of the Partnership location within DTED. The MJSP program serves as DTED's training and education connection with other state agencies like MnSCU, Dept. of Economic Security and Dept. of Labor and Industry. MJSP assists state departments in packing a range of services for new and expanding businesses identified by DTED. In sum, MJSP serves as DTED's main education and training link with business, education and other state agencies.

Businesses match MJSP grants to develop the training program. Terms used above are defined as follows:

"Number of curricula created" refers to educational programs created by Minnesota educational institutions through the Minnesota Job Skills Partnership (MJSP) program. "Number of participants completing training" is the total number of students who completed the training of all MJSP educational programs during the indicated fiscal year. "Percent of participants completing training" is derived by dividing the number completing training by the total number of initial training participants and is the graduation rate of the curricula.

"MJSP training costs per trainee" is derived by dividing the total MJSP grant dollars awarded by the number of trainees completing training.

"N/A" indicates that data is not yet available. Because of limited historical performance data, realistic targets could not be established for FY 1993 or FY 1994. In addition, because participants who enrolled in training during FY 1995 and FY 1996 may still be receiving training or are being placed into related employment, final actual participant training data for these two years is not available.

RATIONALE :

The measures used provide excellent information on whether the MJSP is meeting the goals of the program as stated in M.S. 116L.02. "Number of curricula created" 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 and is a measure of the program's output. "Number of participants completing training" serves as an outcome measure and indicates the number of trained workers produced by the program during a fiscal year. As the graduation rate, "Percent of participants completing training" serves as one efficiency measure of how effective the curricula programs are in training workers. The "MJSP training costs per trainee" is an excellent measure of the cost effectiveness of the program.

DATA SOURCE :

Fiscal year 1997 figures are based on staff recommendations for proposals that have been received. 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 workforces to remain competitive. Moreover, many Minnesota employers are experiencing skills shortages among employees. As a result, the demand for special education programs to meet employers' skill needs is increasing and the demand for the program has far exceeded the resources available. For example, all program grant dollars were awarded for projects in the first month of FY 1995. Ultimately, the number of educational programs the MJSP will be able to aid is determined by the available resources.

Within this operating environment, MJSP continues to provide Minnesota's businesses well-trained workers for at very low costs. In fact, the average state cost per participant was less than \$500 in FY 1993 and FY 1994. In contrast, other state and federal training programs typically cost thousands of dollars per trainee. In addition, MJSP is effective. The percent of participants completing the training has improved each year and is expected to reach 85 percent in FY 1995.

PLAN TO ACHIEVE TARGETS :

To adequately serve the expanding training needs of Minnesota businesses, the Partnership is seeking an increased legislative appropriation and also is investigating the possibility of accessing resources through other state and federal sources such as the Governor's Workforce Development Council, School-to-Work, Welfare-to-Work and dislocated worker programs operated by other state agencies. MJSP will continue to secure the private matching funds and look to improve the performance of funded projects. MJSP will adjust program targets based on any changes in the legislative appropriation.

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

Although the MJSP training costs per trainee depend largely on the complexity and technical requirements of the training program, the MJSP believes that continued low administrative costs (eight to nine percent of total MJSP budget) and matching business contributions will maintain the comparatively low MJSP training costs.

OTHER FACTORS AFFECTING PERFORMANCE :

The available resources and economic conditions 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' needs 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.

Goal 5 : Enhance businesses' ability to operate and grow in Minnesota by developing a trained workforce.

Objective 2 : By FY 1998, annually place more than 2,800 trainees into related employment resulting in a placement rate of 85 percent.

Measure 1 : Number of trainees placed into training-related jobs and rate of placement.

	<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>	<u>F.Y.1998</u>
No. of trainees placed into training-related employment						
Actual	1,815	3,195	N/A	N/A		
Target	N/A	N/A	2,578	2,601	2,601	2,819
Percent of trainees placed into related employment						
Actual	81.6%	100.0%	81.5%	81.5%		
Target	N/A	N/A	85.0%	85.0%	85.0%	85.0%

DEFINITION :

For background on the Minnesota Job Skills Partnership program, please see Definition section under Goal 5, Objective 1, Measure 1. The terms used above are defined as follows:

"Number of trainees placed into training-related employment" is the final total number of participants who completed the training (Goal 5, Objective 1, Measure 1) and who were placed into employment related to the training during the fiscal year in which the education program was completed. "Training-related employment" refers to those jobs that are defined by grant recipients as related to the MJSP training program. It may not include those participants that completed training but were placed in a position requiring the same learned skills but with a different company.

"Percent of trainees placed into related employment" represents those trainees that have completed training and placed into related employment. The data is derived by dividing the "Number of trainees placed into training-related employment" by "Number of training participants completing training" (Goal 5, Objective 1, Measure 1). Although these numbers are not final and will be changing, this percent measure provides a status report of how successful the MJSP training and placement program is.

"N/A" indicates that data is not yet available. Because of limited historical performance data, realistic targets could not be established for FY 1993 or FY 1994. In addition, because participants that enrolled in training during FY 1995 and FY 1996 may still be receiving training or being placed into related employment, final actual participant training data for these two years is not available.

RATIONALE :

The ultimate purpose of the Minnesota Job Skills Partnership (MJSP) program is to facilitate the creation and the retention of quality jobs in Minnesota. These job placement numbers are efficiency and outcome measures that provide a direct measure of the program's performance. (Also see the Rationale section under Goal 5, Objective 1, Measure 1.)

DATA SOURCE :

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 :

This program continues to be popular among workers, educational institutions, and businesses. Most participating businesses report on program evaluations that they were satisfied with the educational programs created through the MJSP. The program also shows results. More than 80 percent of training participants were placed into employment related to their training.

Because participants that enrolled in training in FY 1995 and FY 1996, may still be receiving training or being placed into related employment, final actual data for these two years is not available.

PLAN TO ACHIEVE TARGETS :

The program expects to increase its rate for placing students into training-related employment by requesting that stricter selection criteria for program participants be 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. Also see the Plan to Achieve Targets section under Goal 5, Objective 1, Measure 1.

OTHER FACTORS AFFECTING PERFORMANCE :

See the Other Factors Affecting Performance section under Goal 5, Objective 1, Measure 1.

Agency : TRADE & ECONOMIC DEVELOPMENT

Program : MINNESOTA TRADE OFFICE

EXPENDITURES AND STAFFING :

	<u>(\$ in Thousands)</u>	<u>Percent of Department</u>
Total Expenditure	\$2,458	3.77%
From Federal Funds	\$100	
From Special Revenue Funds	\$174	
General	\$2,184	
Number of FTE Staff:	28	12.24%

GOAL :

The Minnesota Trade Office has two goals to support the department's mission and goals:

- To promote, facilitate and deliver international business export assistance and services to Minnesota businesses. (M.S. 116J.966, subd 1)

Each of these goals is captured within the department's mission and four goals.

DESCRIPTION OF SERVICES :

The Minnesota Trade Office is the official state entity responsible for promoting, facilitating and developing international trade activity with a positive impact on Minnesota's economy. MTO programs work to achieve the Office's first goal through four service objectives: information; education; counseling; and finance. The second goal is achieved through a collaborative effort between MTO and the Business and Community Development (BCD) division's programs. The MTO works to locate and identify foreign direct investment opportunities for Minnesota. Once a project is identified, MTO collaborates with the BCD staff who are trained in coordinating the state's response to business expansion and investment opportunities. As a result, this second goal is reflected in the BCD program's performance section (Goal 1, Objective 3, Measure 1 on page 16).

The MTO has 28 staff members providing international business export assistance and services to approximately 2,000 Minnesota businesses and dozens of foreign businesses and delegations. The MTO program is comprised of four service functions: Information Services; Education/Training; Export Finance; and Marketing/Export Counseling. These functions deliver the following services:

International business library service. The MTO's 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. This service helps Minnesota businesses to be internationally competitive.

Publications. The MTO produces trade-related directories featuring specific industry sectors (e.g. AgriSource, Environmental Protection) and international business service providers.

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, risk insurance and foreign buyer credit reports.

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 traveling 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 for 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.

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.

EXPORT OVERVIEW

Minnesota's manufactured and agricultural exports continue to expand, with 1995 exports estimated to total more than \$10 billion. Manufactured exports exceeded \$8.2 billion in 1995 and the U.S. Department of Agriculture estimates that the state's 1995 agricultural exports totaled more than \$2 billion. Both export areas experienced significant increases over 1994 levels. Moreover, although state and federal government officials have been unable to track state-level exports in service industries, exports from this sector may be valued at billions of dollars.

A. Manufactured Exports

According to the U.S. Department of Commerce, Minnesota's 1995 manufactured product exports totaled \$8.2

billion, an increase of about 13 percent over the previous year, nearly matching the U.S. export growth rate. This relative performance may be an indication that Minnesota's export performance is improving. Since 1990, the value of Minnesota's manufactured exports increased 40 percent compared to the national increase of 53 percent.

Minnesota's slightly slower growth relative to the nation is a structural problem and attributable to the state's dependence on computer exports. This industry accounts for 29 percent of Minnesota's manufactured exports (1995) and growth in industrial machinery exports (principally mainframe computers) has been flat or declining since 1988. Since the industry accounts for a lower share of national exports, Minnesota's slower growth in this industry tends to dampen the state's overall export performance relative to the nation.

In contrast to this performance in industrial machinery, exports in other Minnesota manufacturing industries increased 154 percent between 1988 and 1995 compared to the nation's increase of 96 percent. Minnesota industries with export growth between 1992 and 1995 that exceeded the national growth rate include transportation equipment (78.5% compared to 1.2%), fabricated metal products (143.6% compared to 14.9%), and stone clay and glass products (161.8% compared to 23.9%).

This diverse industrial export growth must continue to increase significantly in order to maintain or grow Minnesota's export position. Continued improvement in Minnesota's export performance in industries other than industrial machinery will generate significant income for the state. In fact, if Minnesota exported the same share of U.S. manufactured products as the state produced, Minnesota's manufactured exports would total \$10.1 billion, bringing in an additional \$1.9 billion of income to the state.

