

990046

---

# **AGENCY PERFORMANCE REPORT**

---

**1998**

## **MINNESOTA DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT**

December 31, 1998

## TABLE OF CONTENTS

---

<u>Section</u>	<u>Page Number</u>
Agency Summary	1
Agency Expenditure Summary	2
Program: Business and Community Development	3
Program: Minnesota Trade Office	45
Program: Office of Tourism	61
Appendix - Changes in Performance Measures	77

RECEIVED  
JAN 21 1999  
LEGISLATIVE REFERENCE LIBRARY  
STATE OFFICE BUILDING  
ST. PAUL, MN 55155

**AGENCY:** Minnesota Department of Trade And Economic Development

*The purpose of the Minnesota Department of Trade and Economic is to advance the economic vitality of Minnesota.*

**Mission**

The mission of the Minnesota Department of Trade and Economic Development (DTED) is: "to employ all of the available state government resources to facilitate an economic environment that produces net new job growth in excess of the national average and to increase nonresident and resident tourism revenues." (M.S. 116J.011)

**Goals**

- Facilitate the growth of businesses by influencing private sector investment and quality job creation. (M.S. 116J.58)
- Promote Minnesota as an excellent business location and travel destination. (M.S. 116J.58)
- Remove governmental impediments to doing business in Minnesota. (M.S. 116J.58)
- Deliver programs and services efficiently and cost effectively. (M.S. 116J.58)

**Organization**

The Minnesota 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, this 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 which are discussed in the biennial budget. Descriptions of the department's five divisions follow:

*Programmatic Divisions*

The **Business and Community Development Division** (BCD) has six major program activities: 1) The Marketing and Business Development Office assists business with their expansion and location needs, especially in targeted industries; 2) The Business Finance Office provides financial assistance to businesses to encourage capital investment and quality job growth in Minnesota; 3) the Minnesota Job Skills Partnership (MJSP) provides grants to educational institutions to design curricula to meet unique training needs of Minnesota businesses; 4) the Office of Community Finance (including the Public Facilities Authority) provides financial assistance to communities for community development and infrastructure projects; 5) the Office of Professional and Technical Services provides departmental outreach, and delivers development capacity building services to communities and regional development organizations; and, 6) 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 and Advantage Minnesota. ASD offers administrative, fiscal, human resources, and information/computer services.

**AGENCY EXPENDITURE SUMMARY****F.Y. 1998**

<b>NAME</b>	<b>(in thousands)</b>	<b>% of \$</b>	<b>FTE</b>	<b>% of FT</b>
AGENCY: Trade and Economic Development	\$122,929	100.0%	224	100.0%
PROGRAM: Business and Community Development	\$106,764	86.9%	66	29.4%
PROGRAM: Minnesota Trade Office	\$ 2,374	1.9%	28	12.5%
PROGRAM: Office of Tourism	\$ 10,057	8.2%	75	33.5%
PROGRAM: Administrative Support	\$ 2,510	2.0%	34	15.2%
PROGRAM: Information and Analysis	\$ 1,224	1.0%	21	9.4%

**Program:** Business and Community Development Division

#### **FY 1998 EXPENDITURES AND STAFFING**

	<u>(Thousands)</u>	<u>Percent of Department</u>
Total Expenditures	\$106,764	86.9%
Federal Funds	\$ 55,245	
General	\$ 41,594	
Petroleum Tank Release Cleanup	\$ 5,291	
Special Revenue Funds	\$ 4,284	
Environmental Funds	\$ 350	
Number of FTE Staff:	66	29.4%

#### **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. (M.S. 116J.980)
- Enhance businesses' ability to operate and grow in Minnesota by developing a trained workforce while assisting in the transition of persons from welfare to work. (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 (BCD) 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 training, 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 the Minnesota Trade Office (MTO) to coordinate the attraction of international investment in the state when the project involves expansion or relocation of a business facility. The division has six main program areas:

- 1) The Office of Marketing and Business Development facilitates business expansion and relocation opportunities in Minnesota while also marketing departmental programs to communities and businesses. The office's four industry specialists and general site location specialists help foster the growth of high-quality jobs, revenue, and investment throughout the economy, but especially in the following specific industry groups: Computer and Electronic Components, Forest Products, Health Services and Medical Products, and Printing and Publishing. Due to the current labor market

conditions, the office increasingly works with businesses to identify available workers and assist in capital investment decisions which may improve productivity and lessen the dependence on labor. The office also partners with state agencies (including Advantage Minnesota and Minnesota Technology Inc.), communities and businesses to develop and implement worker recruitment campaigns, promote Minnesota's location advantages, and to expand Minnesota's economic base through business expansions.

2) The Office of Business Finance 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.

3) 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. In FY 1998, MJSP began operating Pathways, a program designed to provide the training needed by welfare recipients to help them with the transition from welfare to the private sector workforce.

4) 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 also administers the newly-created Redevelopment Grant Program and the Contamination Cleanup Program, which is designed to return unusable property to productive industrial, commercial or residential uses, and federal disaster assistance monies to rural communities hit by recent natural disasters.

The Minnesota Public Facilities Authority (PFA) is one activity housed within the Office of Community Finance. PFA assists communities in meeting their wastewater and drinking water needs. The PFA manages a \$800 million "AAA/Aaa" bond fund to finance wastewater treatment facilities, and uses federal dollars in cooperation with MPCA and the Minnesota Department of Agriculture to finance non-point source pollution projects. PFA also manages the Drinking Water and Transportation Project revolving loan funds.

5) The Office of Professional and Technical Resources provides services to communities and other local economic development providers, including Regional Development Commissions, Women Ventures and MEDA, to assist in job creation and community development. The Office also provides economic development training through conferences, seminars and workshops. The office administers the Rural 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, respectively. The Office is also home to the web-based community profiles and property tracking system which provide information to assist businesses in location decisionmaking.

6) 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 provides 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 to businesses throughout Minnesota.

Although many clients continue to prefer printed copies of BCD publications and forms, the division is increasingly making these resources available via the department's web site. This electronic format meet the needs of those business and community clients requiring quick access to BCD information and resources. This web-based delivery reduces production costs significantly while also expanding the potential audience.

**BACKGROUND INFORMATION**

Although BCD's services focus on high valued-added industries like manufacturing, computer services, and financial services, BCD programs are offered to diverse businesses spanning the economy. High value-added industries are especially important to Minnesota because of their above-average wage levels and the new income they bring into the region by exporting products and services to other states and nations. Manufacturing is particularly critical to Minnesota's economy due to the significant number of jobs supported in other sectors by manufacturing operations.

During the 1990s, strong employment growth in these high value-added and other sectors has spurred an extended period of strong economic growth. Unemployment rates have continued to be at or near record lows and full-time jobs have been available to nearly anyone who desires them. Plentiful job opportunities have resulted in wage increases, which, in turn, have caused per capita income and median household income to increase rapidly. These conditions have helped the state's gross state product per capita to grow twice as fast as the national average between 1990 and 1996.

Minnesota's economic strength and vitality is reflected in the addition of nearly 360,000 net new jobs during the years 1991 through 1997 and an increased standard of living. According to the U.S. Bureau of Labor Statistics, overall employment in the state increased an estimated 16.9 percent during these years (compared to the national increase of 12.1 percent) with the average wage per job increasing 30.7 percent compared to the consumer price index (CPI) increase of about 22.4 percent. Real wage increases are seen in many of the state's fast-growing, high value-added sectors including manufacturing and business/financial services.

Regions throughout the state have experienced economic prosperity during the 1990s. The number of jobs outside the seven-county Twin Cities area grew 22.5 percent during the years 1991 through 1997 compared to 14.8 percent in the Twin Cities area. Many of these jobs in Greater Minnesota were in high valued-added sectors – the 80 counties outside the Twin Cities area accounted for the vast majority of new manufacturing jobs during the period.

As the performance report shows, BCD programs have had a strong role in facilitating many of these new jobs through technical assistance including site location and information/economic analysis, community infrastructure development, and workforce training. Many businesses attribute their improved business operations and thousands of new jobs, in part, to BCD services. It is important to note that improvements in the state's business climate and the current economic expansion are key to providing the business expansion opportunities that BCD has exploited.

This strong employment growth, combined with slowing labor force growth, has resulted in labor shortages in many industries and regions. In addition, the state's business start-up rate remains slightly below average. BCD's efforts at facilitating new businesses and high-quality job creation in traditional and emerging industries are aimed at boosting the business birth rate and increasing the number of high-quality (livable-wage) jobs. Such targeted job creation is important so that all regions have an adequate number of well-paying jobs which will enhance future career opportunities for all Minnesotans and fuel the state's long-term economic prosperity. In addition, BCD programs and services play an important role in improving the productivity of businesses through training and capital investment, potentially reducing the need for labor while increasing wages for Minnesotans. Recruitment initiatives are also important to meet the labor demand of high-paying, labor-intensive industries.

The strong employment (and population growth in some regions) has also resulted in localized housing shortages and inadequate infrastructure capacity. As an economic development agency, BCD/DTED is working to help communities adjust to these challenges and changing conditions. The department's program and services are designed to work with and through communities rather than directly through businesses.

**BACKGROUND DATA (calendar years)****General Economic Data**

	<u>1995</u>	<u>1996</u>
Minnesota Gross State Product (GSP) per Capita	\$28,525	\$30,548
U.S. Gross Domestic Product (GDP) per Capita	\$27,509	\$28,776
Percent Change in MN Real (inflation-adjusted) GSP per Capita (from previous year)	2.2%	4.5%
Percent Change in U.S. Real (inflation-adjusted) GDP per Capita (from previous year)	1.7%	2.3%

SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis and Bureau of the Census.

**General Wage Data**

	<u>1995</u>	<u>1996</u>
Minnesota Average Wage per Job	\$27,363	\$28,866
U.S. Average Wage per Job	\$27,846	\$28,946
Percent Change in MN Avg. Real (inflation-adjusted) Wage per Job (from previous year)	1.2%	2.1%
Percent Change in U.S. Avg. Real (inflation-adjusted) Wage per Job (from previous year)	.5%	1.0%

SOURCE: ES-202 Series, U.S. Department of Labor, Bureau of Labor Statistics.

**Estimated Employment Data for Selected Industries**

	<u>1996</u>	<u>1997</u>
Minnesota Total Employment (thousands)	2,433.3	2,485.1
U.S. Total Employment (thousands)	119,608.0	122,690.0
Percent Change in Minnesota Employment (from previous year)	2.3%	2.1%
Percent Change in U.S. Employment (from previous year)	2.1%	2.6%

Minnesota Manufacturing Employment (thousands)	429.6	434.0
U.S. Manufacturing Employment (thousands)	18,495.0	18,657.0
Percent Change in Minnesota Manufacturing Employment (from previous year)	.9%	1.0%
Percent Change in U.S. Manufacturing Employment (from previous year)	-0.2%	0.9%

Minnesota F.I.R.E. & Business Services Employment (thousands)	285.7	299.5
U.S. F.I.R.E. & Business Services Employment (thousands)	14,204.0	15,073.7
Percent Change in MN F.I.R.E. & Business Services Employment (from previous year)	5.5%	4.8%
Percent Change in U.S. F.I.R.E. & Business Services Employment (from previous year)	4.3%	6.1%

NOTE: F.I.R.E. represents the finance, insurance and real estate sector and business services is classified as SIC 73.

SOURCE: Current Employment Statistics (annual averages), U.S. Department of Labor, Bureau of Labor Statistics.

**Employment for High-Technology Industries (1997 estimated data not available)**

	<u>1995</u>	<u>1996</u>
Minnesota High-Technology Employment (thousands)	160.6	167.7
U.S. High-Technology Employment (thousands)	5,792.1	6,016.5
Percent Change in MN High-Technology Employment (from previous year)	2.7%	4.5%
Percent Change in U.S. High-Technology Employment (from previous year)	1.5%	3.9%

NOTES: High-technology industries include the following SIC codes: 28, 291, 348, 351, 353, 357, 36, 372, 376, 38, 489 (except 4822, 4841 and 4899), 737, 871 and 873 (except 8732).

SOURCE: ES-202 Series, U.S. Department of Labor, Bureau of Labor Statistics.

**Business Activity Data**

	<u>1995</u>	<u>1996</u>
Start-Up Rates – Ratio of Minnesota to U.S.	.89	N/A
Dissolution Rates – Ratio of Minnesota to U.S.	.87	N/A
Expansion Rates – Ratio of Minnesota to U.S.	1.03	N/A
Contraction Rates – Ratio of Minnesota to U.S.	.98	N/A

SOURCE: U.S. Department of Commerce, Bureau of the Census.

**Selected BCD Activities**

	<u>1996</u>	<u>1997</u>
Number of SBDC Counseling Hours	34,961	39,129
Number of Small Cities Proposals Received	105	76
Number of Part I Assistance Applications Received	450	400

SOURCE: Minnesota Department of Trade and Economic Development.



**PROGRAM DRIVERS**

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. Below are the major factors that affect BCD's operating environment and are considered program drivers:

*National and international economic conditions* – Minnesota's economy is diverse and is linked closely to the performance of 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 and expansion plans which increases the demand 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 are expected to seek assistance with job retention and support for improving their competitiveness.

*Demographic and population shifts* – As discussed in the Background Information section (page 5), business growth, slowing labor force growth, and population changes have resulted in labor shortages, housing shortages and inadequate infrastructure capacity. Economic dislocation and hardship sometimes result in areas that have experienced business slowdowns and population declines. BCD's marketing efforts, recruitment initiatives, and capital investment programs are designed to respond to these changing labor market conditions.

*Investments* – To remain competitive, businesses must continually invest in new equipment and upgrade the skills of their workforce. In light of the current labor shortage, these investments are especially critical as businesses look for ways improve worker productivity through improved workers skills and capital substitution. These investments will ultimately result in improved profitability, economic competitiveness and wages. In order to make these investments, businesses often utilize BCD's financial assistance, training services and technical resources.

*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 may become tight if lenders respond to slowing economic conditions. Any lack of capital in certain regions of Minnesota for industrial projects or equity investments could constrain growth in the region.

*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 BCD 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.

*State-imposed costs and incentives* – State-imposed costs remain an important factor in business expansion decisions. These state-imposed costs along with tax incentives and assistance programs are key components of a fierce competition for business expansions and new plants between nations, states and communities. Governments outside Minnesota are offering businesses a wider variety of assistance programs and incentive packages are growing in size. As the variety and size of incentives increases nationally, Minnesota businesses will look to the state and local governments for assistance.