Minnesota is facing significant export opportunities not only in certain industries, but also in specific international markets. The international marketplace includes such burgeoning economies as China and offers larger market potential compared to the U.S. domestic marketplace. An improvement in the state's overall export portfolio and penetration into international markets will help exports contribute a larger share to the state's Gross State Product (GSP) and ultimately, increase the state's rate of job creation and economic growth.

B. Agricultural Exports

Minnesota is a leading agricultural state, ranking 7th in 1995 cash farm receipts. Although it is difficult for the Federal government to provide accurate statistics for agricultural exports at the state level due to the difficulty in tracking commodity flows, the U.S. Department of Agriculture estimates the state's 1995 agricultural commodity exports to be approximately \$2.4 billion, resulting in a 72 percent increase over 1994 levels and an 18 percent increase since 1990. Increased production in other parts of the nation and major commodity trade transactions helped national agricultural exports increase about 35 percent since 1990. (Agricultural export estimates are based on production; actual exports may vary significantly from indicated number.)

While agricultural commodity exports are important, more income and jobs are generated if these commodities are processed (adding value) before they leave the state. Minnesota's leadership in commodity production and exports has facilitated the state's strong value-added agricultural products industry. With an above-average concentration in the food and kindred products industry, Minnesota is home to a number of leading agribusiness and food processors including General Mills, Land O'Lakes, Hormel, International Multifoods, Cargill and Pillsbury.

Minnesota's share of exports in the food and kindred products industry continues to grow. In 1990, despite

accounting for 3.2 percent of the nation's shipments of processed foods, the state accounted for 1.7 percent of the nation's exports. By 1994, Minnesota's share of national shipments was 3.3 percent and the state accounted for 2.4 percent of national exports.

Continued growth in food and kindred product exports will contribute significantly to the Minnesota economy. In fact, if Minnesota exported the same share of value-added food products as it produced, food and kindred product exports would have contributed an additional \$228 million to the Minnesota economy in 1994. Given Minnesota's significant role in agricultural commodities and food processing, Minnesota's share of the processed food exports should equal its 3.3 percent share of national food and kindred products industry production by the year 2000.

C. Growth of Foreign Direct Investment

Similar to investments in Minnesota by U.S. firms located outside the state, Foreign Direct Investment (FDI) is a source of additional capital for Minnesota's manufacturing industry. Capital investments, regardless of the source, can increase Minnesota's manufacturing capacity and create employment. Additionally, foreign investment provides a better opportunity to access international markets.

Employment of manufacturing affiliates is one way to measure FDI in manufacturing. In 1993, 36,100 Minnesota workers were employed by foreign-owned manufacturing firms. (Foreign direct investment includes all 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.) This accounted for 1.6 percent of all U.S. manufacturing employment in foreign-owned companies.

Although the share of workers employed in foreign-owned manufacturing firms has increased in both Minnesota and the U.S. since 1977, Minnesota's share has declined slightly during the 1990s. In 1993, Minnesota accounted for about 2.2 percent of the nation's manufacturing employment, up from 1.7 percent in 1977. Yet Minnesota's 1993 share of U.S. employment in foreign-owned manufacturing firms was 1.6 percent (most recent data available). This data suggests that the state is not attracting its share of foreign investment.

Minnesota has had a steady increase in the number of workers employed by manufacturing affiliates for foreign firms in absolute numbers. Given Minnesota's dynamic manufacturing base and continued growth in foreign investment, it is reasonable to expect that Minnesota should achieve a significant increase in its share of U.S. manufacturing jobs employed by foreign-owned manufacturing firms.

BACKGROUND INFORMATION INTRODUCTION

The MTO's limited resources are focused on Minnesota businesses with export potential. The MTO recognizes that it is difficult to directly measure the impact of its specific services on the state's overall export level. Many factors outside the MTO's influence (as discussed in Other Factors Affecting Performance sections) affect overall state exports. In addition, the positive influences of MTO services are further affected by initiatives such as the building materials/wood products initiative targeting the Japanese market. In this particular activity, the MTO believes that it directly assisted a Minnesota company in completing its largest commercial business order to this market. Thus, important background information and data below provide context for the MTO's operating environment.

BACKGROUND INFORMATION :

**MEASURE TYPES: ACTIVITIES (A), EFFICIENCY (E), OUTPUT (O), OUTCOMES (OC),
OTHER DATA (OD), UNIT COSTS (UC), WORKLOAD (W)**

**DATA BASED ON: CALENDAR YEAR (CY), FISCAL YEAR (FY), FEDERAL FISCAL YEAR
(FFY), BIENNIUM YEARS (BY)**

Type	Based	Measure	1994-95	1995-96
MANUFACTURED EXPORT DATA				
OD	CY	Minnesota Manufactured Exports (millions)	\$7,300	\$8,219
OD	CY	U.S. Manufacturing Exports (millions)	\$468,421	\$529,015
OD	CY	Percent Change in MN Manufacturing Exports	5.6%	12.6%
OD	CY	Percent Change in U.S. Manufacturing Exports	10.7%	12.9%
SOURCE: U.S. Dept. of Commerce and Univ. of Mass. at Amherst.				
EMPLOYMENT IN FOREIGN-OWNED MANUFACTURING ESTABLISHMENTS				
OD	CY	Minnesota Employment in Foreign-Owned Mfg. Establishments (thousands)	N/A	N/A
OD	CY	U.S. Employment in Foreign-Owned Mfg. Establishments (thousands)	N/A	N/A
OD	CY	Percent Change in MN Employment in Foreign-Owned Mfg. Establishments	N/A	N/A
OD	CY	Percent Change in U.S. Employment in Foreign-Owned Mfg. Establishments	N/A	N/A
SOURCE: U.S. Dept. of Commerce.				
AGRICULTURAL COMMODITY EXPORTS				
OD	CY	Minnesota Agricultural Exports (millions)	\$1,419.5e	\$2,438.5e
OD	CY	U.S. Agricultural Exports (millions)	\$43,510.4	\$54,159.9
OD	CY	Percent Change in MN Ag. Exports	-28.2%	71.8%
OD	CY	Percent Change in U.S. Ag. Exports	2.2%	24.5%
SOURCE: U.S. Dept. of Agriculture.				
MTO ACTIVITIES				
A	CY	Number of Export Results Attributed to MTO*	N/A	N/A
A	CY	Number of Inquiries Handled*	N/A	N/A
e = Data is estimated.				
N/A = Data not available for indicated year.				
* Methods are being evaluated to collect this data cost effectively.				

PROGRAM DRIVERS :

In the past five years, over 2 billion new consumers (approximately 40 percent of the world's population) have begun to actively participate in the global economy due to significant political and market economy changes in China, India, and the former Soviet Union. Also, the North American Free Trade Agreement (NAFTA) and General Agreement on Tariffs and Trade (GATT) have further opened trade between the countries of the world

by reducing tariffs and non-tariff trade barriers. These new developments present a significant opportunity to increase Minnesota's value-added manufacturing, agriculture, and service employment through international business.

Through the MTO and the Minnesota World Trade Center Corporation (MWTCC), the state works directly with Minnesota businesses assisting them with general international business and market-specific education programs; a network of public/private supported foreign offices and individual representatives; foreign export counseling; export financing; international communications; trade shows and foreign trading delegations; targeted market research; and selected reverse investment strategies.

Goal 1 : To promote, facilitate and deliver international business export assistance and services to Minnesota businesses.

Objective 1 : By FY 1999, at least 90 percent of customers will be satisfied with MTO services and 75 percent will report that MTO services contributed to their export results.

Measure 1 : Percent of customers satisfied with MTO services and percent indicating these services contributed, at least in part, to their export results.

	<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>	<u>F.Y.1998</u>
Percent of customers satisfied with MTO services						
Actual	N/A	92.1%	N/A	N/A		
Target	N/A	85.0%	87.0%	89.0%	90.0%	90.0%
Percent reporting MTO services contributed to export results						
Actual	N/A	74.7%	N/A	N/A		
Target	N/A	70.0%	71.0%	72.0%	73.0%	74.0%

DEFINITION :

The Minnesota Trade Office (MTO) promotes, facilitates and delivers export services to Minnesota businesses. Although the measures are listed under fiscal years, MTO surveys customers that received services during a longer period, typically 18 months. A longer period is necessary to accurately capture the impacts of MTO services. In addition, costs involved with collecting the data limit the frequency of the surveys. Unfortunately, the PERFORMs on-line system does not have the flexibility to utilize the periods used by the MTO. The following fiscal years correspond to the periods for which the performance measures are relevant: 1987 = July 1, 1986 - December 31, 1987; 1989 = January 1, 1988 - June 30, 1989; 1991 = July 1, 1989 - December 31, 1991 and 1994 = July 1, 1993 - December 31, 1994. Future surveys will cover similar time periods. As a result, "N/A" indicates that the indicated fiscal year does not relate to a corresponding performance period or that the data has not yet been collected.

Definitions of the terms used in the measure are as follows:

"Percent of customers satisfied" is the overall customer satisfaction rating with MTO services. Two methodologies were used to derive the satisfaction levels for the four data points available (1987, 1989, 1991, 1994). The 1994 number (and future years) is the actual responses to one question that asked the clients' overall satisfaction with MTO services. The data shown represents the percentage of clients that indicated they were "satisfied" or "very satisfied" with MTO services. Because this question was not included in previous surveys, the data for the other years is derived through weighted average calculation of quality characteristics of MTO services (timely, relevant and accurate, professionally rendered) on a rating scale of 1) poor; 2) fair; 3) good; 4) excellent. The data shown represents the weighted average of client satisfaction ratings in each of these three dimensions for those customers reporting a satisfaction level of "good" or "excellent."

"Percent reporting the MTO contributed to export result" represents those clients reporting that specific MTO services were at least "somewhat helpful" and that they contributed to an export result achieved since receiving MTO services. Export related results include: 1) Decided to export; 2) Developed export marketing strategy or plan; 3) Made foreign market contact; 4) Signed overseas agent or distributor; 5) Signed a license or joint venture agreement; 6) Delivered a product/service to a foreign market; 7) Increased exports of current products/services to current markets; 9) Exported new products/services; 10) Exported to new countries; and 11) Added new export-related jobs. The MTO survey asks clients to indicate the extent of the contribution of MTO services to their export result, (i.e., "essential," "very helpful," "somewhat helpful" and "none").

RATIONALE :

These two measurements -- "customer satisfaction" and "contribution to export-related results" -- are used in all MTO performance measures. The satisfaction measure is helpful to the MTO in assessing the quality of services delivered (i.e., determining if the office is providing the appropriate services and whether the service delivery is satisfactory). The "contribution to export results" indicates the MTO's level of success in meeting Goal 1. Both measures relate directly to measuring the effectiveness of MTO in pursuing the goals of the program and office. Moreover, these measures are particularly helpful to evaluate performance when coupled with macro-economic data, target workload and cost goals, semi-annual objective reviews, and other forms of customer feedback.

DATA SOURCE :

MTO services are measured periodically through a survey of MTO clients. MTO conducts client surveys to monitor its performance and assess the quality and outcome of its services. The first performance monitoring survey was administered with the assistance of the Urban Institute in 1989 and examined customers served between July 1, 1986 and December 31, 1987.

MTO has conducted four client surveys designed to measure "customer satisfaction" with MTO services and the contribution of MTO services to clients' "export results." Specifically, the surveys collect information on: (1) client characteristics; (2) client's perception of services provided by MTO; (3) impacts of MTO services on client's business operation. Data from these surveys serve as the main source for performance measures. Response rates for these surveys ranged from 28.7 percent for the 1994 survey, to 66 percent for the 1987 survey. Random samples of clients are drawn for each survey to produce a sampling error of +/- 3 percentage points assuming a response rate of 40 percent. Unfortunately, the lower-than-expected response rate limits the response sample's representativeness of the overall client population and the data should be viewed with caution. The MTO plans to improve the response rate by individually measuring service satisfaction and impact where specific sets of users can be readily identified and surveyed (e.g., MEFA loan guarantee recipients, trade show attendees).

This performance report for the MTO has incorporated many of the suggestions offered by the Office of Legislative Auditor in its 1995 report, "State Agency Use of Customer Satisfaction Surveys." Because of the low response rates to recent MTO surveys, the department is examining methods to improve performance measurement for the MTO. For example, individual surveys for smaller programs (as discussed above) will be used which should improve the response rate. In addition, sample validation testing (e.g., client demographics) is now part of the methodology for all performance monitoring surveys. Such methods will measure how representative the response sample is of the total customer universe and improve the overall performance monitoring system.

DISCUSSION OF PAST PERFORMANCE :

The MTO has seen continued improvement in both client satisfaction and the level of contribution to export results. As the PERFORMs on-line system shows, client satisfaction with MTO services (indicating "good" or "excellent") has increased from 77 percent in 1987, to 92 percent in 1994. Moreover, the percent of clients that achieved export results and reported that specific MTO services contributed to the result has increased from 59 percent in 1987 to about 75 percent in 1994.

MTO continues to serve Minnesota businesses through a matrix of services which are grouped together in four key areas in the following sections. The ability of the MTO to deliver the services requires the skills of international business consultants in: finance, international marketing, international education, international information, and outreach.

PLAN TO ACHIEVE TARGETS :

The MTO has several general activities that will help it provide clients with relevant, timely and effective export assistance and achieve MTO performance targets: 1) to target its services through better mailing lists; 2) to deliver real-time international market intelligence to businesses; 3) to enter into new public-private partnerships and leverage available federal resources which are needed to help Minnesota companies complete successful export transactions; and 4) to provide its businesses with resources to become more competitive. Specific examples of this plan are included in the Plan to Achieve Targets section under Objective 2 through Objective 5.

Moreover, because targets are based on historical survey responses, slight variations in response rates due to improved survey techniques may result in slightly different, but more accurate, measures of actual performance.

OTHER FACTORS AFFECTING PERFORMANCE :

Several general business, economic and governmental factors affect the performance of the Minnesota Trade Office. Businesses are increasingly demanding real-time international market information intelligence. The MTO will attempt to provide the resources and skills to meet this increasing demand. However, in some cases, the MTO will not have the resources to satisfy customers. Swings in the national and global economies, currency valuations, and other macro-economic factors will influence the ability of Minnesota businesses to successfully compete in a global economy. The quality of the data collected by the federal government and used by the MTO also can affect the quality of service provided to Minnesota businesses.

- Goal 1** : To promote, facilitate and deliver international business export assistance and services to Minnesota businesses.
- Objective 2** : By FY 1999, 90 percent of customers will continue to be satisfied with education services, 82 percent of customers will indicate that education services contributed, at least in part, to their export results, and services will be delivered cost effectively.
- Measure 1** : Percent of customers satisfied with education services, percent indicating that these services contributed, at least in part, to their export results, and cost per educated exporter.

	<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>	<u>F.Y.1998</u>
Percent of customers satisfied with MTO education services						
Actual	N/A	90.1%	N/A	N/A		
Target	N/A	88.0%	89.0%	90.0%	90.0%	90.0%
Percent reporting services contributed to export results						
Actual	N/A	81.2%	N/A	N/A		
Target	N/A	75.0%	81.0%	81.0%	81.0%	81.0%
Cost per educated exporter						
Actual	N/A	N/A	N/A	N/A		
Target	N/A	N/A	N/A	N/A	N/A	N/A

DEFINITION :

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

Although the measures are listed under fiscal years, MTO surveys customers who received services during a longer period, typically 18 months. A longer period is necessary to accurately capture the impacts of MTO services. Unfortunately, the PERFORMs on-line system does not have the flexibility to utilize the periods used by the MTO. The following calendar years correspond to the periods for which the performance measures are relevant: 1987 = July 1, 1986 - December 31, 1987; 1989 = January 1, 1988 - June 30, 1989; 1991 = July 1, 1989 - December 31, 1991 and 1994 = July 1, 1993 - December 31, 1994. Future surveys will cover similar time periods. As a result, "N/A" indicates that the indicated fiscal year does not relate to a corresponding performance period or that the data has not yet been collected.

Definitions of the other terms used in the measure are below:

"Percent of customers satisfied" is the overall customer satisfaction rating with the indicated MTO service. The data is derived through weighted calculation of quality characteristics of the indicated MTO service (timely, relevant and accurate, professionally rendered) on a rating scale of 1) poor; 2) fair; 3) good; 4) excellent for the indicated service. The data shown is the weighted average of client satisfaction ratings combining "good" and "excellent" satisfaction ratings in each of these three dimensions. Thus, the data represents the percent of MTO clients who reported "good" or "excellent" satisfaction with the indicated MTO service. Future surveys will incorporate an overall satisfaction question for each service area.

"Percent reporting the MTO contributed to export results" represents those clients who reported that the indicated MTO service were at least "somewhat helpful" and contributed to an export result achieved since receiving the indicated MTO service. Export related results include: 1) Decided to export; 2) Developed export marketing strategy or plan; 3) Made foreign market contact; 4) Signed overseas agent or distributor; 5) Signed a license or joint venture agreement; 6) Delivered a product/service to a foreign market; 7) Increased exports of current products/services to current markets; 9) Exported new products/services; 10) Exported to new countries; and 11) Added new export-related jobs. The MTO survey asks clients to indicate the extent that MTO services contributed to their export result, i.e., "essential," "very helpful," "somewhat helpful" and "none."

"Cost per Educated Exporter" is defined as MTO's cost of delivering the education services per participant. The MTO intends to develop and refine this measure for subsequent performance reports.

RATIONALE :

"Cost per educated exporter" serves as an efficiency and cost-effectiveness measure. For the rationale of other terms, see the Rationale section under Goal 1, Objective 1, Measure 1.

DATA SOURCE :

See Data Source section under Goal 1, Objective 1, Measure 1.

DISCUSSION OF PAST PERFORMANCE :

Between 1987 and 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.

These changes resulted in MTO clients increasingly reporting that their export results were, in part, attributable to MTO's education services. More than 81 percent of those clients reporting export results and responding to the 1994 survey indicated that MTO services contributed to their export results. Although the survey had some methodological problems, this is the MTO's highest level of attribution. MTO achieved these results with consistently high levels of client satisfaction, ranging from 87 percent in 1987 to 90 percent in 1989 and 1994.

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 :

Also see the Other Factors Affecting Performance section under Goal 1, Objective 1, Measure 1.

- Goal 1** : To promote, facilitate and deliver international business export assistance and services to Minnesota businesses.
- Objective 3** : By FY 1999, 80 percent of customers will continue to be satisfied with counseling services, 80 percent of customers will indicate that counseling services contributed, at least in part, to their export results, and services will be delivered cost effectively.

Measure 1 : Percent of customers satisfied with counseling services, percent indicating these services contributed, at least in part, to their export results, and cost per counseling inquiry.

	<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>	<u>F.Y.1998</u>
Percent of customers satisfied with MTO counseling services						
Actual	N/A	80.2%	N/A	N/A		
Target	N/A	80.0%	80.0%	80.0%	80.0%	80.0%
Percent reporting services contributed to export results						
Actual	N/A	79.6%	N/A	N/A		
Target	N/A	72.0%	75.0%	79.0%	80.0%	80.0%
Cost per specific counseling inquiry						
Actual	N/A	N/A	N/A	N/A		
Target	N/A	N/A	N/A	N/A	N/A	N/A

DEFINITION :

Counseling services offered by the Minnesota Trade Office (MTO) provide Minnesota businesses with one-on-one resources for developing marketing plans, pricing strategies and export logistic assistance. Examples of counseling services include export counseling, introductions to buyers, catalog and trade shows, foreign office services and referrals. Definitions of other terms used in the measure can be found in the Definition section under Goal 1, Objective 2, Measure 1.

"Cost per specific counseling inquiry" is defined as MTO's cost of delivering the counseling services per inquiry. The MTO intends to develop and refine this measure for subsequent performance reports.

RATIONALE :

"Cost per specific counseling inquiry" serves as an efficiency and cost-effectiveness measure. For the rationale of other terms, see the Rationale section under Goal 1, Objective 1, Measure 1.

DATA SOURCE :

See Data Source section under Goal 1, Objective 1, Measure 1.