<b>Goal 1:</b>	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.
<b>Objective 1:</b>	Improve operations and contribute to the growth of Minnesota's small businesses through technical assistance by achieving targets for SBDC outcome and cost effectiveness measures.
<b>Measure 1:</b>	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.1996</u>	<u>C.Y.1997</u>	<u>C.Y.1998</u>	<u>C.Y.1999</u>	<u>C.Y.2000</u>	<u>C.Y.2001</u>
<b>Developed business plans</b>						
<b>Actual</b>	85.0%	88.3%				
<b>Target</b>	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
<b>Started a business</b>						
<b>Actual</b>	73.6%	76.0%				
<b>Target</b>	N/A	N/A	75.0%	75.0%	75.0%	75.0%
<b>Obtained financing</b>						
<b>Actual</b>	63.8%	60.9%				
<b>Target</b>	77.0%	77.0%	65.0%	65.0%	65.0%	65.0%
<b>Increased cash flow</b>						
<b>Actual</b>	60.9%	60.9%				
<b>Target</b>	55.0%	55.0%	60.0%	60.0%	60.0%	60.0%
<b>Added employees</b>						
<b>Actual</b>	38.5%	30.3%				
<b>Target</b>	51.1%	51.1%	45.0%	45.0%	45.0%	45.0%
<b>Improved understanding of regulations and policies</b>						
<b>Actual</b>	78.4%	78.4%				
<b>Target</b>	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
<b>Direct costs per hour of SBDC counseling</b>						
<b>Actual</b>	\$70.57	\$68.42				
<b>Target</b>	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00
<b>Survey response rate</b>						
<b>Actual</b>	39.1%	55.9%				
<b>Target</b>	N/A	N/A	60.0%	60.0%	60.0%	60.0%

**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 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.

"Survey response rate" is the percentage of all SBDC clients served each year that responded to the annual service satisfaction survey.

Targets for several outcomes ("Obtained Financing," "Added Employees," and "Increased Cash Flow") were revised from the 1996 Performance Report to more accurately reflect historical trends. As the trends indicate, however, these outcomes fluctuate over time, reflecting the cyclical changes in the economy discussed under "Program Drivers." Accordingly, it is difficult to establish realistic targets for these outcomes. The outcomes "Started a business" and "Survey response rate" are added in the 1998 performance report. Accordingly, no targets are provided for CY 1997 and CY 1998.

**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. Survey response rate is an indicator of the proportion of clients on which actual outcomes are based.

**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. Survey response rates declined from 50.9 percent in 1993 to 39.1 percent in 1996, but increased to 55.9 percent in 1997. Beginning in 1995, the department conducted statistical tests to assure that each year's client response sample were representative of overall client populations. Each year the test indicated there was no statistically significant difference between the respondent sample and the overall population. Despite this statistical testing, the department was concerned about the decline in response rate and began studying ways to improve the rate. In 1997, several changes were implemented such as customizing the survey cover letter to each client including adding the director's name of the regional center that provided the service. These changes appear to have been effective in reversing the decline in the response rate. The department will continue to monitor response rate and test additional ways of improving it in the future.

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 utilized an annual survey to measure performance since the early 1990s. This performance monitoring enabled the SBDC program to establish targets for most outcomes beginning in 1993, although some targets were not established until later in order to obtain historical data for establishing realistic outcome targets. Targets for new indicators, e.g., "Started a Business," were established prospectively as the indicators were added to the performance measures. However, targets for several outcomes ("Obtained Financing," "Added Employees," and "Increased Cash Flow") were revised from the 1996 Performance Report to more accurately reflect historical trends

As the historical trends demonstrate, some outcomes are strongly influenced by the economic factors discussed under the Program Drivers section. For example, in times of economic expansion, it is generally easier for small businesses to obtain financing or add employees without outside help; therefore, it can be expected that fewer clients will indicate SBDC assistance contributed to those outcomes. Economic factors cannot be predicted with accuracy when outcome targets are established.

The performance data demonstrate that the SBDCs are effective in facilitating start-up and growth of Minnesota businesses. Three-fourths of respondents who started a business indicated the SBDCs contributed to that outcome. An even higher percentage, more than 80 percent in most years, indicated the SBDCs contributed to development of their business plans. A sound business plan is essential to obtaining financing and guiding growth. An increasing number of respondents also reported that SBDCs contributed to increased cash flow, which is necessary to support growth.

The SBDC program contributes to an increasing demand for services. Between 1996 and 1997, for example, counseling hours increased 11.9 percent (from 34,961 to 39,129) and since 1994, the number of counseling hours has increased 41 percent. Reflecting the increased sophistication of clients, and a higher demand for counseling services that contribute to stronger growth, the number of hours per clients has likewise increased over time. Hours per client grew from seven hours in 1994 to 11.1 hours in 1997, and increase of 58.6 percent. In recent years, the hours per client has grown nearly 10 percent per year. Despite the workload increase, most program outcome indicator measures have improved and generally have exceeded established targets. A policy decision initiated in 1995 to base funding on individual center productivity has reduced the direct program cost per hour of counseling 22.4 percent since 1994.

**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.

It should be noted that performance in two outcome indicator measures ("Obtained Financing" and "Added Employees") appear to have declined substantially over time. As discussed in the Past Performance section, the department believes these results are due in part to economic conditions. Businesses need and SBDC performance in these areas will continue to be monitored, however, to assure that small business needs are adequately addressed.

**OTHER FACTORS AFFECTING PERFORMANCE** - Demand for sophisticated business management assistance continues to grow as small businesses face increased competitive pressures. However, federal and state resources for the SBDC program have not increased to keep pace with demand. 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 services has enabled the SBDC program to contain costs while meeting increased demand. Because one-on-one counseling is more costly, however, this strategy will require cash resources in order to significantly affect future program performance.

Another factor affecting performance occurs as a result of the federal government's funding of the SBDC program. The SBDC program is funded in part by the U.S. Small Business Administration (SBA). Due to increasing budget constraints placed by Congress, the SBA increasingly views the SBDCs as an outreach and service delivery arm of the SBA district office. As a result, there is substantial pressure on SBDCs to direct their efforts to achieving SBA goals, which at times may be incongruent with needs and priorities expressed by the State of Minnesota and Minnesota businesses.

<b>Goal 1:</b>	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.
<b>Objective 2:</b>	To annually distribute at least 110,000 business publications to Minnesota businesses.
<b>Measure 1:</b>	Number of business assistance publications published and distributed to Minnesota businesses.

	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>
<b>Number of business publications published and distributed</b>						
<b>Actual</b>	N/A	110,000	110,000			
<b>Target</b>	100,000+	100,000+	100,000+	110,000	110,000	110,000

**DEFINITION** - The Small Business Assistance Office assists in reducing the cost of obtaining information for potential, new and existing 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, to 12 in 1996 and to 13 in 1998. The two most requested publications remain "*A Guide to Starting a Business in Minnesota*" and "*An Employers Guide to Employment Law Issues in Minnesota*." The office has begun making use of the department's web site as a means of distribution of publications including new, topic specific or time limited papers not counted in the total of 13 noted above. See the section below on Plan to Achieve Targets. "N/A" indicates that data is not available.

**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 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 been continually in demand 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 13 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 to topics, numbers and schedulers. Also, beginning in FY 1996 the SBAO increased its buying power through the use of the department's indirect recovery pool from the federal government. This allows for an approximate increase of 30 percent in funds available after that date for production of publications. Beginning in 1997, production of "*A Guide to Starting a Business in Minnesota*" is covered by a five-year contract with a single printer, allowing for economies of ordering and production.

The office also uses the department's web site to make available the full text of three publications: "*An Employers Guide to Employment Law Issues in Minnesota*," "*A Legal Guide for the Software Developer*," and "*A Guide to Intellectual Property Protection*." First indications (after nine months) indicate that online users are an incremental increase over hard copy users. The office has ceased publication of the hard copy version of its monthly serial "*Small Business Notes*" and made it an electronic only publication. The web is also used to offer a number of topic specific or time sensitive papers on subjects of interest and concern to small businesses. These treatments, which do not rise to level of detail of other of the office's publications are termed "occasional papers" on the department's web site. In addition, staff of the office now author materials that appear in other business publications of general circulation (e.g., *Finance and Commerce*) and special circulation (e.g., *Northwestern Financial Review*). This offers the opportunity for reaching target audiences with no production costs to the state.

**OTHER FACTORS AFFECTING PERFORMANCE** - Changing business, legal and economic conditions create the need for continuous amending and updating of publications.

<b>Goal 1:</b>	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.
<b>Objective 3:</b>	To annually visit 400 communities and 450 businesses, and provide technical assistance to at least 95 projects that will create 3,000 jobs and invest \$250 million.
<b>Measure 1:</b>	Number of communities and 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.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>
<b>Number of community marketing visits</b>						
<b>Actual</b>	N/A	N/A	220			
<b>Target</b>	N/A	N/A	N/A	400	400	400
<b>Number of business marketing visits</b>						
<b>Actual</b>	500	376	404			
<b>Target</b>	400	400	400	425	450	450
<b>Number of assisted projects</b>						
<b>Actual</b>	352	142	176			
<b>Target</b>	300	325	325	200	225	250
<b>Number of assisted projects selecting a Minnesota site</b>						
<b>Actual</b>	74	65	67			
<b>Target</b>	81	87	87	75	85	95
<b>Percent of assisted projects selecting a Minnesota site</b>						
<b>Actual</b>	21%	45%	38%			
<b>Target</b>	27%	27%	27%	38%	38%	38%
<b>Number of jobs created</b>						
<b>Actual</b>	2,430	2,606	4,735			
<b>Target</b>	1,000	2,000	2,000	3,000	3,000	3,000
<b>Value of capital investment (millions)</b>						
<b>Actual</b>	\$209	\$257	\$443			
<b>Target</b>	\$70	\$175	\$175	\$250	\$250	\$250

**DEFINITION** - The Office of Marketing and Business Development is responsible for bringing together state and local resources to assist in business retention, expansion and relocation opportunities. The department has identified several industries as key to strengthening 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, workforce availability analysis, liaison with state agencies and linkages within industry. The department learns of business expansions/relocation opportunities through proactive business and community marketing visits, referrals from external

sources (e.g., economic development officials, businesses, etc.) and internal referrals (e.g., Minnesota Trade Office foreign direct investment opportunities). As part of an aggressive outreach and marketing function, office staff also have regional assignments to explain all departmental programs to local governments and businesses, so that they can fully access all available resources needed to improve the state's economy. The definition of terms used above are below:

"Number of community marketing visits" is the number of cities, counties and regional development organizations proactively contacted by DTED marketing representatives to learn about local business activity and help them access all of the department's services and programs. Because this activity became part of the office's mission in 1998, data is not available for previous years (noted by "N/A"). In a typical year, staff will visit with every city with population exceeding 1,000 which accounts for the projection of approximately 400 visits each year.

"Number of business marketing visits" is the number of businesses proactively contracted 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 and "Value of capital investment" is the total Minnesota investment made by the expansion or relocating businesses provided technical assistance by DTED.

**RATIONALE** - These measures reflect the department's proactive outreach and marketing visit strategy and technical assistance efforts with businesses. "Number of assisted projects," "Number of business marketing visits," and "Number of community marketing 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 and stored in DTED's Integrated Database.

**DISCUSSION OF PAST PERFORMANCE** - Since FY 1994, this work unit has been very productive and has generally exceeded key target measures for FY 1997 and FY 1998. During these two years, this program has assisted in the creation of more than 7,300 jobs and \$700 million in capital investment, well in excess of the established targets. The high levels of capital investment are important in ensuring that the new workers are productive and earn high wages. Strong economic conditions, an improved business climate, more proactive marketing by DTED staff, and more knowledgeable staff all contributed to this impressive performance.

As DTED staff have improved their productivity and focused their efforts on high-potential projects, some outputs and outcomes declined. A lower than projected "Number of assisted projects" is explained principally by the more precise definition the office has applied to what is considered an "assisted project." As the performance report process has evolved and the department's Integrated Database has created a consistent structure for data reporting, the office has defined projects more narrowly. To be considered an "assisted project," the projects must require a sustained effort over time, compared to modest time commitments or limited technical assistance delivery. Staff are also attempting to focus assistance on those projects which have high expectation of potential results and limiting the work done on projects that have small chance of occurring in Minnesota (national searches by companies located in other states). It is important to

note that even though the actual number of expansions assisted by staff has declined, the key measurable outcomes (jobs, capital investment) are substantially higher than has ever been achieved before.

Although the measures above may include some outcome duplication (e.g., jobs counted more than once) with the department's financial assistance programs, less than 20 percent of businesses receiving DTED technical assistance also receive financial assistance from the department. As a result, only a small percentage of the outcome totals cited above duplicate the outcome totals noted in the DTED financial assistance performance report section (Goal 3, beginning on page 23).

**PLAN TO ACHIEVE TARGETS** - The Office of Marketing and Business Development will achieve its outcome targets through increased outreach and marketing services, more knowledgeable staff, continued strong partnership with other state agencies and local economic development organizations, and enhanced marketing and analytic materials developed by DTED's Information and Analysis Division. Expanding numbers of prospects generated will result in increased expansion, investment and high-wage job creation in Minnesota.

The continued creation of high-quality jobs in key industries allows more Minnesotans to move into jobs that pay high wages and ensures Minnesota's long-term economic vitality. It is important to note that labor availability is a key factor for expansion decisions. The office will continue to work with businesses to identify available workers and also assist in capital investment decisions which may improve productivity and wages, and ultimately lessen the dependence on labor. The office also will continue working in partnership with state agencies, communities and businesses to develop and implement worker recruitment campaigns.

**OTHER FACTORS AFFECTING PERFORMANCE** - Below are some of the many factors that will affect the performance of this program:

- Economic conditions. When the economy is growing, the program will have more opportunities to facilitate the creation of high-wage, high-skill jobs by expanding businesses. In contrast, when the economy is depressed, the program may need to work increasingly with job retention projects.
- State-imposed costs. Although Minnesota has reduced state-imposed costs significantly during the 1990s, current levels and types of state-imposed costs can impact the types of businesses served and the types of service provided.
- Labor shortages. Most Minnesota regions have extremely low unemployment rates with many employers facing labor shortages. Because this program is designed to spur economic growth and facilitate the creation of high-wage jobs, it is expected that most projects will be able to recruit employees that will change jobs in exchange for training and better compensation. Some projects may utilize new equipment which would improve productivity and wages while and reducing the reliance on labor and increasing competitiveness.
- Capital Access. 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 infrastructure and financial incentives are examples of other factors that may affect program performance.



<b>Goal 2:</b>	Help make communities viable and accommodate job growth by investing in livable housing, public infrastructure and functional business districts.
<b>Objective 1:</b>	To reach PFA targets for wastewater projects, contribution from funding sources and tax savings to local governments.
<b>Measure 1:</b>	Number of wastewater projects funded, amount and source of funding and local tax savings.

	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>
<b>Number of projects funded</b>						
<b>Actual</b>	22	43	43			
<b>Target</b>	20	30	30	35	35	35
<b>Amount funded through SRF (millions)</b>						
<b>Actual</b>	\$42.1	\$81.6	\$96.3			
<b>Target</b>	\$45.0	\$75.0	\$75.0	\$90.0	\$90.0	\$90.0
<b>Amount funded through WIF (millions)</b>						
<b>Actual</b>	\$4.8	\$8.6	\$12.5			
<b>Target</b>	N/A	\$15.0	\$10.0	\$15.0	\$15.0	\$15.0
<b>Amount provided for non-point pollution programs (millions)</b>						
<b>Actual</b>	\$18.5	\$11.5	\$0.0*	\$16.0		
<b>Target</b>	\$18.5	\$11.5	\$17.0	\$12.0	\$0.0**	\$0.0**
<b>Amount funded through other funding programs (millions)</b>						
<b>Actual</b>	\$8.0	\$7.6	\$9.1			
<b>Target</b>	\$4.0	\$4.0	\$4.0	\$6.0	\$6.0	\$6.0
<b>Local tax savings (millions)</b>						
<b>Actual</b>	\$11.6	\$16.8	\$20.3			
<b>Target</b>	\$9.0	\$20.0	\$20.0	\$15.0	\$15.0	\$15.0

\* No state appropriation for non-point programs including state match funding to obtain federal funds.

\*\* The Minnesota Pollution Control Agency and the Minnesota Department of Agriculture will seek general fund appropriations for these programs rather than removing the funds from the revolving fund.

**DEFINITION** - The PFA is responsible for providing financial assistance to communities for the construction of essential infrastructure and water projects. This is accomplished through the Water Pollution Control Revolving Fund (SRF) for wastewater and storm water (Objective 1, page 15), the Wastewater Infrastructure Fund (WIF) for wastewater (Objective 1, page 15), the Drinking Water Revolving Fund (Objective 2, page 17) and the Transportation Revolving Loan Fund (Objective 3, page 19). The PFA also provides funding to state agencies to implement non-point source pollution programs (Objective 1, page 15). 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. (This does not include non-point source programs administered by other agencies with PFA oversight.)

“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 and grants 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 provided for non-point source pollution programs” is the value of funding administered by other state agencies to create local loan programs to help homeowners, farmers and tourism-related lodging facilities reduce non-point source pollution.

“Amount funded through other funding programs” is the value of funding obtained through other local, state, and federal agencies that were funding partners in 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. Savings generated by interest-free financing during construction are included beginning in FY 1999. These benefits are in addition to the actual savings realized by avoiding costs of consultant issuance costs and fees, continuing disclosure costs, arbitrage rebate calculation costs, etc. that cities don’t need to pay using the PFA.

“N/A” indicates that data is not available. For the WIF measure, a realistic FY 1996 target 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 SOURCES** - Detailed data is gathered by program staff and maintained in internal project record files.

**DISCUSSION OF PAST PERFORMANCE** - For FY 1998, the Department of Finance requested that the PFA delay seeking state matching funds until the 1998 legislative session, thus no funding was available for non-point programs. FY 1999 projections are based upon \$9 million state appropriation to the Minnesota Department of Agriculture (DOA), and commitments of \$3 million to the Minnesota Pollution Control Agency (MPCA) \$4 million to DOA. MPCA and DOA are seeking general fund appropriations for future program funding.

**PLAN TO ACHIEVE TARGETS** - The State needs to provide funding for the non-point programs in order those programs to continue. This is due to the demand for point-source funding which exceeds federal and state-match funding.

The newly revised Wastewater Infrastructure Funding Program 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 lake shore 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 projected based on anticipated funding 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); continuing to provide state matching funds to capture federal capitalization grants (to continue to subsidize the interest rates provided communities through the loan programs); and providing additional funding for both non-point source programs and the Wastewater Infrastructure Funding Program at \$10 - \$20 million annually. It is also assumed the Drinking Water projects will be included and the Wastewater Infrastructure fund will be the "Water Infrastructure Fund."

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. At the same time, the PFA will be trying to get similar high grade ratings and market recognition for the two new revolving 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. Thus, 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.

<b>Goal 2:</b>	Help make communities viable and accommodate job growth by investing in livable housing, public infrastructure and functional business districts.
<b>Objective 2:</b>	To reach PFA targets for the drinking water program in terms of projects, funding, leveraged funding and local tax savings.
<b>Measure 1:</b>	Number of drinking water projects funded, source and amount of funding and local tax savings.

	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>
<b>Number of drinking water projects funded</b>						
<b>Actual</b>	N/A	N/A	N/A			
<b>Target</b>	N/A	N/A	N/A	60	45	30
<b>Amount funded through drinking water funds (millions)</b>						
<b>Actual</b>	N/A	N/A	N/A			
<b>Target</b>	N/A	N/A	N/A	\$50.0	\$37.0	\$25.0
<b>Amount funded through other funding programs (millions)</b>						
<b>Actual</b>	N/A	N/A	N/A			
<b>Target</b>	N/A	N/A	N/A	\$2.4	\$1.5	\$ .8
<b>Local tax savings (millions)</b>						
<b>Actual</b>	N/A	N/A	N/A			
<b>Target</b>	N/A	N/A	N/A	\$5.0	\$4.0	\$2.0

**DEFINITION** - In 1996, Congress enacted the Drinking Water Revolving Loan Fund and also appropriated funds to capitalize on the state's revolving funds for FY 1997. The PFA, in conjunction with the Department of Health, will administer this program. The first loan was not made until July 1998 due to program implementation delays and lengthy rule-making requirements. 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 was not initiated until July 1998, targets and actual performance begin in FY 1999.

**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** - The program started making loans in FY 1999.

**PLAN TO ACHIEVE TARGETS** - The PFA, in conjunction with the Minnesota Department of Health, made available \$42.2 million in federal and state matching funds beginning in FY 1998. The Drinking Water Program is just beginning and additional staff support from both DTED and the Department of Health were required to implement this program. The basic goal is to 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). The level of federal funding and state matching funds is the most significant factor in projecting future funding goals.

<b>Goal 2:</b>	Help make communities viable and accommodate job growth by investing in livable housing, public infrastructure and functional business districts.
<b>Objective 3:</b>	To reach PFA targets for the Transportation Revolving Fund in terms of projects, funding, and local tax savings.
<b>Measure 1:</b>	Number of transportation revolving fund projects funded, amount of funding and local tax savings.

	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>
<b>Number of transportation projects funded</b>						
<b>Actual</b>	N/A	N/A	N/A	2		
<b>Target</b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Amount funded through revolving loan funds (millions)</b>						
<b>Actual</b>	N/A	N/A	N/A	\$22.0		
<b>Target</b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Local tax savings (millions)</b>						
<b>Actual</b>	N/A	N/A	N/A			
<b>Target</b>	N/A	N/A	N/A	N/A	N/A	N/A

**DEFINITION** - In 1996 Congress authorized funding for states to establish infrastructure banks for transportation projects. In 1997 the Minnesota Legislature authorized the PFA to establish a transportation revolving loan fund. The purpose of the fund is to provide new funding and to explore innovative approaches to financing transportation projects. The first loan is not expected until calendar year 1999.

“Number of projects funded” is the actual number of transportation projects funded by the Public Facilities Authority (PFA) with or without funding from other agencies and “Amount funded through revolving loan funds” refers to the principle of PFA loans made for transportation projects. “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 transportation program was not initiated until December 1998, actual performance begins in FY 1999. Targets for future years will be established when a historical base can be used.

**RATIONALE** - The PFA and MnDOT have selected two borrowers to receive the first loans – the Metropolitan Council with 18 to 24 different transit projects and the City of Mazeppa for a bridge approach project. Critical factors in the success of this fund will be the ability to finance projects from funds other than State and federal grants, and also provide low-interest rate loans to reduce debt service payments.

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

**PLAN TO ACHIEVE TARGETS** - The program will be operation in December 1998. The PFA plans to work with the MnDOT to establish targets and obtain appropriate funding. The 1998 Legislature appropriated \$1.5 million to match federal funds of \$3.9 to \$6 million and the PFA is willing to issue \$20 million in revenue bonds.

**OTHER FACTORS AFFECTING PERFORMANCE** - The critical factors are the level of interest from local governments to borrow money for transportation projects and the availability of future federal funding and state matching dollars.

<b>Goal 2:</b>	Help make communities viable and accommodate job growth by investing in livable housing, public infrastructure and functional business districts.
<b>Objective 4:</b>	To reach targets for the number of SCDP Program and Contamination Cleanup Program projects funded and amount of awards.
<b>Measure 1:</b>	Number of SCDP Program and Contamination Cleanup Program projects funded.

	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>
<b>Number of water system projects</b>						
<b>Actual</b>	6	9	7			
<b>Target</b>	8	8	8	8	8	8
<b>Number of wastewater system projects</b>						
<b>Actual</b>	6	14	10 *			
<b>Target</b>	8	8	8	8	8	8
<b>Number of rehabilitated housing unit projects</b>						
<b>Actual</b>	865	711	858**			
<b>Target</b>	800	800	800	800	800***	800***
<b>Number of rehabilitated commercial structure projects</b>						
<b>Actual</b>	217	57	69			
<b>Target</b>	150	150	150	100	100	100
<b>Number of contaminated site cleanup projects</b>						
<b>Actual</b>	6	7	19			
<b>Target</b>	6	10	10	18	18	18

\* Includes \$1.7 million in storm sewer/drainage projects.

\*\* Includes \$130,000 in new housing construction projects.

\*\*\* Includes new housing units.

**DEFINITION** - The Small Cities Development Program (SCDP) assists Minnesota communities by providing federal Community Development Block Grant (CDBG) funds to rehabilitate or construct 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.

SCDP and Contamination Cleanup staff continues to monitor and review performance measures. For example, future agency performance reports will include additional measures including the impact of programs on local property tax base and the amount of private dollars leveraged by the programs. In addition, performance measures for the newly created Redevelopment Grant program will be included.

**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 up to \$9.7 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 Tax Base Revitalization Account funds, DTED economic development funds and local funds.

**PLAN TO ACHIEVE TARGETS** - The anticipated amount of federal CDBG funds for the program is expected to remain the same or decrease slightly. While this information suggests that DTED should be able to maintain the FY 1997 and 1998 targets, construction costs continue to escalate. DTED is estimating that any increase in program funds will be offset by increased construction costs.

The Small Cities Development Program will complete a customer satisfaction survey project in FY 1999. The survey instrument is designed to enable program clients to evaluate the program services and assist staff in improving the program operations.

**OTHER FACTORS AFFECTING PERFORMANCE** - The availability of funding for both staff and projects dictates the performance of these programs. State budgetary constraints will affect the number of sites benefitting from the Contamination Cleanup program.

<b>Goal 2:</b>	Help make communities viable and accommodate job growth by investing in livable housing, public infrastructure and functional business districts.
<b>Objective 4:</b>	To reach targets for the number of SCDP Program and Contamination Cleanup Program projects funded and amount of awards.
<b>Measure 2:</b>	Dollars awarded for SCDP Program and Contamination Cleanup Program projects.

	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>
<b>Dollars awarded for water system projects (millions)</b>						
Actual	\$2.5	\$3.7	\$3.1			
Target	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0	\$3.0
<b>Dollars awarded for wastewater system projects (millions)</b>						
Actual	\$1.6	\$5.1	\$3.6*			
Target	\$3.0	\$3.0	\$3.6	\$3.0	\$3.0	\$3.0
<b>Dollars awarded for rehabilitated housing unit projects (millions)</b>						
Actual	\$10.0	\$8.8	\$11.6**			
Target	\$11.5	\$11.5	\$11.5	\$11.5	\$11.5***	\$11.5***
<b>Dollars awarded for rehabilitated commercial structure projects (millions)</b>						
Actual	\$4.0	\$ .9	\$1.6			
Target	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5
<b>Dollars awarded for contaminated site cleanup projects (millions)</b>						
Actual	\$3.3	\$4.4	\$7.5			
Target	\$3.3	\$4.4	\$7.5	\$9.4	\$9.4	\$9.4

\* Includes \$1.7 million in storm sewer/drainage projects.

\*\* Includes \$130,000 in new housing construction projects.

\*\*\* Includes new housing units.

**DEFINITION** - See the Definition section under Goal 2, Objective 4, Measure 1 (page 20) for definitions and 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.

**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, PLAN TO ACHIEVE TARGETS, OTHER FACTORS AFFECTING PERFORMANCE** - See the respective sections under Goal 2, Objective 4, Measure 1 (page 20).



<b>Goal 3:</b>	Stimulate job growth and private investment by providing financing stimulus to new and expanding businesses.
<b>Objective 1:</b>	The Minnesota Investment Fund Program (state and federal) will meet established project, job creation, wage level and other investment measure targets.
<b>Measure 1:</b>	Number of state-funded projects, dollars awarded, job creation and retention, wages/benefits in new jobs and dollars leveraged.

	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>
<b>Dollars awarded (millions)</b>						
Actual	\$4.1	\$5.4	\$6.0			
Target	\$6.0	\$5.5	\$5.0	\$4.0	\$4.0	\$4.0
<b>Number of projects</b>						
Actual	18	20	31			
Target	30	25	25	24	20	20
<b>Proposed job creation</b>						
Actual	1,231	1,716	1,608			
<b>Job creation</b>						
Actual	1,594	1,503	N/A			
Target	1,200	1,225	1,200	1,000	1,000	1,000
<b>Job retention</b>						
Actual	1,249	400	N/A			
Target	300	400	400	400	400	400
<b>Average hourly wage of new jobs</b>						
Actual	\$14.04	\$16.74	N/A			
Target	\$11.60	\$11.00	\$11.50	\$12.00	\$13.00	\$13.00
<b>Wage range of new jobs</b>	<b>A</b>	<b>T</b>	<b>A</b>	<b>T</b>	<b>A</b>	<b>T</b>
Less than \$7.00	N/A	N/A	2	N/A	N/A	N/A
\$7.00 - 7.99	N/A	N/A	65	N/A	N/A	N/A
\$8.00 - 9.99	N/A	N/A	131	N/A	N/A	N/A
\$10.00 - 11.99	N/A	N/A	457	N/A	N/A	N/A
\$12.00 & up	N/A	N/A	848	N/A	N/A	N/A
<b>Number of new jobs providing benefits</b>						
Actual	1,431	1,492	N/A			
Target	1,000	1,050	1,100	950	1,000	1,000
<b>Percent of new jobs providing benefits</b>						
Actual	90%	99%	N/A			
Target	83%	86%	92%	95%	100%	100%
<b>Public dollars leveraged (millions)</b>						
Actual	\$7.0	\$6.2	N/A			
Target	\$8.0	\$8.0	\$8.0	\$6.0	\$6.0	\$6.0
<b>Private dollars leveraged (millions)</b>						
Actual	\$138.2	\$119.4	N/A			
Target	\$106.0	\$100.0	\$118.0	\$120.0	\$100.0	\$100.0

Note: Under the wage range measure, A = Actual, T = Target.

**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 in certain instances when job retention is factored as a major element in determining project eligibility and award.

"Average hourly wage of new jobs" is the weighted average salary of all new employees hired by the business since receiving assistance and "Wage range of new jobs" provides the actual distribution of these new jobs by hourly wage range. "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 retirement benefits; "Percent of new jobs providing benefits" is the ratio of "Number of new jobs providing benefits" to "Job Creation."