DISCUSSION OF PAST PERFORMANCE :

MTO international business counseling takes two principle forms: regulatory/compliance information and market intelligence. The MTO has witnessed a gradual increase in the sophistication of the questions and counseling needs of its client base. The MTO has been able to build on successful foreign buyer meetings and continues to utilize cost-recovery for trade missions, resulting in improved counseling service outcomes. Moreover, the on-call service, created in 1993, continues to provide immediate response to MTO customers. Since its creation, the skill level of the staff in responding to inquiries has increased, as have the number of calls handled each year.

These developments have helped MTO counseling services maintain high client satisfaction ratings. As the on-line system shows, the percent of clients reporting satisfaction with MTO services has remained above 80 percent for the last three surveys (1989, 1991, and 1994). Moreover, clients are increasingly indicating the MTO counseling services contribute to their export result.

PLAN TO ACHIEVE TARGETS :

In general, MTO plans to increase its collaboration with other service providers (e.g., International SCORE), improve its database, and utilize in-house staff expertise to help the office achieve its target. Below are specific plans for each area within counseling services:

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

-- The specific inquiry and on-call services are day-to-day maintenance activities at the MTO. It may be necessary to develop a distribution 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 focus on quality. This project should help establish appropriate response materials and reduce the time needed to respond to some inquiries, allowing MTO staff to meet the projected increase.

-- The MTO will continue to participate in trade missions and proven international catalog shows. Moreover, the MTO will evaluate new shows, and shows in emerging markets, in order to achieve targets.

OTHER FACTORS AFFECTING PERFORMANCE :

Also see the Other Factors Affecting Performance section under Goal 1, Objective 1, Measure 1.

- Goal 1** : To promote, facilitate and deliver international business export assistance and services to Minnesota businesses.
- Objective 4** : By FY 1999, 90 percent of customers will be satisfied with export finance services, 85 percent of customers will indicate that export finance services contributed, at least in part, to their export results, and services will be delivered cost effectively.
- Measure 1** : Percent of customers satisfied with export finance services, percent indicating that these services contributed, at least in part, to their export results, and cost per client consulted.

	<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>	<u>F.Y.1998</u>
Percent of customers satisfied with export finance services						
Actual	N/A	89.1%	N/A	N/A		
Target	N/A	84.0%	86.0%	87.0%	88.0%	89.0%
Percent reporting services contributed to export results						
Actual	N/A	81.9%	N/A	N/A		
Target	N/A	71.0%	80.0%	82.0%	83.0%	84.0%
Cost per client consulted						
Actual	N/A	N/A	N/A	N/A		
Target	N/A	N/A	N/A	N/A	N/A	N/A

DEFINITION :

The Minnesota Trade Office (MTO), through the Minnesota Export Finance Authority, provides Minnesota exporters with financial assistance through working capital loan guarantees and risk insurance. Finance counseling provides Minnesota businesses with information on matters related to export financing, including how to structure payment terms, foreign exchange, accessing federal financing programs and reducing transaction risk. Definitions of other terms used in the measure can be found in the Definition section under Goal 1, Objective 2, Measure 1.

"Cost per client consulted" is defined as MTO's cost of delivering the export financing services per client. The MTO intends to develop and refine this measure for subsequent performance reports.

RATIONALE :

"Cost per client consulted" serves as a efficiency and cost-effectiveness measure. For the rationale of other terms, see the Rationale section under Goal 1, Objective 1, Measure 1.

DATA SOURCE :

See Data Source section under Goal 1, Objective 1, Measure 1.

DISCUSSION OF PAST PERFORMANCE :

Demand for export financing has shown consistent growth over the past two years (FY 1995 and FY 1996). Despite this increase, MTO clients are increasingly satisfied with MTO export finance services. As the on-line system shows, the client satisfaction levels have remained above 78 percent for all four surveys, reaching 89 percent for the 1994 survey. Clients reporting export results increasingly attribute MTO export finance services to their results, increasing from 40 percent in 1987, to 82 percent in 1994.

PLAN TO ACHIEVE TARGETS :

In order to meet growing demand and achieve performance targets, the MTO's Minnesota Export Finance Authority has built partnerships with the Ex-Im Bank and the Small Business Administration (SBA) by establishing City/State partner designation. The Export-Import Bank has agreed to collaborate with the MTO in providing pre-export financing to Minnesota businesses through a formalized city/state partnership.

The MTO also plans to collaborate with the Minnesota World Trade Center Corporation in establishing a trade development fund to increase the speed and security of transactions in emerging markets. In addition, the MTO has initiated a credit verification service for Minnesota exports to help them move towards open-account exporting.

OTHER FACTORS AFFECTING PERFORMANCE :

Also see the Other Factors Affecting Performance section under Goal 1, Objective 1, Measure 1.

- Goal 1** : To promote, facilitate and deliver international business export assistance and services to Minnesota businesses.
- Objective 5** : By FY 1999, 85 percent of customers will be satisfied with information services, 70 percent of customers will indicate that information services contributed, at least in part, to their export results, and services will be delivered cost effectively.

Measure 1 : Percent of customers satisfied with information services, percent indicating these services contributed, at least in part, to their export results, and cost per information contact.

	<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>	<u>F.Y.1998</u>
Percent of customers satisfied with MTO information services						
Actual	N/A	81.5%	N/A	N/A		
Target	N/A	87.0%	82.0%	83.0%	84.0%	85.0%
Percent reporting services contributed to export results						
Actual	N/A	67.8%	N/A	N/A		
Target	N/A	70.0%	70.0%	70.0%	70.0%	70.0%
Cost per outside information contact plus staff support						
Actual	N/A	N/A	N/A	N/A		
Target	N/A	N/A	N/A	N/A	N/A	N/A

DEFINITION :

Businesses need information and intelligence in developing and pursuing an export market strategy. The MTO's information services provide a source of focused export information to private and public sector; facilitate international information to other libraries in the state; and position Minnesota at the high-end of economic competitiveness.

The MTO offers a variety of information services including: publishing and distributing such publications as a trade statistics book, events calendars, directories and guidebooks; international library services; foreign market research; and lists of agents and distributors. For definitions of other terms used in this measure, please see the Definition section under Goal 1, Objective 2, Measure 1.

"Cost per outside information contact plus staff support" is defined as MTO's cost of delivering the information services per contact. The MTO intends to develop and refine this measure for subsequent performance reports.

RATIONALE :

"Cost per outside information contact plus staff support" serves as an efficiency and cost-effectiveness measure. For the rationale of other terms, see the Rationale section under Goal 1, Objective 1, Measure 1.

DATA SOURCE :

See Data Source section under Goal 1, Objective 1, Measure 1.

DISCUSSION OF PAST PERFORMANCE :

MTO information services continue to provide excellent services to Minnesota businesses. The MTO's library is the state's leading international business reference library and the publications published have been cited by other states as "cutting edge" documents. Although access to agent and distributor lists via the National Trade Data Bank (NTDB) has increasingly become easier and faster, the quality of these lists needs to improve.

Client satisfaction levels reflect the quality of MTO's information services. The percent indicating satisfaction with these services is at a high level, ranging from 78 percent in 1987, to 91 percent in 1989. Clients reporting export results often cite these services as contributing to the result. Since 1988, at least 68 percent of those clients that achieved an export result reported that MTO information services contributed to the result.

PLAN TO ACHIEVE TARGETS :

Several major activities within information services will help the MTO achieve its performance targets. For example, continued improvement (e.g., presentation and relevance) in publications will result in more clients reporting that publications contributed to an export result. The MTO also 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.

Agent and distributor lists supplied by the National Trade Data Bank (NTDB) must be supplemented with additional data sources. The MTO, through the development of the AXES (Accelerated Export Enhancement Systems data base), 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.

In addition, the MTO is evaluating methods to improve the performance of the library. 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 information to supplement the information contained in the library. MTO will increase the capacity of this service to serve a greater number of customers.

To increase business access to trade data, the MTO library is being cataloged and displayed in the PALS catalog system. In addition, the MTO is exploring a market research service in collaboration with the Minnesota World Trade Center Corporation (MWTCC).

OTHER FACTORS AFFECTING PERFORMANCE :

See also the Other Factors Affecting Performance section under Goal 1, Objective 1, Measure 1.

Agency : TRADE & ECONOMIC DEVELOPMENT

Program : OFFICE OF TOURISM

EXPENDITURES AND STAFFING :

	<u>(\$ in Thousands)</u>	<u>Percent of Department</u>
Total Expenditure	\$8,700	13.36%
From Special Revenue Funds	\$865	
Trunk Highway Funds	\$679	
General	\$7,156	
Number of FTE Staff:	79	33.98%

GOALS :

The Minnesota Office of Tourism has three goals to support the department's mission and goals:

- Generate incremental revenue from nonresident travel to Minnesota through investment of marketing dollars, media relations activities, and partnerships with tourism organizations. (M.S. 116J.615)
- Retain travel dollars from Minnesotans within the state by developing partnerships that maximize resources. (M.S. 116J.615)
- Provide travelers with the highest quality information and service based on their needs, and achieve a competitive advantage in the marketplace. (M.S. 116J.615)

Each of these goals is captured within the department's mission and four goals.

DESCRIPTION OF SERVICES :

The DTED/Minnesota Office of Tourism (MOT) agency performance report reflects the rapid and significant changes occurring in the global travel and tourism industry. The performance report results also demonstrate a fundamental shift in the Office of Tourism's strategic direction.

During FY 96, in order to address the changes in the travel and tourism industry, as well as to best enable the tourism division to achieve its mission: 1) the MOT implemented an organizational restructuring; and, 2) developed a new, long-range strategic plan. This transition is shifting the MOT toward a more research-driven, target market-oriented, and outcome-based program. All related sales, marketing, and information delivery services are being evaluated and/or enhanced. Consequently, outcome measurements will also be evolving to provide increased accountability.

The goals of the Office of Tourism are to increase its market share of our state visitors, while retaining in-state travelers, to maintain and increase state revenues from tourism. In order to best meet these goals and: 1) meet market opportunities; 2) increase tourism-related sales and state revenues; 3) create operating efficiencies; 4) improve information delivery systems; and 5) maximize program outcomes, the Minnesota Office of Tourism implemented an organizational restructuring. This reorganization transformed the tourism division from seven distinct units, often operated autonomously, to four major operating areas, each with marketing responsibilities. The shift toward and focus on a sales and marketing orientation will also maximize outcomes.