"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 1998 (noted by "N/A"). Moreover, because final actual data is available once all projects for a fiscal year are closed, FY 1997 information in this report underestimates final actual data that will be available during FY 1999. In addition, because Minnesota Investment Fund wage range data were not generated in the past, realistic targets for future performance could not be established until a better historical base has been provided. Future reports will provide additional actual and target data.

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 Minnesota 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.

The department also notes that displacement (jobs lost at one business when assistance provided to another) is an important consideration in any economic development program. Department staff carefully evaluate each project to determine whether assistance may lead to job losses at another Minnesota business. If staff judge that there is significant potential for job loss, the department's economic analysts research the industry and make conclusions about the job displacement potential. Program staff use these analyses to support decisions whether or not to proceed.

**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,” “Number of new jobs providing benefits” and “Percent 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 sectors.

**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, this performance report provides wage ranges, in addition to weighted wage averages.

**DISCUSSION OF PAST PERFORMANCE** - State-funded Minnesota Investment Fund projects have consistently improved their performance since FY 1993. Projects funded in FY 1996 and FY 1997 are creating more high quality jobs paying higher wages. The projects assisted in FY 1996 exceeded the job creation goals with an average hourly wage of \$14.04. Nearly 90 percent of these jobs offer employees at least one of the following benefits: health insurance, life insurance, dental insurance or retirement benefits. Despite having up to one year left to create jobs, FY 1997 projects have achieved 88 percent of the targeted proposed job creation. Moreover, these projects are paying an average of \$16.74 per hour with 56 percent of the employees earning at least \$12.00 per hour and 99 percent of the employees have access to a benefit package.

**PLAN TO ACHIEVE TARGETS** - The department continues to improve the performance of the Minnesota Investment Fund by focusing on awards that facilitate high-skilled and high-wage jobs. Although the program is department dedicated to assisting businesses that create jobs paying employees at least \$10.00 per hour in the Twin Cities metropolitan area and \$8.00 per hour in other areas, the actual wage performance has far exceeded these guidelines. In addition, the combined wage and benefit package is significantly higher than required by statute. DTED’s programs also continue to be designed to stimulate capital investment and leverage private and other public funds.

**OTHER FACTORS AFFECTING PERFORMANCE** - Below are some of the many factors that will affect the performance of this program:

- Economic conditions. When the economy is growing, the program will have more opportunities to facilitate the creation high-wage, high-skill jobs by expanding businesses. In contrast, when the economy is depressed, the program may need to work increasingly with job retention projects.
- State-imposed costs. Although Minnesota has reduced state-imposed costs significantly during the 1990s, current levels and types of state-imposed costs can impact the types of businesses served and the types of service provided.
- Labor shortages. Most Minnesota regions have extremely low unemployment rates with many employers facing labor shortages. Because this program is designed to spur economic growth and facilitate the creation of high-wage jobs, it is expected that most projects will be able to recruit employees that will change jobs in exchange for training and better compensation. Some projects may utilize new equipment which would improve productivity and reduce the reliance on labor while increasing competitiveness which could reduce short-term job creation performance.
- Capital Access. 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 infrastructure and financial incentives are examples of other factors that affect program performance.

<b>Goal 3:</b>	Stimulate job growth and private investment by providing financing stimulus to new and expanding businesses.
<b>Objective 1:</b>	The Minnesota Investment Fund Program (state and federal) will meet established project, job creation, wage level and other investment measure targets.
<b>Measure 2:</b>	Number of federally-funded projects, dollars awarded, job creation and retention, wages/benefits in new jobs and dollars leveraged.

	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>
<b>Dollars awarded (millions)</b>						
<b>Actual</b>	\$3.5	\$3.0	\$3.7			
<b>Target</b>	\$3.5	\$4.9	\$4.5	\$4.0	\$3.5	\$3.5
<b>Number of projects</b>						
<b>Actual</b>	19	12	15			
<b>Target</b>	12	16	16	16	16	16
<b>Proposed job creation</b>						
<b>Actual</b>	629	547	650			
<b>Job creation</b>						
<b>Actual</b>	819	277	N/A			
<b>Target</b>	600	850	850	1,000	1,000	1,000
<b>Job retention</b>						
<b>Actual</b>	144	0	N/A			
<b>Target</b>	100	100	100	100	100	100
<b>Average hourly wage of new jobs</b>						
<b>Actual</b>	\$8.75	\$11.77	N/A			
<b>Target</b>	\$8.85	\$8.85	\$9.00	\$10.00	\$10.00	\$10.00
<b>Wage range of new jobs</b>	<b>A</b>	<b>T</b>	<b>A</b>	<b>T</b>	<b>A</b>	<b>T</b>
<b>Less than \$7.00</b>	N/A	N/A	1	N/A	N/A	N/A
<b>\$7.00 - 7.99</b>	N/A	N/A	87	N/A	N/A	N/A
<b>\$8.00 - 9.99</b>	N/A	N/A	50	N/A	N/A	N/A
<b>\$10.00 - 11.99</b>	N/A	N/A	24	N/A	N/A	N/A
<b>\$12.00 &amp; up</b>	N/A	N/A	115	N/A	N/A	N/A
<b>Number of new jobs providing benefits</b>						
<b>Actual</b>	723	277	N/A			
<b>Target</b>	450	600	600	750	750	750
<b>Percent of new jobs providing benefits</b>						
<b>Actual</b>	88%	100%	N/A			
<b>Target</b>	75%	71%	71%	75%	75%	75%
<b>Public dollars leveraged (millions)</b>						
<b>Actual</b>	\$3.0	\$7	N/A			
<b>Target</b>	\$3.1	\$4.0	\$4.0	\$3.0	\$3.0	\$3.0
<b>Private dollars leveraged (millions)</b>						
<b>Actual</b>	\$33.3	\$17.8	N/A			
<b>Target</b>	\$35.6	\$35.0	\$35.0	\$30.0	\$30.0	\$30.0

Note: Under the wage range measure, A = Actual, T = Target.

**DEFINITION, RATIONALE, DATA SOURCE** - See the respective sections under Goal 3, Objective 1, Measure 1 (page 23).

**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. Within these constraints, program performance continues to improve. For example, the average hourly wage increased from \$8.75 in FY 1996 to \$11.77 in FY 1997. More than 41 percent of the employees hired through the FY 1997 projects are earning in excess of \$12.00 per hour. (FY 1997 projects have additional time to meet job creation and wage level goals).

**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 (especially the manufacturing sector) in areas outside the Twin Cities will provide 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 (page 23).

<b>Goal 3:</b>	Stimulate job growth and private investment by providing financial assistance to new and expanding businesses.
<b>Objective 2:</b>	The Urban Challenge Grant Program will meet established project, job creation, wage level and other investment measure targets.
<b>Measure 1:</b>	Number of projects, dollars awarded, job creation/retention, wages/benefits in new jobs and dollars leveraged.

	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>
<b>DTED dollars awarded</b> <b>(thousands)</b>						
<b>Actual</b>	\$847	\$1,279	\$999			
<b>Target</b>	\$900	\$1,100	\$1,300	\$1,000	\$900	\$750
<b>Number of projects</b>						
<b>Actual</b>	45	62	54			
<b>Target</b>	50	55	60	50	42	40
<b>Proposed job creation</b> <b>(Certified Partners)</b>	185	247	219			
<b>Job creation</b>						
<b>Actual</b>	177	225	N/A			
<b>Target</b>	200	225	250	230	210	200
<b>Job retention</b>						
<b>Actual</b>	71	65	N/A			
<b>Target</b>	75	100	120	100	100	100
<b>Average hourly wage</b> <b>of new jobs</b>						
<b>Actual</b>	\$8.50	\$10.36	N/A			
<b>Target</b>	\$9.00	\$9.25	\$9.50	\$9.65	\$9.80	\$10.00
<b>Number of new jobs</b> <b>providing benefits</b>						
<b>Actual</b>	144	120	N/A			
<b>Target</b>	155	190	220	200	190	185
<b>Percent of new jobs</b> <b>providing benefits</b>						
<b>Actual</b>	81%	53%	N/A			
<b>Target</b>	78%	84%	88%	87%	90%	93%
<b>Public dollars leveraged</b> <b>(millions)</b>						
<b>Actual</b>	\$1.8	\$ .4	\$ .4			
<b>Target</b>	\$1.5	\$1.5	\$2.0	\$ .3	\$ .3	\$ .3
<b>Private dollars leveraged</b> <b>(millions)</b>						
<b>Actual</b>	\$4.0	\$6.5	\$3.8			
<b>Target</b>	\$4.0	\$4.5	\$5.0	\$3.0	\$2.7	\$2.5

**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. For definitions of other measures, see the Definition section under Goal 3, Objective 1, Measure 1 (page 23). Please note that future performance reports will provide wage ranges for new jobs facilitated by the program.

**RATIONALE, DATA SOURCE** - See the respective sections under Goal 3, Objective 1, Measure 1 (page 23).

**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.

FY 1997 program performance generally exceeded targets. Specific indicators that were especially strong include funds leveraged from private sector (\$6.5 million, 44 percent higher than target) and average hourly wage (\$10.36, 12 percent higher than target). With another year left before case files are closed, program staff are confident that businesses will meet established benefit targets.

**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. In the short term, banks have been more aggressive in their lending practices. As a result, some projects that the Urban Initiative Program would have funded in fiscal years 1995 through 1997, are now being financed by the private sector.

In addition, future lending activity is expected to decline largely because the original \$6 million appropriation will be expended by 2001. Absent any additional appropriations to this program, loans will be made using only funds from previous loan repayments.



<b>Goal 3:</b>	Stimulate job growth and private investment by providing financing stimulus to new and expanding businesses.
<b>Objective 3:</b>	The Rural Challenge Grant Program will meet established project, job creation, wage level and other investment measure targets.
<b>Measure 1:</b>	Number of projects and dollars awarded, job creation and retention, wages/benefits in new jobs and dollars leveraged.

	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>
<b>DTED dollars awarded</b>						
(millions)						
Actual	\$1.8	\$1.1	\$2.1			
Target	\$1.8	\$1.6	\$1.5	\$1.8	\$1.2	\$1.0
<b>Number of projects</b>						
Actual	53	29	46			
Target	60	40	40	40	30	25
<b>Proposed job creation</b>						
McKnight Regions	1,055	475	537			
<b>Job creation</b>						
Actual	989	149	N/A			
DTED Target	825	500	600	450	350	300
<b>Job retention</b>						
Actual	723	11	N/A			
Target	150	35	79	100	125	140
<b>Average hourly wage</b>						
<b>of new jobs</b>						
Actual	\$8.13	\$8.95	N/A			
Target	N/A	\$8.25	\$8.40	\$8.60	\$8.80	\$9.00
<b>Number of new jobs</b>						
<b>providing benefits</b>						
Actual	875	145	N/A			
Target	800	475	537	400	300	275
<b>Percent of new jobs</b>						
<b>providing benefits</b>						
Actual	88%	97%	N/A			
Target	97%	95%	90%	89%	86%	92%
<b>Public dollars leveraged</b>						
(millions)						
Actual	\$7.1	\$1.5	\$3.0			
Target	\$3.0	\$3.0	\$3.0	\$2.5	\$2.0	\$2.0
<b>Private dollars leveraged</b>						
(millions)						
Actual	\$22.4	\$10.3	\$19.4			
Target	\$12.0	\$15.0	\$15.0	\$16.2	\$10.8	\$9.0

**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. For definitions of the other performance measures, see the Definition section under Goal 3, Objective 1, Measure 1 (page 23). Please note that future performance reports will provide wage ranges for new jobs facilitated by the Rural Challenge Grant program.

**RATIONALE, DATA SOURCE** - See the respective sections under Goal 3, Objective 1, Measure 1 (page 23).

**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 75 percent of the actual jobs created and retained through this program offer fringe benefits.

With the ongoing labor shortage and the drive for competitive business operations, the program has begun to fund projects aimed at improving productivity rather than simply job creation. This decision has, and will continue to, affect job creation.

**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 DTED). Therefore, projections are based mainly on past performance.

Effective in fiscal year 1997, the McKnight Funds included wage rates as a criteria in each funding decision. This change has raised average wages above the targeted levels. In addition, the number of projects for fiscal year 1999 through fiscal year 2000, 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. The program will likely make fewer, but larger loans. These loans will be expected to improve the business' vitality and in many cases improve the quality of the jobs retained. Future lending activities can also be expected to decrease because most of the funds available to each region will be lent by 2001. Absent any additional appropriations to this program, loans will be made using only funds from previous loan repayments.

<b>Goal 3:</b>	Stimulate job growth and private investment by providing financing stimulus to new and expanding businesses.
<b>Objective 4:</b>	The Small Business Development Loan Program will meet established project, job creation, wage level and other investment measure targets.
<b>Measure 1:</b>	Number of projects, dollars awarded, job creation and retention, wages/benefits in new jobs and dollars leveraged.

	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>
<b>Dollars awarded</b> (millions)						
<b>Actual</b>	\$12.8	\$3.0	\$10.7			
<b>Target</b>	N/A	\$15.0	\$15.0	\$10.0	\$10.0	\$10.0
<b>Number of projects</b>						
<b>Actual</b>	3	2	3			
<b>Target</b>	N/A	4	5	3	3	3
<b>Proposed job creation</b>						
<b>Actual</b>	170	64	195			
<b>Job creation</b>						
<b>Actual</b>	152	23	150			
<b>Target</b>	170	200	200	200	200	200
<b>Job retention</b>						
<b>Actual</b>	0	80				
<b>Target</b>	0	0	0	0	0	0
<b>Average hourly wage</b> <b>of new jobs</b>						
<b>Actual</b>	\$12.81	\$12.08	\$10.00			
<b>Target</b>	\$11.00	\$11.00	\$11.00	\$10.00	\$10.00	\$10.00
<b>Number of new jobs</b> <b>providing benefits</b>						
<b>Actual</b>	118	23	150			
<b>Target</b>	170	200	200	175	200	200
<b>Percent of new jobs</b> <b>providing benefits</b>						
<b>Actual</b>	78%	100%	100%			
<b>Target</b>	100%	100%	100%	88%	100%	100%
<b>Public dollars leveraged</b> (millions)						
<b>Actual</b>	\$3.0	\$7.0	\$2.5			
<b>Target</b>	N/A	\$3.0	\$3.0	\$2.0	\$2.0	\$2.0
<b>Private dollars leveraged</b> (millions)						
<b>Actual</b>	\$18.1	\$2.5	\$45.0			
<b>Target</b>	N/A	\$20.0	\$20.0	\$10.0	\$2.0	\$2.0

**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 (page 23). Please note that future performance reports will provide wage ranges for new jobs facilitated through the Small Business Development Loan Program.

**RATIONALE, DATA SOURCE** - See the respective sections under Goal 3, Objective 1, Measure 1 (page 23).

**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 (page 23).

<b>Goal 3:</b>	Stimulate job growth and private investment by providing financing stimulus to new and expanding businesses.
<b>Objective 5:</b>	The Capital Access Program will meet established project, job creation, and other investment measure targets.
<b>Measure 1:</b>	Number of projects, dollars awarded, job creation and retention and private dollars leveraged.

	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>
<b>Dollars awarded</b> (thousands)						
<b>Actual</b>	\$82.0	\$72.9	\$54.4			
<b>Target</b>	\$70.0	\$100.0	\$100.0	\$50.0	\$50.0	\$50.0
<b>Number of projects</b>						
<b>Actual</b>	24	31	16			
<b>Target</b>	32	30	30	20	20	20
<b>Proposed job creation</b>						
<b>Actual</b>	50	50	50			
<b>Job creation</b>						
<b>Actual</b>	50	53	N/A			
<b>Target</b>	50	50	50	50	20	20
<b>Job retention</b>						
<b>Actual</b>	163	134	N/A			
<b>Target</b>	116	116	116	40	40	40
<b>Private dollars leveraged</b> (millions)						
<b>Actual</b>	\$1.3	\$1.0	N/A			
<b>Target</b>	\$ .9	\$1.5	\$1.5	\$1.0	\$1.0	\$1.0
<b>Number of banks</b> <b>enrolled in program</b>						
<b>Actual</b>	34	34	34			
<b>Target</b>	34	34	34	40	45	45

**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" provides the expected number of jobs created as reported by the business applicant and "Job retention" is the 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.

“Number of banks enrolled in program” is the number of banks that are currently participating in the Capital Access Program.

**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.

“Number of banks enrolled in program” indicates the level of participation by the more than 500 Minnesota banks.

**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** - Although the Capital Access Program met or exceeded its job creation and retention targets for FY 1996 and FY 1997, program activity fell short of expectations. Bank participation has not increased significantly in recent years and existing participating banks are expected to account for the majority of future projects.

**PLAN TO ACHIEVE TARGETS** - The lower targets reflects the significant decrease in bank participation.

**OTHER FACTORS AFFECTING PERFORMANCE** - Other financing programs offered by the U.S. Small Business Administration, DTED or local development organizations may cause lower bank participation.

<b>Goal 3:</b>	Stimulate job growth and private investment by providing financing stimulus to new and expanding businesses.
<b>Objective 6:</b>	The Tourism Loan Program will meet established project and leverage measure targets.
<b>Measure 1:</b>	Number of projects, dollars awarded and private dollars leveraged.

	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>
<b>Dollars awarded (thousands)</b>						
<b>Actual</b>	\$481	\$971.3	\$358.1			
<b>Target</b>	\$1,015	\$450	\$450	\$350	\$350	\$350
<b>Number of projects</b>						
<b>Actual</b>	20	21	10			
<b>Target</b>	31	14	14	10	10	10
<b>Private dollars leveraged (thousands)</b>						
<b>Actual</b>	\$484	\$1,270	\$358			
<b>Target</b>	\$1,096	\$500	\$500	\$350	\$350	\$350

**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, lodging, 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.

**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 “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. Any type of marketing effort to increase program use would be counterproductive without additional funds.

**OTHER FACTORS AFFECTING PERFORMANCE** - General economic conditions may affect the program performance.

<b>Goal 4:</b>	Build stronger communities and regions by enhancing their capacity to plan and undertake appropriate economic development activities.
<b>Objective 1:</b>	BY FY 2001, annually conduct 15 seminars and 300 training hours to 1,200 participants with 85 percent of clients indicating that the training improved skills.
<b>Measure 1:</b>	Number of statewide training seminars, training hours and participants, and client skill improvement rating.

	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>
<b>Number of seminars</b>						
<b>Actual</b>	9	9	10			
<b>Target</b>	N/A	10	12	12	12	15
<b>Number of training hours</b>						
<b>Actual</b>	200	184	196			
<b>Target</b>	N/A	200	250	300	300	300
<b>Number of participants</b>						
<b>Actual</b>	847	1,060	961			
<b>Target</b>	N/A	1,100	1,450	1,000	1,000	1,200
<b>Percent of participants reporting training improved skills</b>						
<b>Actual</b>	85 %	82 %	84 %			
<b>Target</b>	N/A	85 %	85 %	85 %	85 %	85 %

**DEFINITION** - The Office of Professional and Technical Resource (PTR) 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 PTR. “Number of training hours” is the actual number of group instructional hours that PTR 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 PTR service.

“N/A” indicates that data is not available. In FY 1997, PTR 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 “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 PTR services are accomplishing the goals of the office. The measure also directly relates to Goal 4 and 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** - Historically, training has not been an independent objective but rather a function of specific objectives within a program. Therefore, because the feedback from our training was tied to specific program requirements, it tended to be very positive with about 85 percent of participants reporting satisfaction.

Our current training focus, which emphasizes the utilization of a variety of technologies in its delivery and tends to be issue oriented versus program oriented, is much more difficult to plan, coordinate, and be deemed effective to all participants. One challenge of this training strategy is striking a balance between holding the interests of the experienced development professional yet offering the fundamentals for the newer economic development practitioners. Moreover, the utilization of new training technology and methodologies is a constant challenge in providing quality training opportunities. Even so, our percentage of participants reporting improved skills still exceeds 80 percent.

**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** - New and emerging economic development issues significantly affect the training and technical assistance provided by PTR and the demand for information and resources often exceeds its availability. PTR must continually identify and monitor economic development trends and secure qualified presenters capable of addressing the information demands of the economic development practitioners. In addition, new communication technologies significantly affect the training and technical assistance provided by PTR. The traditional methods of offering of large, centrally located training forums has given way to more convenient web-based training and regional video conference training opportunities. While often advantageous to the participant, limitations still remain in terms of sufficient equipment, web access and direct exchange of information between participants.

<b>Goal 5:</b>	Enhance businesses' ability to operate and grow in Minnesota by developing a trained workforce while assisting in the transition of persons from welfare to work.
<b>Objective 1:</b>	The Minnesota Job Skills Partnership will meet established training and other program targets.
<b>Measure 1:</b>	Training and program performance measures.

	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>
<b>Number of curricula created</b>						
Actual	16	23	34			
Target	16	16	22	28	28	28
<b>Number of participants completing training</b>						
Actual	4,518	2,672	N/A			
Target	3,060	3,060	3,316	5,000	5,000	5,000
<b>Percent of participants completing training</b>						
Actual	86%	85 %	N/A			
Target	85%	85 %	85 %	85%	85%	85%
<b>MJSP training costs per trainee</b>						
Actual	\$223	\$305	\$531			
Target	\$725	\$750	\$775	\$850	\$925	\$1,000
<b>Leverage ratio (MJSP: partners)</b>						
Actual	1:2.8	1:2.0	N/A			
Target	1:1	1:1	1:1	1:1	1:1	1:1
<b>Number of trainees placed into training-related employment</b>						
Actual	4,481	2,668	N/A			
Target	2,601	2,601	2,819	4,250	4,250	4,250
<b>Percent of trainees placed into related employment</b>						
Actual	99%	99 %	N/A			
Target	85%	85 %	85 %	85%	85%	85%

**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. Business match MJSP grants to develop the training program.

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 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, the Department of Economic Security and the Department 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.

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 of participants 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 trainee completing training.

"Leverage ratio" is the ratio between MJSP funds and resources provided by the business and educational institution. Resources can be cash, equipment, or in-kind services.

"Number of trainees placed into training-related employment" is the final total number of participants who completed the training 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 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." Although the FY 1997 and FY 1998 numbers are not final and will be changing, this percent measure provides a status report of the MJSP training and placement program's success.

"N/A" indicates that data is not yet available. Because participants who enrolled in training during FY 1997 and FY 1998 may still be receiving training or are being placed into related employment, final actual participant training data is not available.

Because MJSP is continually reviewing and evaluating program performance measures, future performance reports may include new measures (e.g., wage levels) and/or modifications to existing measures.

**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. The following measures 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 state educational systems 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 an efficiency measure and shows 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. The job placement outcomes are efficiency and outcome measures that provide a direct measure of the program's performance.

**DATA SOURCE** - 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. Detailed data is provided by participating organizations as part of their application and reporting requirements.

**DISCUSSION OF PAST PERFORMANCE** - Demand for special education programs or training has been increasing because Minnesota businesses and industries increasingly need well-trained, specialized workforces to remain competitive. Moreover, many Minnesota employers are experiencing skills shortages among employees. As a result, the need for special education programs to meet employers' skill requirements is increasing and the demand for the program has far exceeded the resources available. Ultimately, the number of educational programs that 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 \$600 in FY 1996 and FY 1997. 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 continue at 85 percent in FY 1998.

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. About 99 percent of FY 1996 and FY 1997 participants that have completed training were placed into employment related to their training. Because participants that enrolled in training in FY 1997 and FY 1998, 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** - To adequately serve the expanding training needs of Minnesota businesses, the Partnership continues to investigate 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 also will continue to secure the private matching funds and look to improve the performance of funded projects.

MJSP expects to maintain or increase the student graduation and placements rates by requesting that educational institutions and participating businesses use stricter selection criteria for program participants. 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 (less than 7.5 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 continues to exceed the resources available. The demand is driven by the following local factors: (1) business need to invest in their workforce to remain competitive, (2) labor shortages have hampered availability of workers with the appropriate skills, (3) educational systems' needs to revitalize curricula to meet business needs, (4) workers' needs for new skills to gain or retain employment at livable wages, and (5) 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.

<b>Goal 5:</b>	Enhance businesses' ability to operate and grow in Minnesota by developing a trained workforce while assisting in the transition of persons from welfare to work.
<b>Objective 2:</b>	MJSP's Pathways Program will meet established training and other program targets.
<b>Measure 1:</b>	Training and program performance measures.

	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>
<b>Number of participants completing training</b>						
<b>Actual</b>	N/A	N/A	N/A			
<b>Target</b>	N/A	N/A	1,125	1,500	1,125	1,500
<b>Percent of participants completing training</b>						
<b>Actual</b>	N/A	N/A	N/A			
<b>Target</b>	N/A	N/A	75 %	75%	75%	75%
<b>MJSP training costs per trainee</b>						
<b>Actual</b>	N/A	N/A	\$1,389			
<b>Target</b>	N/A	N/A	\$1,333	\$1,333	\$1,500	\$1,500
<b>Leverage ratio (MJSP: partners)</b>						
<b>Actual</b>	N/A	N/A	1:4.4			
<b>Target</b>	N/A	N/A	1:1	1:1	1:1	1:1
<b>Number of trainees placed into training-related employment</b>						
<b>Actual</b>	N/A	N/A	N/A			
<b>Target</b>	N/A	N/A	956	1,275	956	1,275
<b>Percent of trainees placed into related employment</b>						
<b>Actual</b>	N/A	N/A	N/A			
<b>Target</b>	N/A	N/A	85 %	85%	85%	85 %

Note: FY 1998 was program's first year of operation. Because participants who enrolled in training during FY 1998 may still be receiving training or are being placed into related employment, final actual participant training data is not available. Preliminary data indicates training and placement targets should be exceeded.

**DEFINITION** - The Minnesota Job Skills Partnership (MJSP) Pathways program was created to provide paths of training and education for public assistance recipients that involve employers, economic development specialists, educators, and service providers. The program is designed to help move people from public assistance into jobs.

The Pathways program identifies training opportunities 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. The Pathway's program requirements are similar to that of the Partnership program. The difference between Partnership and Pathways is that the training, new jobs and career paths are directed at individuals who are making the transition from public assistance to the workforce. See Definition section for Goal 5, Objective 1, Measure 1 (page 40) for additional definitions.

Because MJSP is continually reviewing and evaluating program performance measures, future performance reports may include new measures (e.g., wage levels) and/or modifications to existing measures.

**RATIONALE** - See Rationale section under Goal 5, Objective 1, Measure 1 (page 40). The target rate for some categories is slightly lower for the Pathways program as the population characteristics of the trainees are different than those taking part in a Partnership program. "MJSP training costs per trainee" is an excellent measure of the cost effectiveness of the program. It is anticipated that within the next two to three fiscal years, the cost per trainee will decline or stabilize as the number of projects funded increases.

**DATA SOURCE** - 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** - As a result of the welfare reform, many Minnesotans now receiving public assistance will be required to become gainfully employed over the course of the next two to five years. In addition, welfare reform dictates that those people needing public assistance have time limits set on their benefits.

It is estimated that there are currently 38,000 Minnesota families that could be affected by this reform. At the same time, an estimated 400,000 new jobs will be created in the state between 1994 and 2005. In the past, there has been no link connecting those 38,000 families on public assistance, with the education and training necessary to qualify them for jobs in the private sector. Pathways was established to create that link and help people make the transition from public assistance to private sector employment.

Because participants who enrolled in training during FY 1998 may still be receiving training or are being placed into related employment, final actual participant training data is not available. However, preliminary data indicates that the number of participants completing training and placed should exceed established targets.

**PLAN TO ACHIEVE TARGETS** - To adequately serve the expanding training needs of Minnesota businesses and assist those on public assistance, MJSP continues to investigate the possibility of accessing resources through other state and federal sources such as the Governor's Workforce Development Council, School-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.

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 (less than 7.5 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 continues to exceed the resources available. The demand is driven by the following local factors: (1) business need to invest in their workforce to remain competitive, (2) labor shortages have hampered availability of workers with the appropriate skills, (3) educational systems' needs to revitalize curricula to meet business needs, (4) workers' needs for new skills to gain or retain employment at livable wages, and (5) 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. Additionally, since the purpose of the Pathways program is to assist persons from public assistance to work, it is anticipated that these people will contribute more to society, increasing the economic viability of Minnesota.

**Program:** Minnesota Trade Office**FY 1998 EXPENDITURES AND STAFFING**

	<u>(Thousands)</u>	<u>Percent of Department</u>
Total Expenditures	\$2,374	1.9%
General	\$2,219	
Special Revenue Funds	\$ 155	

Number of FTE Staff:	28	12.5%
----------------------	----	-------

**GOALS**

The Minnesota Trade Office (MTO) 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)

- to locate, attract and promote foreign direct investment and business development to enhance employment opportunities in Minnesota. (M.S. 116J.966, subd. 9)

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

**DESCRIPTION OF SERVICES**

The Minnesota Trade Office (MTO) 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 information, education, counseling and finance services. 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 12).

The MTO currently has 26 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 function areas:

*1. Information Services*

The MTO's international business library provides a source of focused export information and statistics to private and public sector customers and facilitates delivery of international information to other libraries in the state. This service provides the information needed by many Minnesota businesses to be internationally competitive. The MTO also occasionally produces trade-related directories featuring specific industry sectors (e.g., AgriSource, Environmental Protection) and international business service providers.

The MTO is increasingly relying on the Internet to provide services to clients. For example, a growing number of MTO publications are being placed on the DTED/MTO web site, allowing the increasing number of Internet users to access these resources at their convenience. In addition, a translator database has been created for access via the Internet and future MTO directories will likely be created for the Internet rather than the traditional publication and distribution services.

## *2. Education/Training*

The MTO provides basic export training workshops and more advanced seminars to increase company export-related knowledge, skills, and abilities. These MTO-sponsored training opportunities are delivered throughout Minnesota and offered approximately 40 times per year. The MTO also cosponsors education seminars throughout the year with a variety of organizations.