The office is divided into 4 areas: Destination Sales and Product Marketing; Consumer Marketing; Traveler Sales; and Stakeholders Relations. In addition, the office has established a 35-person, statewide Tourism Advisory Committee, chaired by the Lieutenant Governor, which provides industry input, program feedback and communication relative to policy development.

The Destination Sales program markets and "sells" Minnesota as a travel destination to consumer tour operators, group tour, media clients and consumers. The program also initiates, develops and coordinates sales activities with tourism industry buyers and consumers in targeted North American and international markets. The primary international markets are Japan, the United Kingdom, and Germany. Tactics to generate travel by the Destination Sales program include: trade show exhibits; trade missions; direct sales and marketing; trade advertising; and familiarization trips.

The Product Marketing program is defined as the sales, marketing, and promoting of specific destinations, tourism related businesses, attractions, festivals, events, and activities. Product marketing activities will primarily be focused in the 12-state Northcentral Region, which generate approximately 86 percent of Minnesota's domestic tourism. Canadian provinces are also primary targets. Tactics for the Product Marketing program include: consumer advertising; co-op programs; vertical market programs; media relations; direct sales; and familiarization trips. To maximize program outcomes, the Product Marketing and Destination Sales programs operate in conjunction with one another.

The Consumer Marketing program is responsible for handling consumer inquiries and providing travel information, travel planning services, and marketing fulfillment services to prospective travelers and travelers. Consumer inquiries are handled via telephone, correspondence, fax, the Internet, and by responding to consumer advertising programs. The Consumer Marketing program is also responsible for operating efficiencies, measurement, and evaluation of MOT's programs.

The Traveler Sales program delivers person-to-person tourism information services to travelers who plan to visit, or who are traveling in Minnesota. The Traveler Sales program operates a network of statewide Travel Information Centers; supports interactive travel information computer kiosks; and markets Minnesota tourism opportunities at sport, travel, camping, and vacation shows to identified primary markets throughout the upper Midwest.

The Stakeholder Relations program is responsible for facilitating two-way communication between the Office of Tourism and the state's tourism industry, as well as for monitoring public policy issues that may impact tourism in Minnesota. MOT stakeholders are defined as not-for-profit travel and tourism promotion organizations formed primarily to promote travel to their area; travel and tourism related businesses; tourism services that derive a significant portion of their revenue from travel related sales; and elected government officials; state agencies; boards; and commissions.

In addition to the organizational restructuring, the other major factor that will help to ensure the tourism division's ability to achieve its mission is the development and implementation of a new, long-range strategic plan. Execution of the new strategic plan will enable the Office of Tourism to: 1) increase domestic travel to Minnesota; 2) expand overseas and international tourism throughout Minnesota; 3) retain travel by Minnesota residents in-state; 4) increase tourism-related sales; 5) maximize state and local revenues from tourism; 6) enhance periods of available capacity; and, 7) generate incremental private sector investment in promoting the state's travel products.

There are several related tenets that provide the foundation for the tourism division's new strategic plan. These also represent fundamental shifts from MOT's historic marketing activities. Perhaps the greatest change is the goal of generating actual travel, versus generating inquiries.

An inherent element of this philosophy is the use of fiscal marketing resources as an investment to generating non-resident travel, which has a greater impact upon the Minnesota economy.

The next significant element of the strategic plan is the new focus on reaching identified target markets and target audiences that represent the greatest potential to travel to Minnesota. Historic tourism division marketing programs have been directed at mass markets. Investment in market research will be necessary to determine the identified target markets. This is a major change and one that will greatly impact the nature of all tourism-related sales, marketing, and promotional activities. The emphasis on generating travel also dictates enhancements to information delivery.

This evolution to and focus on identified target markets goes hand-in-hand with the MOT's new emphasis on maximizing periods of available industry capacity. The greatest return-on-investment of taxpayers dollars is through actually generating travel. The most effective manner to accomplish this may be by maximizing tourism-related sales during the fall and spring shoulder seasons, as well as midweek during the first quarter. This change will also greatly impact the Office of Tourism's sales and marketing activities and program measurements.

The next fundamental shift in strategic direction is the focus on directly linking the potential buyers of the Minnesota travel product with the sellers. In time, this strategic change will: 1) maximize tourism related sales; 2) create operating efficiencies for the agency; and 3) increase state and local revenues from tourism. This change will also impact sales and marketing programs.

The new Journey travel planning service, which was introduced in 1996, represents an evolution in the tourism division's on-going efforts to provide the best possible information to consumers. General travel information requests, as well as requests for specific publications, are increasingly handled via automated voice response units. This provides additional capacity for the Office of Tourism's travel counselors to provide more detailed and customized information based on a customers' specific interests and needs. The change toward generating qualified leads, versus inquiries, will also enable the division to build a sophisticated customer database that will be instrumental in maximizing future tourism-related marketing activities and outcomes.

Increased investment in formation technology-based delivery systems such as the Internet will also greatly maximize the potential number of qualified prospects MOT programs can reach.

The final major foundation of the new strategic plan is the goal to generate incremental private sector investment to market and promote Minnesota's diverse travel products and services. Public and private partnerships will be

pursued with traditional and non-traditional tourism partners which will leverage available resources, as well as maximize sales.

The Office of Tourism encourages public/private partnerships. The ability to generate travel to Minnesota is a combined effort of the Office of Tourism and the travel industry throughout the state. Partnerships and cooperative advertising opportunities serve to provide a direct link between potential travelers and tourism businesses and organizations. Thus, the office's efforts to strengthen awareness and build positive images of Minnesota as a travel destination are often enhanced by partners' presentations of more tangible travel products, and vice-versa. Partnerships enhance the outcome with increased coordination and exposure while reducing duplication and expenditures. The table in the Background Information section shows statistical outcomes from some of these partnerships.

In Minnesota, as well as nationally, tourism is gaining recognition as an engine for continued economic growth, job growth, and prosperity. New and emerging U.S. and Minnesota destinations for international visitors develop as travelers are made aware of the industry's potential. For example, the 48.7 percent rate of growth in overseas travelers to Minnesota was more than three times the 14.3 percent national growth rate over the period from 1991 through 1994, and group tour travel to Minnesota generates \$152 million annually. Nationally, travel and tourism generates well over \$50 billion in local, state and federal taxes from domestic travel, and in excess of \$8 billion from international travel. The industry provides the nation with an annual \$22 billion trade (tourism) surplus.

Over the period 1991 through 1994, Minnesota's 23.7 percent growth in gross receipts from domestic travel exceeded the 15.7 percent national growth rate in travel and tourism expenditures -- the most comparable national statistic available. (Sources: Office of Tourism estimates based on TravelScope and REMI; U.S. Travel Data Center--USTDC). According to the USTDC, travel expenditures in Minnesota increased 14.8 percent over this four-year period -- a rate comparable to or slightly higher than that of surrounding states. Much of the Minnesota growth took place from 1991 to 1992. Flooding and poor weather conditions caused decreases in all statewide travel statistics for 1993, while travel at the national level continued at a steady pace of growth.

Minnesota's strong economy and near full employment saw tourism employment grow 12.1 percent between 1991 and 1994. Despite steady growth, Minnesota's growth lagged the nation's (16.7 percent) and did not keep pace with Wisconsin, Illinois, Michigan and Missouri, which represent competitive states with expanding travel marketing budgets.

BACKGROUND INFORMATION INTRODUCTION

The Office of Tourism has strived to obtain data that most accurately depicts the volume and impact of travel in Minnesota and includes readily available data from sources including the U.S. Travel Data Center and the U.S. Travel and Tourism Administration. The Office of Tourism also has compiled accurate statistics for Minnesota through alternative means, including participating in the TravelScope travel survey using the REMI computer model to simulate tourism impacts. While these alternative statistics allow comparisons of change over time, relative to national statistics, they are not directly comparable with statistics derived from different sources and methodologies. The office plans to expand its use of TravelScope and REMI to determine comparable estimates of national travel statistics.

BACKGROUND INFORMATION :

MEASURE TYPES: ACTIVITIES (A), EFFICIENCY (E), OUTPUT (O), OUTCOMES (OC),
OTHER DATA (OD), UNIT COSTS (UC), WORKLOAD (W)

DATA BASED ON: CALENDAR YEAR (CY), FISCAL YEAR (FY), FEDERAL FISCAL YEAR
(FFY), BIENNIUM YEARS (BY)

Type	Based	Measure	1994-95	1995-96
NATIONAL INDUSTRY BACKGROUND				
OD	CY	U.S. Travel & Tourism Employment* (thousands)	12,488	N/A
OD	CY	U.S. Travel & Tourism Earnings* (billions)	\$232	N/A
OD	CY	U.S. Travel & Tourism Expenditures* (billions)	\$825	N/A
OD	CY	U.S. Travel & Tourism Tax Revenue* (billions)	\$52.6	N/A
OD	CY	Canadian Travelers to U.S. (thousands)	14,974	14,663
OD	CY	Overseas Travelers to U.S. (thousands)	18,458	20,639
* Impacts are only for domestic travel.				
MINNESOTA INDUSTRY BACKGROUND				
OD	CY	MN Travel & Tourism Employment*	133,008	135,615e
OD	CY	MN Travel & Tourism Wages/Salaries* (millions)	\$2,751	\$2,915e
OD	CY	MN Travel & Tourism Gross Receipts* (millions)	\$6,879	\$7,130e
OD	CY	MN Travel & Tourism State Tax Revenue* (millions)	\$320	N/A
OD	CY	Canadian Travelers to Minnesota (thousands)	495.0	N/A
OD	CY	Overseas Travelers to Minnesota (thousands)	361.1	N/A
OD	CY	Domestic Pleasure Travelers to MN (thousands)	15,966	16,553
OD	FY	Twin Cities Share of MN Sales at Lodging Places	N/A	N/A
* Impacts are only for domestic travel				
MOT ACTIVITIES AND WORKLOAD				
W	FY	Number of phone inquiries received	492,112	392,148
W	FY	Number of mail inquiries received	228,016	161,983
W	FY	Number of walk-in inquiries received	490,845	487,161
A	FY	Media served	251	246
A	FY	Media hosted on familiarization tours	109	127
PARTNERSHIP INFORMATION				
A	FY	Organizational partnerships	29	55
A	FY	Total Cash & In-Kind Partner Contributions	\$3,876,200	\$4,403,200
OD	FY	Share of Contributions from Regional Programs	13.9%	11.9%
OD	FY	Share of Contributions from Revenue	11.7%	8.0%
OD	FY	Share of Contributions from Partnerships	12.0%	8.9%
OD	FY	Share of Contributions from Corporate Sources	62.4%	73.4%

SOURCE: Minnesota Office of Tourism and various secondary sources.

N/A = Data not available for indicated year.

e = Data is estimated.

PROGRAM DRIVERS :

Many factors affect the Office of Tourism's performance such as economic recessions, weather or natural disasters, changes in Minnesota's or the competitor's attraction supply, etc. 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 several additional factors.

The ability to attract new travelers into Minnesota, while retaining Minnesota resident travelers, is directly related to the state's ability to compete with other states and regions of the country. Media and production costs have risen at an average of 4 percent each year, while the amount of available resources has declined. Minnesota's advertising budget has remained relatively flat at \$2 million a year since 1985. In today's dollars, after inflation, the ad budget would need to be \$3.8 million to have comparable buying power to \$2 million in 1985.

Increasing costs of delivering information also affects Tourism's programs. Customers expectations are higher. While newer electronic methods for information delivery are meeting some of the demand, quicker delivery of brochures, maps and other printed materials continues to be the only way of reaching some traditional customers. As postage, telecommunications, and delivery service rates increase, they drive up unit costs of deliveries and can impact programs and services. As a result, a transition toward the strategy of generating qualified "leads" with the greatest potential to travel, versus generating "inquiries," has been adopted.

- Goal 1** : Generate incremental revenue from nonresident travel to Minnesota through investment of marketing dollars, media relations activities, and partnerships with tourism organizations.
- Objective 1** : By CY 1997, Minnesota travel expenditures by nonresident consumers influenced by advertising/promotional programs will increase by 8 percent annually and by FY 1997 the value of exposure of potential travelers to positive messages about Minnesota's travel products will increase by 10 percent annually.
- Measure 1** : Percent of non-resident customers that were influenced in part by MOT information to visit Minnesota and total Minnesota travel expenditures by these visitors during the spring/summer travel season.

	<u>C.Y.1993</u>	<u>C.Y.1994</u>	<u>C.Y.1995</u>	<u>C.Y.1996</u>	<u>C.Y.1997</u>	<u>C.Y.1998</u>
Percent of non-resident customers who traveled to MN						
Actual	59.2%	56.7%	64.3%			
Target	N/A	N/A	59.2%	64.3%	64.3%	64.3%
Percent of non-resident visitors influenced by MOT info.						
Actual	71.6%	77.2%	79.5%			
Target	N/A	N/A	N/A	79.5%	79.5%	79.5%
Expenditures by influenced travelers (thousands)						
Actual	\$64,920	\$60,499	\$72,758			
Target	N/A	N/A	N/A	\$60,700	\$79,600	\$87,500

DEFINITION :

The Office of Tourism is responsible for influencing and informing potential travelers about travel to Minnesota. Paid advertising, and sales and marketing-related promotions are utilized to deliver Minnesota messages to the traveling public. While some of the advertising and promotions are intended primarily to build an image of Minnesota as an attractive travel destination, many of the messages also invite consumers to contact the Minnesota Office of Tourism by phone or mail to request travel information. The terms used above are defined below:

"Percent of non-resident customers who traveled to Minnesota" represents those respondents to seasonal surveys that received MOT services and reported that they traveled to Minnesota during the current spring or summer.

"Percent of nonresident visitors influenced by MOT info." represents the number of respondents to seasonal surveys that took at least one pleasure trip to Minnesota during the spring/summer season and reported that Office of Tourism services had "great" or "some" influence on their decision to take a trip to Minnesota.

The "respondents" include only non-resident domestic consumers, and excludes travel industry inquiries (e.g., travel agents, tour operators, etc.) and students or teachers requesting information for school reports. The spring/summer season is defined as April 1 through Labor Day, and a pleasure trip is defined as a trip where a person traveled at least 100 miles away from home or spent at least one night away from home.

"Expenditures by influenced travelers" is the estimated direct expenditures by travel parties for all trips to Minnesota during the spring/summer season for the indicated calendar year. To calculate expenditures representative of respondents who indicated the information had a great influence or some influence on their decision to take a Minnesota trip, the survey data was adjusted for response and nonresponse bias. In addition, the expenditures are projected at mid-point estimates.

"N/A" indicates that data is not available. The performance outcomes used in this measure are new and performance targets were not established prior to CY 1996.

The data presented are direct expenditures by travelers. Economic impact results frequently are run through models or adjusted in other ways that increase the value of visitor expenditures to account for indirect or induced effects of these expenditures as they circulate through the economic system.

RATIONALE :

The majority of information inquiries to the Office of Tourism are a direct result of advertising. Methods of fulfilling inquiries include sending a specific, advertised publication such as the "Minnesota Explorer" newspaper, or sending a variety of statewide and/or destination-specific publications. In 1996, the Office introduced an innovative and personalized travel planning service called "Journey." "Journey" is designed to efficiently provide customized travel planning information via phone, fax, the Internet or mail. The measures used above directly relate to the department's mission and the effectiveness of the information and services provided by the MOT to convince consumers to travel to Minnesota.

DATA SOURCE :

Detailed data is available from an annual survey of domestic consumers who made inquiries to MOT during the months of February through July, and who are subsequently sent information for the spring/summer season.

DISCUSSION OF PAST PERFORMANCE :

Historically, the Office of Tourism conducted direct response advertising to out-of-state and in-state markets. Inquiry generation was the objective of the advertising program with the "Minnesota Explorer" newspaper as the response piece. Consumer advertising has been focused on three areas 1) out-of-state mass markets; 2) vertical markets; 3) state residents. Out-of-state advertising has been directed at consumers in the upper Midwest states and adjacent Canadian provinces. Television, newspaper inserts, and magazine advertising were used in these markets. In-state radio advertising was also used. Because the majority of travel in and to Minnesota occurs during the second and third quarters, the bulk of advertising and promotion dollars has been focused on the spring/summer season.

As a result of the opening and subsequent publicity generated by the Mall of America, as well as increased and more sophisticated marketing by Minnesota's tourism industry, the interest in Minnesota as a destination has increased. In 1993, 34 percent of non-Minnesota respondents who have taken a spring/summer trip were first-time visitors to the state. In 1994 and 1995, the percentage of first-time visitors was 38 percent. This increase occurred at the same time conversion rates increased to 64 percent in 1995.

MOT's performance has consistently improved, especially in the areas of influencing travelers to visit Minnesota. In CY 1995, nearly 80 percent of customers who received information from MOT, and who subsequently traveled to Minnesota, indicated that they were influenced by MOT services, up from 72 percent in CY 1993.

PLAN TO ACHIEVE TARGETS :

The Office of Tourism develops communication and advertising plans on an annual basis. Plans are research driven and target travelers demonstrating the greatest return, or those with the greatest potential to travel.

In 1996, the number of inquiries substantially declined for the spring/summer season for two reasons. First, a substantial investment was made in FY 1996 to develop a personalized travel service called "Journey." The strategy is to efficiently provide travel information to consumers based on their specific interests and needs. The advertising program for 1996 was divided into two areas. One was to generate inquiries for the "Minnesota Explorers" newspaper--the traditional approach. The second was to introduce the "Journey" customized travel planning service. This was done to create awareness with the expectation that the response rate would be at a lower level than the "Explorer" campaigns.

In the past, MOT measured success by the volume of inquiries. Now the emphasis generating qualified leads from identified target markets with the greatest potential to generate travel and incremental tourism-related sales. While inquiry volumes may decline, actual sales influenced by programs will increase. For example, "Journey" should enable the MOT to generate significantly higher and incremental tourism-related sales. MOT's performance targets are expected to be more than double that the national average for the same period.

Given this background, MOT's strategies to achieve these performance targets include:

- 1) Identifying geographical target markets which provide the greatest return on investment. This has been done by charting traveler expenditures by market, then computing media costs. The focus is on increasing conversion rates, per party expenditures, and repeat visits.
- 2) Creating vertical market promotional programs, specifically targeting times when there is capacity, (i.e. vacancies, such as fall) or activities that generate a high rate of return, (e.g. snowmobiles). Evaluations are determined on a project-by-project basis.
- 3) Produce or provide promotional materials that influence respondents to choose Minnesota and provide necessary information for trip planning. Questions addressing influence and helpfulness of information are now asked as part of conversion studies. In 1994, an analysis of marketing materials was conducted and focus groups of non-residents and Minnesotans were conducted in 1995 to validate findings.
- 4) Enter into partnerships and offer cooperative advertising opportunities that extend promotions and offer advertising opportunities to tourism businesses and organizations, providing a link between the buyer and the seller. In 1996, advertising was accepted in the "Minnesota Explorer" newspaper. Advertising revenue paid for production costs and generated revenue to be applied to other promotional efforts. Savings was approximately \$127,000 with \$40,000 revenue generated for the Office.
- 5) Focus media efforts by region, national and media type. Develop a target list of travel media for each market. For primary markets provide proactive information, such as monthly faxes or bimonthly mailings. Invite targeted media and screen for familiarization tour participation.
- 6) Organizational partnership programs which provide funds on a matching basis and target dollars toward non-resident markets. Partnerships available through the Office of Tourism provide a mechanism to effectively leverage partner resources while enhancing the identity of the state. Over the period FY 1993

through FY 1996, MOT has secured between \$3.6 million and \$4.6 million annually in cash and in-kind contributions from partners.

OTHER FACTORS AFFECTING PERFORMANCE :

Many factors beyond the control of the Office of Tourism affect travel such as: economic conditions, weather and natural disasters, and cool or rainy conditions that affect outdoor recreation-oriented business such as resorts, campgrounds and ancillary businesses or events.