## *3. Export Finance*

The MTO, through the Minnesota Export Finance Authority, provides Minnesota exporters with financial assistance through technical counseling, working capital loan guarantees, risk insurance and foreign buyer credit reports.

## *4. Marketing/Export Counseling*

The MTO provides a variety of export counseling services:

- information on matters related to export-financing, including how to structure payments terms, foreign exchange, accessing federal financing programs, reducing transaction risk, etc.
- lists of potential agents/distributors for their products in specific international markets.
- introductions of 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 services that provide Minnesota businesses with one-on-one resources for developing marketing plans, pricing strategies and export logistic assistance.
- trade missions to foreign countries, linking Minnesota businesses with international buyers.
- presentations of Minnesota businesses at international trade shows.
- Minnesota international information network service which utilizes a network of representatives throughout the world to assist Minnesota companies in establishing contact with international buyers in foreign locations.

The MTO also coordinates official foreign dignitary visits. The number of delegation visits, with each ranging from three to 300 visitors, has increased 250 percent since 1991. In 1997, the MTO hosted 154 delegation visits with nearly all participating in briefings, conferences or "matchmaker" meetings with Minnesota companies. About half of the visiting dignitaries request meetings with the Governor or Lieutenant Governor.

## **BACKGROUND INFORMATION**

Minnesota's manufactured and agricultural exports continue to expand, with 1997 exports estimated to be valued at more than \$12 billion. Manufactured exports exceeded \$9.5 billion in 1997 and the U.S. Department of Agriculture has estimated that the state's 1997 agricultural exports totaled more than \$2.6 billion. Moreover, although state and federal government officials have been unable to accurately track state-level exports in service industries, exports from this sector are valued at a minimum of several hundred million dollars.

### ***Manufactured Exports***

According to the U.S. Department of Commerce, Minnesota's 1997 manufactured product exports totaled \$9.5 billion, an increase of about 7 percent over the previous year, compared to the national export growth rate of 11.8 percent. The value of Minnesota's manufactured exports increased 63 percent between 1990 and 1997, in comparison with the national increase of 83 percent.



Minnesota's slower export growth relative to the nation is a structural problem that is attributable to the state's dependence on exports of industrial machinery (principally mainframe computers). The industry's share of Minnesota's manufactured exports, 33 percent (1997), far exceeds the national share of only 21 percent. As Minnesota's computer exports have been constant or declining since 1988, growth of Minnesota's industrial machinery exports between 1990 and 1997 has been much weaker than the industry's national growth in exports, and as a result, has adversely affected Minnesota's overall export performance.

In contrast, growth in exports from all other industries in the manufacturing sector, comprising the remaining two-thirds of Minnesota's manufactured exports, matches the corresponding national export growth rate of 80 percent (between 1990 and 1997). In particular, export growth of several Minnesota industries far outpaced respective national industry export growth, such as for fabricated metal products (206% compared to 60%); food and kindred products (136% compared to 69%); and stone, clay and glass products (285% compared to 61%).

With industrial machinery's share of Minnesota's total manufactured export declining from 40 percent in 1990 to 33 percent in 1997, the state's exports have become slightly more diversified. However, the state's top three industries (industrial machinery, electronic equipment, scientific instruments) still account for a much larger share of exports (60%) than the analogous national share (45%). Further export diversification and growth will insulate the state from reduced exports in a particular industry due to economic downturns abroad and generate significant income for the state. In fact, if Minnesota exported the same share of national manufactured products as the state produced (about 2 percent), Minnesota's manufactured exports would total \$12.5 billion, bringing in an additional \$3 billion of income to the state.

Minnesota is poised to engage in significant new export opportunities in specific international markets, including such burgeoning economies as China and India. These markets offer broader market potential than the U.S. domestic marketplace and traditional export destinations such as Canada and Japan. For example, Minnesota's exports to China have increased more than 18 percent between 1996 and 1997, far exceeding the overall state manufactured exports growth rate of 7 percent. Improvement in the state's overall export portfolio and penetration into international markets will result in exports contributing a larger share to the state's Gross State Product (GSP) and ultimately, increasing the state's rate of job creation and economic growth.

### ***Agricultural Exports***

Although Minnesota is a leading agricultural state, due to the difficulty in tracking commodity flows, the U.S. Department of Agriculture cannot provide accurate statistics for agricultural exports at the state level. However, the USDA has estimated the state's 1997 agricultural commodity exports to be approximately \$2.6 billion (ranking 7<sup>th</sup> among the states) resulting in a decrease of about 14 percent over 1996 levels, but an increase of 28 percent since 1990. Increased production in other parts of the nation and major commodity trade transactions have resulted in an increase in national agricultural exports of 42 percent, from \$40.4 billion in 1990 to \$57.4 billion in 1997. (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 leaving the state. Minnesota's leadership in commodity production and a number of leading agribusiness and food processors located in Minnesota (including General Mills, Land O'Lakes, Hormel, International Multifoods, Cargill and Pillsbury) have facilitated the state's strong value-added agricultural products industry. This position is also exemplified by the state's growing share of national shipments and national exports in the food and kindred products industry. In 1990, Minnesota's share was 3.2 percent (\$11.8 billion) of national shipments and 1.7 percent (\$295 million) of national exports. Minnesota's share has now grown to 3.4 percent (\$15.9 billion, 1996) of national shipments and to 2.3 percent (\$697 million, 1997) 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 of total value-added that it produced (14 percent), food and kindred product exports would almost double their current value. As Minnesota's food and kindred products industry accounts for 7.3 percent of total manufactured exports in 1997 (greatly exceeding the national export share of 4.7 percent) and continues to expand, the industry appears to be poised to meet this challenge of doubling in the next decade.

#### ***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 industries. Capital investments, regardless of the source, can increase Minnesota's economic 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 1995, 79,300 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 number of workers employed in foreign-owned manufacturing firms has increased in both Minnesota and the United States since 1977, Minnesota's share has declined since 1991. In 1996, Minnesota accounted for about 2.3 percent of the nation's manufacturing employment yet Minnesota's 1995 share of U.S. employment in foreign-owned manufacturing firms was only 1.6 percent (most recent data available). This data suggests that the state is not attracting its share of foreign investment.

However there appears to be some recovery from the downward trend of FDI in Minnesota according to the most recent data available. Employment grew by about 2 percent and gross book value of property, plant and equipment grew by 4 percent between 1994 and 1995. 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 DATA (calendar years)****Manufactured Export Data**

	<u>1996</u>	<u>1997</u>
Minnesota Manufactured Exports (billions)	\$8.9	\$9.5
U.S. Manufacturing Exports (billions)	\$566.6	\$633.3
Percent Change in Minnesota Manufacturing Exports (from previous year)	8.4%	7.0%
Percent Change in U.S. Manufacturing Exports (from previous year)	7.1%	11.8%

SOURCE: U.S. Department of Commerce and University of Massachusetts at Amherst.

**Agricultural Commodity Exports**

	<u>1996</u>	<u>1997</u>
Minnesota Agricultural Exports (billions)	\$3.0e	\$2.6e
U.S. Agricultural Exports (billions)	\$59.9e	\$57.4e
Percent Change in Minnesota Agricultural Exports (from previous year)	24.7%	-14.2%
Percent Change in U.S. Agricultural Exports (from previous year)	9.4%	-4.2%

SOURCE: U.S. Department of Agriculture.

**Employment in Foreign-owned Manufacturing Establishments**

	<u>1994</u>	<u>1995</u>
Minnesota Employment in Foreign-Owned Manufacturing Establishments (thousands)	77.9	79.3p
U.S. Employment in Foreign-Owned Manufacturing Establishments (thousands)	4,840.5	4,928.3p
Percent Change in Minnesota Employment in Foreign-Owned Manufacturing Establishments (from previous year)	-7.9%	1.8%p
Percent Change in U.S. Employment in Foreign-Owned Manufacturing Establishments (from previous year)	1.6%	1.8%p

SOURCE: U.S. Department of Commerce

e = Estimated data

p = Preliminary data

**PROGRAM DRIVERS**

In the past five years, more than 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, 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.

To help business and the media understand international activity in Minnesota, the MTO recently published *Minnesota International Indicators*. The publication gives a general overview of international activity within Minnesota and how the state interacts with the world at large.

<b>Goal 1:</b>	To promote, facilitate and deliver international business export assistance and services to Minnesota businesses.
<b>Objective 1:</b>	To reach customer satisfaction, service impact, and cost effectiveness targets for MTO services.
<b>Measure 1:</b>	Percent of customers satisfied with MTO services, percent indicating these services contributed, at least in part, to their export results and cost per assisted exporter.

	<u>July '89-Dec. '91</u>	<u>July '93-Dec. '94</u>	<u>July '98-Dec. '99</u>
<b>Percent of customers satisfied with MTO services</b>			
<b>Actual</b>	85%	92%	
<b>Target</b>	85%	85%	90%
<b>Percent reporting MTO services contributed to export results</b>			
<b>Actual</b>	73%	74.7%	
<b>Target</b>	70%	70.0%	75%
<b>Cost per assisted exporter</b>			
<b>Actual</b>	N/A	N/A	
<b>Target</b>	N/A	N/A	N/A

**DEFINITION** - The Minnesota Trade Office (MTO) promotes, facilitates and delivers export services to Minnesota businesses. Because the full impact of MTO services is generally not experienced for 12 to 18 months, the MTO surveys customers that received services during a longer period (as shown above). Although costs involved with collecting the data limit the frequency of the surveys, four customer satisfaction/impact surveys have been conducted since the late 1980s. The data above reflect findings from the two most recent surveys.

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

“Percent of customers satisfied with MTO services” is the overall customer satisfaction rating with MTO services. Two methodologies were used to derive the satisfaction levels. The satisfaction level for those customers receiving services between July 1993 and December 1994 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. This question will be used in future surveys.

Because this question was not included in previous surveys, the satisfaction rating for the earlier periods is derived through a weighted average calculation of quality characteristics of MTO services used in the surveys (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.” Because this calculated value is different from an overall satisfaction question, the results are not directly comparable. However, these service dimensions are key to client satisfaction and an overall satisfaction value would probably not vary significantly from this calculated value. In fact, since the overall satisfaction value was higher than the satisfaction with individual services in the last survey, the calculated overall satisfaction value for earlier surveys may be lower than overall client satisfaction.

“Percent reporting MTO services contributed to export results” represents those clients reporting that specific MTO 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

projects/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").

"Cost per assisted exporter" is defined as MTO's cost of delivering service per client that indicates services contributed to export results. As staff improve MTO information management systems, a base of historical performance data will be used to establish realistic targets. In this case, "N/A" indicates that neither the performance or target measures have been established.

**RATIONALE** - The satisfaction measure is used to assess the quality of MTO services (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 success in facilitating exports and provides a 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 macroeconomic data, target workload and cost goals, semi-annual objective reviews and other forms of customer feedback. "Cost per assisted exporter" serves as an efficiency and cost-effectiveness measure.

**DATA SOURCE** - MTO conducts periodic 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. Since the initial survey, MTO has conducted three additional client surveys designed to measure "customer satisfaction" with MTO services and the contribution of MTO services to client "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 and export result. Data from these surveys serve as the source for the performance measures.

Response rates for these surveys ranged from 29 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 for the last survey limits the response sample's representativeness of the overall client population and the data should be viewed with caution.

Because of the declining response rates to recent MTO surveys, the department is examining methods to improve performance measurement including those systems used in the SBDC program (see Goal 1, Objective 1, Measure 1 in the Business and Community Development program, page 8). For example, individual surveys for smaller programs may be used which should improve the response rate. In addition, sample validation testing (e.g., client demographics) is now part of the methodology for most 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. Client satisfaction with MTO services (indicating "good" or "excellent") 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 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 staff provide clients with relevant, timely and effective export assistance, and achieve MTO performance targets: 1) target its services through better mailing lists; 2) deliver real-time international market intelligence to businesses; 3) enter into new public-private partnerships and leverage available federal resources which are needed to help Minnesota companies complete successful export transactions; and 4) provide its businesses with resources to become more competitive. Specific examples of this plan are included in the Plan to Achieve Targets section under Objectives 2 through 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. For example, 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 also influence the ability of Minnesota businesses to successfully compete in a global economy. Finally, the quality of the data collected by the federal government and used by the MTO can affect the quality of service provided to Minnesota businesses.

<b>Goal 1:</b>	To promote, facilitate and deliver international business export assistance and services to Minnesota businesses.
<b>Objective 2:</b>	To reach customer satisfaction and service impact targets for MTO-sponsored educational services.
<b>Measure 1:</b>	Percent of customers satisfied with education services and percent indicating that these services contributed, at least in part, to their export results.

	<u>July '89-Dec. '91</u>	<u>July '93-Dec. '94</u>	<u>July '98-Dec. '99</u>
<b>Percent of customers satisfied with MTO-sponsored education service</b>			
<b>Actual</b>	89%	90%	
<b>Target</b>	85%	88%	90%
<b>Percent reporting service contributed to export results</b>			
<b>Actual</b>	81%	81%	
<b>Target</b>	75%	75%	81%

**DEFINITION** - The Minnesota Trade Office (MTO) provides basic export training workshops and seminars to increase company export-related knowledge, skills, and abilities. These MTO-sponsored education and training opportunities are offered approximately 40 times per year throughout Minnesota. Each year, more than 1,000 individuals attend these MTO-sponsored training sessions.

Although the MTO also cosponsors education seminars with a variety of organizations (which attract more than 4,000 attendees annually), this measure includes only ratings from MTO-sponsored events which provide feedback on only MTO performance. Numbers from cosponsored events are used for internal management purposes but ratings are not used in this measure because they may or may not reflect MTO performance.

Because the full impact of the indicated MTO service may not be experienced for 12 to 18 months, the MTO surveys customers that received services during a longer period (as shown in the table). Although costs involved with collecting the data limit the frequency of the surveys, four customer satisfaction/impact surveys have been conducted since the late 1980s. The table data reflects findings from the two most recent surveys. 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 a 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 in 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 the indicated 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; 8) Exported new products/services; 9) Exported to new countries; and 10) 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."

**RATIONALE** - For the rationale of the satisfaction and contribution terms, see the Rationale section under Goal 1, Objective 1, Measure 1 (page 50).

**DATA SOURCE** - See the Data Source section under Goal 1, Objective 1, Measure 1 (page 50).

**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 a new, restructured 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 companies just beginning to export. The MTO also increased the focus on advanced courses (country marketing and topical issues) for more experienced exporters. 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 other providers of international business training (e.g., Minnesota World Trade Association and Minnesota International Center) and 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** - Please see the Other Factors Affecting Performance section under Goal 1, Objective 1, Measure 1 (page 50).

<b>Goal 1:</b>	To promote, facilitate and deliver international business export assistance and services to Minnesota businesses.
<b>Objective 2:</b>	To reach customer satisfaction and service impact targets for MTO-sponsored educational services.
<b>Measure 2:</b>	Percent of customers satisfied with MTO-sponsored education seminars, percent reporting that seminar addressed business interest, and percent reporting that they would recommend seminar.