With the advertising budget remaining flat over the past 10 years, the MOT's buying power has decreased as media and production costs continued to increase. For example, increases in the cost of television and magazine advertising have ranged between 59 percent and 95 percent for that time period. This is at a time of significantly increased competition in tourism marketing at all levels, both domestically and internationally.

- Goal 1** : Generate incremental revenue from nonresident travel to Minnesota through investment of marketing dollars, media relations activities, and partnerships with tourism organizations.
- Objective 1** : By CY 1997, Minnesota travel expenditures by nonresident consumers influenced by advertising/promotional programs will increase by 8 percent annually and by FY 1997 the value of exposure of potential travelers to positive messages about Minnesota's travel products will increase by 10 percent annually.
- Measure 2** : Value of media coverage generated in regional, national and international media.

	<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>	<u>F.Y.1998</u>
Value of media coverage (thousands)						
Actual	N/A	N/A	\$1,318.3	\$1,450.0e		
Target	N/A	N/A	N/A	N/A	\$1,595.1	\$1,754.7

DEFINITION :

Measure 2 is the value of media space (e.g. stories, articles and broadcasts) identified by the Office of Tourism that have resulted from contacts with the Office. The value is calculated by applying the cost equivalent for securing similar coverage through paid advertising. The cost equivalent is determined by applying the current advertising rate for a particular media or publication to the proportional amount of space used by the article. Due to targeting national and international media opportunities, comprehensive measurement is increasingly difficult.

"N/A" indicates that data is not available. The performance outcome used in this measure is new and performance targets were not established prior to FY 1997.

RATIONALE :

Awareness of Minnesota in key markets is the goal of ongoing media relations programs and travel promotion. The Office of Tourism provides information and services to media contacts who, in turn, provide media coverage including articles and broadcast programs that serve to raise awareness of Minnesota's travel products and influence travel to the state. Media opportunities educate potential travelers about the year around travel experiences available in Minnesota.

Services range from providing brief information, to extensive research. Familiarization tours are another tool used to provide travel media on assignment with first hand exposure to the state's travel opportunities. Travel industry partners serve as hosts, as well as contributing accommodations, meals, admissions, and local information.

DATA SOURCE :

Media hosted on familiarization tours provide the Office of Tourism with copies of resulting articles and broadcast programs as a condition of participating in the tours. Contacts with the media are recorded by staff on tracking forms. These forms identify the purpose of and information provided to each contact. In addition, numerous requests for slides and film are handled and these images appear in a wide range of publications and productions. As has been the case with consumers, the increased awareness of Minnesota as a travel destination has enabled the MOT to seek more targeted and focused media opportunities.

DISCUSSION OF PAST PERFORMANCE :

Awareness of Minnesota in key markets is the goal of ongoing media relations programs. Before FY 1995, the Office assisted travel writers and media representatives with story ideas and trip specifics when a travel writer requested such help. After reviewing research on the value and credibility that potential travelers place on travel articles, the office developed a program to proactively market Minnesota's destinations and travel opportunities to travel writers in order to get more stories placed in major publications. Writers from targeted media are identified and the office designs regular marketing messages that attempt to interest these writers in Minnesota travel opportunities. In conjunction with instituting the program, the office began tracking the articles that these writers placed. At the time this report was completed, six months are calculated for articles placed during 1996. Projections indicate that the fiscal year 1996 performance outcomes will be comparable to, or exceed, those of 1995.

PLAN TO ACHIEVE TARGETS :

Please see the Plan to Achieve Targets section under Goal 1, Objective 1, Measure 1.

OTHER FACTORS AFFECTING PERFORMANCE :

Please see the Other Factors Affecting Performance section under Goal 1, Objective 1, Measure 1.

Goal 1 : Generate incremental revenue from nonresident travel to Minnesota through investment of marketing dollars, media relations activities, and partnerships with tourism organizations.

Objective 2 : Continue to increase the number of Minnesota travel programs in tour operator catalogs by 10 percent per year.

Measure 1 : Number and percent change of Minnesota travel programs in tour operator catalogs.

	<u>C.Y.1993</u>	<u>C.Y.1994</u>	<u>C.Y.1995</u>	<u>C.Y.1996</u>	<u>C.Y.1997</u>	<u>C.Y.1998</u>
Minnesota programs in U.S. tour catalogs						
Actual	N/A	N/A	203			
Target	N/A	N/A	N/A	223	245	270
Percent change in number of programs in U.S. tour catalogs						
Actual	N/A	N/A	N/A			
Target	N/A	N/A	N/A	10%	10%	10%
Minnesota programs in international tour catalogs						
Actual	51	N/A	66			
Target	N/A	N/A	N/A	73	80	88
Percent change in the # of programs in int'l tour catalogs						
Actual	N/A	N/A	N/A			
Target	N/A	N/A	N/A	10%	10%	10%

DEFINITION :

In addition to marketing directly to consumers, the office also executes marketing activities to influence group tour leaders, who are the organizers and sellers of group travel, to include Minnesota destination products in their marketing efforts. The office's success with the international and domestic group tour industries results in Minnesota travel itineraries becoming part of a group tour company's product line. These Minnesota itineraries get listed in group tour catalogs which are the major marketing pieces used by group tour operators to sell tours to their prospective customers. Successful marketing to group tour operators is a lengthy process and frequently takes place over time.

"N/A" indicates that data is not available. The performance outcomes used in this measure are new and performance targets were not established prior to CY 1996.

RATIONALE :

Destination 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, travel agents, airlines, transportation companies, and hotel chains. The travel/trade partners are needed to develop travel products which can be sold to the traveling public.

The Minnesota Office of Tourism markets to the travel industry through two major program areas: the group tour market and the international market. Both markets rely heavily on the travel industry infrastructure to produce travel. According to the U.S. Travel Data Center, group tour and international markets are projected to be the major growth markets for the United States during the next 10 years.

Trip expenditures in the domestic group tour and international markets exceed most other categories of leisure travel expenditures, primarily because they involve prepaid, packaged travel programs that include transportation, lodging, attractions, and some meals. According to the National Tour Association, the 1993 average total expenditure per day for a multi-day tour in the United States was \$151.91. The mean expenditure for overseas travelers to the West North Central Region is estimated by the U.S. Department of Commerce to be \$2,095 per person per trip. These figures exceed the national average expenditure per day for independent travelers (\$98.71 for those using paid accommodations and \$50.39 for campers).

The growth/decline of group tour and international travelers is an indicator of the success of Minnesota's marketing programs. Without an increase in the number of tour programs to the state, it is unlikely that the number of travelers will increase. The great percentage of international travel (95 percent) and group tour travel (90 percent) is booked through a tour wholesaler. MOT programs are targeted to these important travel trade clients.

DATA SOURCE :

Measurement of Minnesota travel programs in tour operator catalogs will be accomplished through annual staff surveys of tour operators. This is the most effective method of measurement and will provide accurate data about the impact Minnesota Office of Tourism staff have in developing Minnesota travel product for tour operator catalogs. Placing Minnesota travel programs in tour catalogs is a significant accomplishment since these catalogs are distributed by each operator to client lists (trade and consumer). Individual tour operator distribution programs can reach as many as 2.5 million potential consumers, depending upon the nature and scope of the respective tour operator's sales and marketing activities.

In November 1996, Minnesota hosted the National Tour Association's (NTA) annual convention. This organization is comprised of the 750 top tour operators and group tour planners in North America. Prior to the convention, the Office of Tourism conducted a survey of conference attendees to develop baseline data of current group tour activity in Minnesota. Follow-up research will reflect program outcomes and identify group tour travel-related expenditures.

DISCUSSION OF PAST PERFORMANCE :

Since 1983, the Minnesota Office of Tourism has had an active trade marketing program, designed to develop Minnesota tour programs at a wholesale level. Marketing techniques have included attendance at travel trade shows, sales missions, hosting familiarization tours of the state, trade advertising, direct mail, and working with media.

For example , the MOT works cooperatively with the Minnesota travel industry to develop group tour programs to the state. From 1994 through 1996, a major emphasis has been placed on planning and hosting the National Tour Association's (NTA) Annual Convention in Minnesota, November 1996. NTA is a tour operator organization with 600 tour operator members that are responsible for approximately 80 percent of group travel in the United States. Following the convention, Minnesota expects to see a significant increase in group tour activity to the state, particularly in the three years following the convention.

In the international marketing arena, the MOT has worked cooperatively with Northwest Airlines to promote tourism from key target international markets: Canada, Japan, Germany, and the United Kingdom. Following the Open Skies agreement with Canada in 1995, Minnesota now has more than 100 non-stop flights between MSP and Canadian cities per week, which has a significant impact on Canadian travel patterns. In December 1996, Northwest Airlines will offer daily non-stop flights between MSP and Tokyo. Since 1983, Northwest Airlines has flown daily flights between MSP and London. Given this significant increase in international air service, combined with an aggressive international marketing program, Minnesota has the potential of adding many new tour programs to operators worldwide.

Because of increased understanding of the meaning of a "performance measure," the office only recently identified catalog listings rather than the total number of people taking group tours as the primary gauge of its efforts. Since agreement on this measure, the office has begun to document its marketing efforts, track its client contacts, and follow-up to identify the results. The office's marketing activities seem to have significantly increased awareness of Minnesota's potential as a group tour destination among both domestic and international tour organizers. This awareness is just beginning to translate into Minnesota itineraries listed in the group tour catalogs. For example, a 29 percent increase in international catalog listings between 1993 and 1995 offers promise that Minnesota is beginning to make progress as a group destination.

PLAN TO ACHIEVE TARGETS :

Successfully marketing Minnesota travel itineraries to group tour operators is a lengthy process. Operators must be convinced that the Minnesota itineraries offer exciting experiences for their customers and that the Minnesota travel business can competently satisfy all aspects made by group travel.

To meet these needs, the office plans to work on two levels. First, it will continue its efforts to train Minnesota's travel businesses to meet the demands that are placed on them when they host large tour groups so that tour operators' and customers' expectations are met and tours are successful. For example, the Office will train Minnesota travel businesses in how to meet the special cultural and language needs posed by international guests to ensure they feel comfortable and welcome. The Office will also package itineraries directed at the international visitors on the additional Northwest Airline flights to spend more of their time in Minnesota. To this end, MOT will design itineraries targeted to the needs of visitors from specific countries and will increase marketing efforts in Japan, the United Kingdom, Germany, and Canada.

Second, the office will also continue to package and market new and exciting itineraries that group tour operators will want to include in their product lines. In order to influence travel agents and tour operators, both domestically and internationally, the MOT plans to increase its efforts to host familiarization tours for tour operators and travel agents. Increased efforts are also being made to obtain media coverage of Minnesota as a travel destination in major domestic and international travel publications and broadcast outlets through media familiarization tours.

OTHER FACTORS AFFECTING PERFORMANCE :

Senior citizens and retirees make up the vast proportion of the domestic group travel market. As the population ages and Americans live more productively through their retirement years, group tour travel is expected to increase steadily. Hosting the National Tour Association Convention in 1996 is expected to increase recognition of the many group tour itineraries that Minnesota offers.

Few Minnesota tourism businesses have international experience. Education of the Minnesota tourism industry is critical to maximizing the significant potential of the international travel market.

Goal 2 : Retain travel dollars from Minnesotans within the state by developing partnerships that maximize resources.

Objective 1 : Increase the efficiency and sales effectiveness of providing information that influences the amount of travel and travel expenditures in Minnesota by residents.

Measure 1 : Number of resident pleasure travelers in Minnesota.

	<u>C.Y.1993</u>	<u>C.Y.1994</u>	<u>C.Y.1995</u>	<u>C.Y.1996</u>	<u>C.Y.1997</u>	<u>C.Y.1998</u>
Number of resident person trips (millions)						
Actual	N/A	8.861	9.237			
Target	N/A	N/A	N/A	9.6	9.99	10.39

DEFINITION :

A "person trip" is defined as one person taking one trip. A trip is counted as each time one or more household members goes to a place at least 50 miles away from home and/or spends at least one night and then returns. For example, if three persons from a household go together on a trip, their travel is counted as one trip and three person trips.

"N/A" indicates that data is not available. The performance indicator used in this measure is new and performance targets were not established prior to CY 1996.

RATIONALE :

Over the past few years, the office has, in effect and by design, greatly reduced direct marketing campaign to Minnesota residents. Instead, the office is partnering with private sector businesses in a number of different ways to build image for Minnesota destinations, produce collateral materials, and keep Minnesotans informed of their state's vacation opportunities. These changes leverage private-sector dollars in the resident market and allow the office to direct much of its advertising dollars toward out-of-state markets.

DATA SOURCE :

The 1994 and 1995 data is derived from the USTDC TravelScope cooperative travel survey as extrapolated to the Minnesota population. This national travel survey was first conducted in 1994. No comparable data exists for earlier years.

DISCUSSION OF PAST PERFORMANCE :

Recognizing the non-resident travel has a greater impact to the state's economy and that MOT programs may have greater influence on non-resident buying decisions, the MOT is prioritizing non-resident travel.

Ancillary studies also have indicated a very high resident awareness of the Office of Tourism's products, Minnesota destinations, and the travel information sources provided at destinations. Because Minnesotans proved to have such a high awareness and easy access to travel information via other sources, the Office decided to redirect many of the resident advertising dollars to out-of-state markets and develop some new ideas and partnerships to retain the resident market without the associated costs of direct response advertising campaigns. Non-resident travel expenditures also have a greater impact on the state's economy and generate incremental state revenues.

Strategies have also been implemented to directly link potential "buyers" with Minnesota industry "sellers." While this may reduce inquiries generated by the office, it is believed to be a much more effective sales mechanism and thus will produce job growth, economic development, and travel-related revenues.

Any comparison between 1993 and 1994 is impossible due to the change in data. However, the new data indicates that resident travel between 1994 and 1995 was strong. The office believes its partnership efforts can continue to keep Minnesota travel messages in the eye of Minnesota residents, affecting positive growth and allowing the office to redirect its marketing dollars to out-of-state markets to maximize program outcomes and taxpayer investment.

PLAN TO ACHIEVE TARGETS :

Strategies involving specific destinations, vertical markets, time of travel, and partnering with travel businesses, publishers, community newspapers and others, will be designed to target potential markets and deliver appropriate marketing messages. The messages will be more specific, geared to influence particular groups, and designed with the primary purpose of increasing the number of in-state trips and related travel expenditures by state residents.

OTHER FACTORS AFFECTING PERFORMANCE :

The competition for the travel dollar is fierce and competing destinations are increasingly targeting Minnesota residents. The marketing budgets of Minnesota's principal competitors are growing while Minnesota's has remained flat. Minnesota's major challenge will be to grow the resident market in the face of this increased competition.

Goal 2 : Retain travel dollars from Minnesotans within the state by developing partnerships that maximize resources.

Objective 1 : Increase the efficiency and sales effectiveness of providing information that influences the amount of travel and travel expenditures in Minnesota by residents.

Measure 2 : Value of partnership contributions in resident promotional campaigns.

	<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>	<u>F.Y.1998</u>
Number of Minnesotans who received MOT information						
Actual	270,310	110,768	102,202	94,455		
Target	N/A	N/A	N/A	N/A	450,000	450,000
MOT broadcast advertising costs for Minnesota market						
Actual	\$210,000	\$220,000	\$230,000	\$230,000		
Target	N/A	N/A	N/A	N/A	\$230,000	\$230,000
Market value of broadcast advertising costs (thousands)						
Actual	\$1,418.7	\$1,589.3	\$1,743.1	\$1,844.6		
Target	N/A	N/A	N/A	N/A	\$1,624.5	\$1,700.0
Market value assoc. with delivering information to residents						
Actual	N/A	N/A	N/A	\$13,350		
Target	N/A	N/A	N/A	N/A	\$483,600	\$490,000
Value of partner contribution (thousands)						
Actual	\$1,208.7	\$1,369.3	\$1,513.1	\$1,628.0		
Target	N/A	N/A	N/A	N/A	\$1,878.1	\$1,960.0

OTHER FACTORS AFFECTING PERFORMANCE :

Competition for partnership dollars is expected to increase as more public entities approach the private sector for contributions. The ability for the MOT to expand its public/private sector partnerships will depend on the ability of the office to effectively package and present contributions of value to potential partners. In order to maintain partnerships, the office's partners must realize a benefit from the relationship.

Goal 3 : Provide travelers with the highest quality information and service based on their needs, and achieve a competitive advantage in the marketplace.

Objective 1 : Increase the travel related expenditures and future trips of on-the- road travel information requestors.

Measure 1 : Number of customers served by travel information centers and customer satisfaction service index.

	<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>	<u>F.Y.1998</u>
Number of customers served at travel information centers						
Actual	441,794	461,934	491,205	N/A		
Target	N/A	N/A	N/A	486,275	465,000	480,000
Customer satisfaction service index						
Actual	N/A	N/A	N/A	N/A		
Target	N/A	N/A	N/A	9.66	9.70	9.72

DEFINITION :

Travel Information Centers, also referred to in many states as Welcome Centers, are often located near state borders, contain brochures, and are staffed with trained travel counselors who offer information and advice on attractions, events, travel routes, restaurants, lodging, and road conditions.

"Number of Customers Served" is the sum of the total customers served by all Travel Information Centers (TIC). MOT developed the "Customer satisfaction index" in FY 1996. The index provides a satisfaction rating of service at MOT's travel information centers and is an average of all customer responses (1 = lowest rating and 10 = highest rating) to the question "Please rate the service that you received today at this Travel Information Center." To calculate the system-wide annual average, the annual average index for each TIC was weighted proportionate to the total number of inquiries they handle.

Since the last report, the Office of Tourism has redefined the primary purpose of providing on-the-road travel information services. This information is based on travelers' specific interests and needs, rather than by providing general Minnesota travel information to consumers. The newly defined focus of this service is to influence a traveler's behavior so they increase their current trip expenditures or take a future trip--rather than the previously stated purpose of satisfying customers. Methodology to measure this objective will be designed and implemented during the FY 1997 travel season. Once a baseline is established, a targeted level of performance can be set. These items will be included in the next agency performance report.

"N/A" indicates that data is not available. The performance outcomes used in this measure are new and performance targets were not established prior to FY 1996.

RATIONALE :

If the Office of Tourism 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 a source of positive information about Minnesota. The "customer satisfaction index" provides a measure of the performance of on-the-road services provided to customers of the office, and the "number of customers served" is a good indicator of whether travelers find the TIC useful. Future measures will provide indications of the additional travel and trip expenditures resulting from travel information services provided, thus providing indicators that more meaningfully address the program outcomes of the office's mission.

DATA SOURCE :

Records of "number of customers served" is maintained by TIC staff. The "customer service index" is derived from customer surveys administered by travel information centers to visitors.

In the future, travel information centers will adhere to a standardized survey administration process. Guidelines for selection of sample, administration of survey, and the recording of necessary survey administration data will be met. The annual compilation of the index will become a more accurate measure, based on number of survey respondents and weighted by the number of inquirers by month at each site.

DISCUSSION OF PAST PERFORMANCE :

In the past, the office has placed more emphasis on counting the number of people served rather than defining what this service should be influencing. Because these sites serve motorists who, in most cases, are already on their trips, questions regarding weather conditions, highway safety issues, road construction, alternative routing, and directions have taken precedence over providing a marketing message. With the redefinition of the objective to help accomplish the DTED mission, focus will be placed on influencing travel behavior and expenditures. Measurements will be put in place on which to gauge current and future performance.

PLAN TO ACHIEVE TARGETS :

Influencing customer behavior and related expenditures requires an awareness of the perceived benefits that customers expect from both their travel information collection experience and the actual travel.

Understanding the customers while on their trips will allow the office to introduce on-the-road travelers to other products, vacation experiences, activities, and new destinations so these travelers may be influenced to take another trip to Minnesota.

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 providing quick retrieval for staff and efficient service delivery for 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 units 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 :

The office realizes that much of a traveler's experience is beyond its control. For example, many travelers have a set agenda and limited time which allows little room for the office to influence their current trip behavior. Nevertheless, the office will try to introduce new vacation ideas that may influence these TIC visitors on future trips. Finally, other providers in the industry must be honest in their promises, and meet or exceed customer expectations in order to have repeat business.