	<u>C.Y.1996</u>	<u>C.Y.1997</u>	<u>C.Y.1998</u>	<u>C.Y.1999</u>	<u>C.Y.2000</u>	<u>C.Y.2001</u>
<b>Percent of customers satisfied with MTO-sponsored education seminar</b>						
<b>Actual</b>	84%	93%	92%			
<b>Target</b>	90%	90%	90%	90%	90%	90%
<b>Percent reporting seminar addressed export business interest</b>						
<b>Actual</b>	95%	94%	92%			
<b>Target</b>	90%	90%	90%	90%	90%	90%
<b>Percent reporting that they would recommend MTO seminar to others</b>						
<b>Actual</b>	98%	99%	98%			
<b>Target</b>	90%	90%	95%	95%	95%	95%

**DEFINITION** - The Minnesota Trade Office (MTO) provides 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 40 times per year. Each year, more than 1,000 individuals attend these MTO-sponsored training sessions.

In addition to the occasional surveys covering education services delivered over a 12- to 18-month period (see Goal 1, Objective 2, Measure 1 - page 52), the MTO also surveys customers immediately after the education service is delivered. Because the impact of education services may take many months to develop, these transaction surveys concentrate on satisfaction measures. Surveys were provided to participants in 38 seminars in CY 1996, 49 in CY 1997, and 39 in CY 1998.

Although the MTO also cosponsors education seminars with a variety of organizations (which attract more than 4,000 attendees annually), this measure includes only ratings from MTO-sponsored events which provide feedback on only MTO performance. Numbers from cosponsored events are used for internal management purposes but ratings are not used in this measure because they may or may not reflect MTO performance.

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

"Percent of customers satisfied with MTO-sponsored education seminar" is the percent of all seminar participants that completed a survey and reported that the seminar they attended was "excellent" or "good." Other ratings included "average," "fair," and "unsatisfactory."

"Percent reporting seminar addressed export business interest" is the percent of all participants that completed a survey and responded "yes" to the question, "Did the seminar address your business interests?"



"Percent reporting the they would recommend MTO seminar to others" is the percent of all participants that completed a survey and responded "yes" to the question, "Would you recommend this seminar?"

**RATIONALE** - All three measures are important real-time satisfaction measures that help the MTO understand whether the education services delivered meet customer needs.

**DATA SOURCE** - All seminar attendees receive a survey at the conclusion of each seminar. Although the returned rate is sometimes very low, it is presumed that dissatisfied participants would be more likely to return a survey than satisfied customers.

**DISCUSSION OF PAST PERFORMANCE** - Since 1994, MTO's international education programming has had three major thrusts: (1) maintain the number and quality of export awareness raising and basic export training seminars that meet the needs of new-to-export companies, e.g., Export Process, Export Tools & Techniques; (2) respond to the training and/or informational requests identified by companies in seminar evaluations by organizing more specialized seminars, e.g., Mexico Update, CE Marking, ISO 14000, Doing Business in Britain, China 2000, Exporting Services, and (3) develop seminars which address specific issues about which companies should be knowledgeable but may be unaware, e.g., U.S. Export Administration Regulations, Export Finance Clinic, China Practicum, EU Packaging Directive, EU Noise and PUWER Directives.

In order to ensure that Minnesota companies receive appropriate, accurate and timely information about international business opportunities and concerns, the MTO works in close cooperation with other providers of seminars, workshops and conferences, e.g., Minnesota International Center, Minnesota Technology Inc., Minnesota World Trade Association, Minnesota World Trade Center Corporation,, National Association of Manufacturers, colleges and universities, chambers of commerce, government departments, private companies, etc. As far as possible, programming is complementary so that the value of public monies expended is non-competitive and yields the most efficient return for each dollar spent. To this end, the charging of registration fees for MTO programs has resulted in full coverage of out-of-pocket expenditures, and has also helped to ensure that companies attending are truly committed to their international business endeavors.

Surveys of MTO education program attendees have consistently shown that more than 9 out of 10 were very satisfied with seminar content and that it addressed their business needs, and almost 100 percent would recommend such seminars to others.

**PLAN TO ACHIEVE TARGETS** - The education section aims to maintain, and improve where necessary, not only the relevance of program content to Minnesota business needs, but also the highest quality in terms of speaker resources and briefing materials. MTO will continue working with other providers of training and education programs, as appropriate, and expand from existing cooperative arrangements to others where this will directly benefit Minnesota businesses. This is both appropriate and necessary because the MTO alone does not have the human and financial resources to enable it to offer a fully comprehensive range of programs on all international business topics. Other options of offering programs throughout the state, such as via two-way video conferencing, will continue to be explored and used as seen fit.

**OTHER FACTORS AFFECTING PERFORMANCE** - Continued, and necessary, reliance on international business-related data and other information from federal sources and other government and non-government agencies places limitations on state data availability and analysis, as does limited in-house capability for doing market research. The MTO education section takes great care in its program planning not to compete with private sector providers of international business services, but aims to put on complementary and supportive seminars and workshops. More could be done within these parameters, but human resource limitations, with their consequent financial implications, mean that any attempt to increase the number of seminars would be counter-productive and would seriously impair the well-established quality standards and reputation of MTO's education programs.

<b>Goal 1:</b>	To promote, facilitate and deliver international business export assistance and services to Minnesota businesses.
<b>Objective 3:</b>	To reach customer satisfaction and service impact targets for MTO counseling services.
<b>Measure 1:</b>	Percent of customers satisfied with counseling services and percent indicating these services contributed, at least in part, to their export results.

	<u>July '89-Dec. '91</u>	<u>July '93-Dec. '94</u>	<u>July '98-Dec. '99</u>
<b>Percent of customers satisfied with MTO counseling services</b>			
<b>Actual</b>	82%	80%	
<b>Target</b>	80%	80%	85%
<b>Percent reporting services contributed to export results</b>			
<b>Actual</b>	72%	77%	
<b>Target</b>	70%	72%	80%

**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 the satisfaction and contribution measures can be found in the Definition section under Goal 1, Objective 2, Measure 1 (page 52).

**RATIONALE** - For the rationale of the satisfaction and contribution terms, see the Rationale section under Goal 1, Objective 1, Measure 1 (page 50).

**DATA SOURCE** - See the Data Source section under Goal 1, Objective 1, Measure 1 (page 50).

**DISCUSSION OF PAST PERFORMANCE** - MTO international business counseling takes two principle forms: regulatory/compliance information and market intelligence. Although there has been 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 rating with the percent of clients reporting satisfaction with MTO services remaining at or above 80 percent for the last three surveys. 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 MTO industry and country specialists, the Japan External Trade Organization (JETRO) representative residing at MTO, and representatives housed in the newly-opened MTO office of the China Council for the Promotion of International Trade (CCPIT) 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 distributed 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** - See the Other Factors Affecting Performance section under Goal 1, Objective 1, Measure 1 (page 50).

<b>Goal 1:</b>	To promote, facilitate and deliver international business export assistance and services to Minnesota businesses.
<b>Objective 4:</b>	To reach customer satisfaction and service impact targets for MTO export finance services.
<b>Measure 1:</b>	Percent of customers satisfied with export finance services and percent indicating that these services contributed, at least in part, to their export results.

	<u>July '89-Dec. 91</u>	<u>July '93-Dec. '94</u>	<u>July '98-Dec. '99</u>
<b>Percent of customers satisfied with export finance services</b>			
<b>Actual</b>	84%	89%	
<b>Target</b>	80%	84%	90%
<b>Percent reporting services contributed to export results</b>			
<b>Actual</b>	71%	82%	
<b>Target</b>	60%	71%	85%

**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 the satisfaction and contribution measures can be found in the Definition section under Goal 1, Objective 2, Measure 1 (page 52).

**RATIONALE** - For the rationale of the satisfaction and contribution measures, see the Rationale section under Goal 1, Objective 1, Measure 1 (page 50).

**DATA SOURCE** - See the Data Source section under Goal 1, Objective 1, Measure 1 (page 50).

**DISCUSSION OF PAST PERFORMANCE** - Demand for export financing has shown consistent growth during the 1990s. Despite this increase, MTO clients are increasingly satisfied with MTO export finance services. 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 Minnesota Export Finance Authority has built partnerships with the Export-Import (Ex-Im) Bank and the Small Business Administration (SBA) by establishing City/State partner designation. The Ex-Im Bank has also agreed to collaborate with the MTO in providing pre-export financing to Minnesota businesses through a formalized city/state partnership. 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 (page 50).

<b>Goal 1:</b>	To promote, facilitate and deliver international business export assistance and services to Minnesota businesses.
<b>Objective 5:</b>	To reach customer satisfaction and service impact targets for MTO information services.
<b>Measure 1:</b>	Percent of customers satisfied with information services and percent indicating these services contributed, at least in part, to their export results.

	<u>July '89-Dec. 91</u>	<u>July '93-Dec. '94</u>	<u>July '98-Dec. '99</u>
<b>Percent of customers satisfied with MTO information services</b>			
<b>Actual</b>	87%	82%	
<b>Target</b>	80%	87%	85%
<b>Percent reporting services contributed to export results</b>			
<b>Actual</b>	70%	68%	
<b>Target</b>	70%	70%	75%

**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 the satisfaction and contribution measures, please see the Definition section under Goal 1, Objective 2, Measure 1 (page 52).

**RATIONALE** - For the rationale of the satisfaction and contribution measures, see the Rationale section under Goal 1, Objective 1, Measure 1 (page 50).

**DATA SOURCE** - See the Data Source section under Goal 1, Objective 1, Measure 1 (page 50).

**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 the mid-1980s to 91 percent in the late 1980s. 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 Book (NTDB) must be supplemented with additional data sources. 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. To increase business access to trade data, the MTO library is being cataloged and displayed in the PALS/MnLink catalog system.

**OTHER FACTOR AFFECTING PERFORMANCE** - See the Other Factors Affecting Performance section under Goal 1, Objective 1, Measure 1 (page 50).

(Blank Page)

**Program:** Office of Tourism

**FY 1998 EXPENDITURES AND STAFFING:**

	<u>(Thousands)</u>	<u>Percent of Department</u>
Total Expenditures	\$10,057	8.2%
General	\$ 8,196	
Special Revenue Funds	\$ 1,155	
Trunk Highway Funds	\$ 706	
Number of FTE Staff:	75	33.5%

**GOALS**

The Minnesota Office of Tourism (MOT) 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 and the fierce competition for the travel dollar that is 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 1996, 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 program accountability.

The goals of the Office of Tourism are to increase its market share of state visitors, retain instate travelers, and 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 and the state's return on investment.

The Minnesota Office of Tourism (MOT) markets Minnesota, in North American and internationally, as a travel destination to consumers, tour operators, group tours and travel agents; promotes coverage of Minnesota in international and travel trade media; and initiates, develops and coordinates activity with travel industry buyers and sellers. For many years, the programs of the Office of Tourism have been nationally recognized and have been extremely successful in

generating travel to Minnesota. Historically, the state's travel and tourism industry and tourism-related sales and tax revenues have also grown proportionately and above that of the national average.

A 35-person, statewide Tourism Advisory Committee, chaired by the Lt. Governor, provides industry input, program direction and communication relative to program development and marketing strategies implementation. To support the program's activities and achieve its strategic objectives, the office is divided into the following areas: **Destination Sales; Product Marketing; Consumer Marketing; Traveler Sales; and Industry Sales.** Programs are linked to maximize outcomes and efficiencies.

The **Destination Sales** program markets and sells Minnesota as a travel destination to tour operators, group tour, and media clients. The program also initiates, develops and coordinates sales activities with tourism industry buyers and consumers in target North American and international markets. The primary international markets are Canada, Japan, the United Kingdom, and German-speaking countries. Marketing tactics include trade show exhibits, trade missions, direct sales and marketing, trade and consumer advertising, and familiarization trips.

The **Product Marketing** program is defined as the sales, marketing, and promotion of specific destinations, individual communities, vertical market activities and tourism-related businesses, attractions, festivals, and events. Product marketing activities are primarily focused in the 12-state north central region of the United States. These 12 states generate approximately 86 percent of Minnesota's domestic tourism. Tactics include: consumer advertising co-op programs, electronic marketing, vertical market programs, media relations, special events, and familiarization trips.

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 in response to consumer advertising programs. Computerized information on accommodations, attractions, and events is maintained and available via the *Journey* database-driven personalized travel planning service. The Consumer Marketing unit is also responsible for ongoing measurement and evaluation of MOT's programs and tourism marketing services.

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

The **Industry Sales** program is responsible for facilitating two-way communication between MOT and the state's tourism industry, providing education as well as marketing planning assistance. In addition, this program is responsible for monitoring public policy issues that may affect tourism in Minnesota. The unit operates regional offices in Brainerd, Duluth, Mankato and Thief River Falls in partnership with regional tourism associations.

The development and implementation of a long-range strategic plan and execution of this 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.

The focus of the MOT's plan is the investment in marketing resources to generate non-resident travel, which has a greater impact upon the Minnesota economy. A significant element of the strategic plan is to focus on reaching identified target markets and target audiences that represent the greatest potential to travel to Minnesota or stay for longer periods.



A second strategy is to maximize 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.

The third strategy 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 and means to focus on tourism-related sales and buy-in opportunities.

The *Journey* travel planning service, which was introduced in 1996, continues to evolve in the tourism division's ongoing 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 and electronic marketing via the Internet. 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, also enables the division to build a sophisticated customer database that will be instrumental in maximizing future tourism-related marketing activities and outcomes. Increased investment in forming technology-based delivery systems such as the Internet has greatly increased the amount of qualified prospects MOT programs can reach, and makes information accessible 24 hours a day.

The final 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, and 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 Data section (page 64) 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 68 percent rate of growth in overseas travelers to Minnesota was approximately 2.5 times the 28 percent national growth rate over the period from 1991 through 1995. Nationally, travel and tourism generates well over \$67 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 \$26 billion trade (tourism) surplus.

Over the period 1991 through 1995, Minnesota's 37.3 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 22.0 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 to grow continued at a steady pace. Budget constraints threaten the state's competitive position.

Minnesota's strong economy and near full employment saw tourism employment grow 7.5 percent between 1991 and 1995. Despite steady growth, Minnesota's growth lagged the nation's (9.3 percent) and did not keep pace with Wisconsin, Illinois and Michigan, which represent competitive states with expanding travel marketing budgets.

**BACKGROUND DATA**

<b>National Industry Background</b>	<b>Calendar Year</b>		
	<b><u>1995</u></b>	<b><u>1996</u></b>	<b><u>1997</u></b>
U.S. Travel & Tourism Employment * (thousands)	12,488	12,817	N/A
U.S. Travel & Tourism Earnings* (billions)	\$232	\$297	N/A
U.S. Travel & Tourism Expenditures* (billions)	\$825	\$993	N/A
U.S. Travel & Tourism Tax Revenue* (billions)	\$52.6	\$55.2	\$57.7
Canadian Travelers to U.S. (thousands)	14,974	14,663	15,301
Overseas Travelers to U.S. (thousands)	19,209r	20,639	22,494

\*Impacts are only for domestic travel.

<b>Minnesota Industry Background</b>	<b>Calendar Year</b>		
	<b><u>1995</u></b>	<b><u>1996</u></b>	<b><u>1997</u></b>
Minnesota Travel & Tourism Employment*	136,123r	144,800	150,732
Minnesota Travel & Tourism Wages/Salaries* (millions)	\$2,804r	\$3,086	\$3,218
Minnesota Travel & Tourism Gross Receipts* (millions)	\$7,096r	\$7,636	\$7,981
Minnesota Travel & Tourism State Tax Revenue* (millions)	N/A	\$800	\$834
Canadian Travelers to Minnesota (thousands)	495	574	569
Overseas Travelers to Minnesota (thousands)	361	408	420
Domestic Pleasure Travelers to Minnesota (thousands)	18,341r	18,560r	20,465

\*Impacts are only for domestic travel.

<b>MOT Activities and Workload</b>	<b>Fiscal Year</b>		
	<b><u>1995</u></b>	<b><u>1996</u></b>	<b><u>1997</u></b>
Number of phone inquiries received	492,112	392,148	296,704
Number of mail inquiries received	228,016	161,983	122,156
Number of walk-in inquiries received	490,845	487,1061	N/A
Media served	251	246	N/A
Media hosted on familiarization tours	109	127	N/A

<b>Partnership Information</b>	<b>Fiscal Year</b>		
	<b><u>1995</u></b>	<b><u>1996</u></b>	<b><u>1997</u></b>
Organizational partnerships	29	55	77
Total Cash & In-Kind Partner Contributions	\$3,876,200	\$4,403,200	\$4,351,319
Share of Contributions from Regional Programs	13.9%	11.9%	N/A
Share of Contributions from Revenue	11.7%	8.0%	16.0%
Share of Contributions from Partnerships	12.0%	8.9%	19.0%
Share of Contributions from Corporate Sources	62.4%	73.4%	65.0%

SOURCE: Minnesota Office of Tourism and various secondary sources.

r = Revised data

N/A = Data not available for indicated year

**PROGRAM DRIVERS**

Many factors affect the Office of Tourism's performance such as economic conditions, 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, including air service.

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. While Minnesota's ad budget remains comparable to what it was 10 years ago, in real dollars, it represents only half the media buying power and competitors outspend Minnesota 3 to 1.

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 fulfillment service and customer information 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.

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

	<u>C.Y.1996</u>	<u>C.Y.1997</u>	<u>C.Y.1998</u>	<u>C.Y.1999</u>	<u>C.Y.2000</u>	<u>C.Y.2001</u>
<b>Percent of non-resident customers who travel to Minnesota</b>						
<b>Actual</b>	61.6%	61.1%	N/A			
<b>Target</b>	61.5%	61.5%	61.5%	61.5%	61.5%	61.5%
<b>Percent of non-resident visitors influenced by MOT information</b>						
<b>Actual</b>	82.4%	82.3%	N/A			
<b>Target</b>	79.5%	79.5%	79.5%	79.5%	79.5%	79.5%
<b>Expenditures by influenced travelers per trip</b>						
<b>Actual</b>	\$478	\$565	N/A			
<b>Target</b>	N/A	N/A	\$610	\$659	\$712	\$769

**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. Advertising and promotions are intended to build an image of Minnesota as an attractive travel destination and some 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 non-resident visitors influenced by MOT information” represents the 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 per trip” is the estimated direct expenditures per travel party that was influenced (“great” or “some” influence) by MOT information and subsequently traveled to Minnesota during the spring/summer travel season. Because this is a new measure, targets had not been established for CY 1996 and CY 1997.

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 economy.

**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 based on the prospective traveler's specific interests and information needs 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 primary 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. High conversion rates continued for 1996 (62%) and 1997 (61%) while first time visitorship was 31 percent and 39 percent, respectively.

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. This measure continued to improve in CY 1996 (82%).

**PLAN TO ACHIEVE TARGETS** - The Office of Tourism develops communication and strategic 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 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 of the national average for the same period. The influence of MOT programs is no longer measured solely by inquiries generated but by a number of related elements.

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 from primary markets located in the North Central Region of the United States.
- 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.
- 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. Advertising revenue offsets for production costs and generate revenue to be applied to other promotional efforts.
- 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 1997, 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 has 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. Minnesota's competitive position is threatened.

<b>Goal 1:</b>	Generate incremental revenue from nonresident travel to Minnesota through investment of marketing dollars, media relations activities, and partnerships with tourism organizations.
<b>Objective 1:</b>	Minnesota travel expenditures by nonresident consumers influenced by advertising/promotional programs will increase by 8 percent annually and the amount of exposure of potential travelers to positive messages about Minnesota's travel products will increase by 10 percent annually.
<b>Measure 2:</b>	Number of articles and features related to Minnesota travel experiences published by travel writers that have visited Minnesota.

	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>
<b>Number of articles</b>						
<b>Actual</b>	N/A	36	191	191		
<b>Target</b>	N/A	N/A	190	209	230	253

**DEFINITION** - A cost equivalency measure was developed for the 1996 performance report as a way to indicate the volume of coverage in the print media. However, because estimating the equivalent costs has proven to be extremely labor intensive and expensive, this report replaces the cost equivalency measure with the actual number of articles related to Minnesota travel experiences. The "Number of articles" represents the actual number of articles published in major consumer magazines and written by travel writers that have visited Minnesota. This measure is comparable to the value of advertising in measuring growth trends over time.

"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 coverage educates potential travelers about the year around travel experiences available in Minnesota.

Services range from providing briefing 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. The office has developed a program to proactively market Minnesota's destination 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.

**PLAN TO ACHIEVE TARGETS, OTHER FACTORS AFFECTING PERFORMANCE** - Please see the respective sections under Goal 1, Objective 1, Measure 1 (page 66).

<b>Goal 1:</b>	Generate incremental revenue from nonresident travel to Minnesota through investment of marketing dollars, media relations activities, and partnerships with tourism organizations.
<b>Objective 2:</b>	Increase the number of Minnesota travel programs in tour operator catalogs by 5 percent per year.
<b>Measure 1:</b>	Number and percent change of Minnesota travel programs in tour operator catalogs.

	<u>C.Y.1996</u>	<u>C.Y.1997</u>	<u>C.Y.1998</u>	<u>C.Y.1999</u>	<u>C.Y.2000</u>	<u>C.Y.2001</u>
<b>Minnesota programs in U.S. tour catalogs</b>						
Actual	257	301	N/A			
Target	223	245	270	283	297	311
<b>Percent change in number of programs in U.S. tour catalogs</b>						
Actual	26%	17%	N/A			
Target	10%	10%	10%	5%	5%	5%
<b>Minnesota programs in international tour catalogs</b>						
Actual	70	82	N/A			
Target	73	80	88	92	96	100
<b>Percent change in the number of programs in int'l tour catalogs</b>						
Actual	6%	11%	N/A			
Target	10%	10%	10%	5%	5%	5%

**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 yet available.

**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. These promotional activities may be executed independently by the state, or in partnership with multi-state organizations such as the Great Lakes of North America or Mississippi River Country USA.

MOT 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 U.S. growth markets 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.

**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.

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. Since December 1996, Northwest Airlines has offered non-stop flights between MSP and Tokyo. Since 1983, Northwest Airlines has flown between MSP and London. Icelandair also has launched regularly-scheduled service between MSP and major European markets. 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.

**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. 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 has increased 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** - As the U.S. population ages packaged travel is expected to increase. In addition, 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. The 1998 Asian economic crisis also may have a long-term impact.

<b>Goal 2:</b>	Retain travel dollars from Minnesotans within the state by developing partnerships that maximize resources.
<b>Objective 1:</b>	To reach targets for efficiency and sales effectiveness of providing information that influences the amount of travel and travel expenditures in Minnesota by residents.
<b>Measure 1:</b>	Number of resident pleasure travelers in Minnesota.

	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>
<b>Number of resident person trips (millions)</b>						
<b>Actual</b>	9.02	10.02	N/A			
<b>Target</b>	9.60	9.99	10.39	10.6	10.99	11.39

**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 yet available.

**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 1996 through 1997 data is derived from the revised USTDC TravelScope cooperative travel survey as extrapolated to the Minnesota population. This national travel survey was first conducted in 1994. The data is based on the updated weighting and projecting methods developed by the travel industry association (TIA) in consultation with National Family Opinion Research Inc. (NFO).

**DISCUSSION OF PAST PERFORMANCE** - Recognizing 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.

**PLAN TO ACHIEVE TARGETS** - Strategies involving specific destinations, vertical markets, time of travel, and partnering with travel businesses, publishers, community newspapers and others, will target potential markets and deliver appropriate marketing messages. The messages will be 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 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.

<b>Goal 2:</b>	Retain travel dollars from Minnesotans within the state by developing partnerships that maximize resources.
<b>Objective 1:</b>	To reach targets for efficiency and sales effectiveness of providing information that influences the amount of travel and travel expenditures in Minnesota by residents.
<b>Measure 2:</b>	Value of partnership contributions in resident promotional campaigns.

	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>
<b>Number of Minnesotans who received MOT information</b>						
<b>Actual</b>	94,455	550,000	439,508			
<b>Target</b>	N/A	450,000	450,000	450,000	450,000	450,000
<b>MOT broadcast advertising costs for Minnesota market</b>						
<b>Actual</b>	\$230,000	\$230,000	\$230,000			
<b>Target</b>	N/A	\$230,000	\$230,000	N/A	N/A	N/A
<b>Market value of broadcast advertising (millions)</b>						
<b>Actual</b>	\$1.8	\$1.5	\$2.2			
<b>Target</b>	N/A	\$1.6	\$1.7	\$1.7	\$1.7	\$1.7
<b>Market value associated with delivering information to residents</b>						
<b>Actual</b>	\$13,350	\$544,804	\$650,891			
<b>Target</b>	N/A	\$483,600	\$490,000	\$490,000	\$490,000	\$490,000
<b>Value of partner contribution (millions)</b>						
<b>Actual</b>	\$1.6	\$1.8	\$2.6			
<b>Target</b>	N/A	\$1.9	\$2.0	\$2.0	\$2.0	\$2.0

**DEFINITION** - The definitions of the terms used in this measure are described below:

"Number of Minnesotans who received MOT information" is a count of the number of Minnesotans who received information both via direct contact with MOT and the circulation of information provided through publishing partnerships. Prior to FY 1997, the numbers include only the direct contacts. The numbers do not include contacts via e-mail, or use of the MOT site on the World Wide Web. Numbers are based on actual production and printing costs and bulk postage cost of a single *Explorer* of \$.30 - \$.50 (varying by size of issue).

"MOT broadcast advertising costs for Minnesota market" is the dollar spent by the Office of Tourism for broadcast advertising in the Minnesota market through a marketing partnership agreement with the Minnesota Broadcasters Association (MBA).

“Market value of broadcast advertising” is the actual market value of television and radio air time by MOT in the Minnesota market. The MOT has an agreement with the Minnesota Broadcasters Association that provides broadcast time for a price less than the actual advertising cost of air time.

“Market value associated with delivering information to residents” is the value of the cost associated with the printing and distribution of the *Minnesota Explorer* newspaper which is delivered to Minnesota residents. These costs are covered by the purchase of advertising by tourism industry businesses and organizations. Many residents receive their *Explorer* from travel information centers or by calling the MOT, however, those numbers are not reflected here because specific counts are not available. This is not available for activity guides.

“Value of partner contribution” is the dollar value of advertising revenue which is used for publishing the *Minnesota Explorer* and difference between payment and value of MBA broadcast time.

“N/A” in FY 1996 outcomes indicates that data is not available. The performance outcomes used in this measure were new and not collected prior to FY 1997. “NA” used in FY 1999 through FY 2001 recognizes that the MBA agreement is being negotiated.

**RATIONALE** - In recent years, the office has applied its marketing dollars to lure more out-of-state travelers to Minnesota. Information and promotional messages are provided to residents through agreements with the MBA and through publishing partnerships. Residents can access travel information via a number of sources including the World Wide Web, via contact with MOT, from local convention and visitor bureaus, chambers of commerce, and tourism businesses. This measure provides information on the success of the office of delivering information to Minnesotans through a number of partnerships in spite of a flat advertising budget.

**DATA SOURCE** - Mail and phone inquiries from Minnesotans are recorded in a database; the market value of the radio and television broadcast space is provide by the MBA; the StarTribune provided revenue and distribution reports for the *Minnesota Explorer*.

**DISCUSSION OF PAST PERFORMANCE** - In 1996, the office entered into an agreement with a publisher to produce, sell advertising, and print the *Minnesota Explorer* newspaper at no cost to the state. Since mid-1996, the agreement has included direct distribution to Minnesotans of 350,000 to 550,000 copies of each of the three annual editions. A number of publishing partnerships have also been developed to produce activity guides including fishing, canoeing, biking, and cross country skiing. Since 1997, each guide has been distributed inserted in respective Minnesota publication and the office received overruns for distribution. The average direct distribution of each guide is 80,000. This distribution is not reflected in the performance numbers.

**PLAN TO ACHIEVE TARGETS** - The office will continue to develop publishing partnerships. Beginning in 1998, a new partnership will focus on development and promotion of the office World Wide Web site.

**OTHER FACTORS AFFECTING PERFORMANCE** - Competition for partnership dollars is expected to increase as more public entities approach the private sector for contributions. The ability of the MOT to expand its public/private sector partnerships will depend on its ability 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. Specific partnerships such as the MBA are revised annually and may change.

<b>Goal 3:</b>	Provide travelers with the highest quality information and service based on their needs, and achieve a competitive advantage in the marketplace.
<b>Objective 1:</b>	To reach targets for travel-related expenditures, future trips, and economic impact of on-the-road travel information requesters.
<b>Measure 1:</b>	Number of customers served by travel information centers customer satisfaction service index, and economic impact of the service.

	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>	<u>F.Y.2000</u>	<u>F.Y.2001</u>
<b>Number of customers served at travel information centers</b>						
<b>Actual</b>	486,276	545,302	546,390	495,000	510,000	525,000
<b>Target</b>	486,275	465,000	480,000			
<b>Customer satisfaction service index</b>						
<b>Actual</b>	N/A	9.89	9.90			
<b>Target</b>	9.66	9.70	9.72	9.75	9.80	9.85
<b>Percent of TIC customers that spent additional dollars</b>						
<b>Actual</b>	N/A	N/A	N/A			
<b>Target</b>	N/A	N/A	N/A	20%	22%	24%
<b>Additional spending per customer</b>						
<b>Actual</b>	N/A	N/A	N/A			
<b>Target</b>	N/A	N/A	N/A	\$125	\$130	\$135

**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 total walk-in customers served by all Travel Information Centers (TICs). The "Customer satisfaction service 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.

Although the satisfaction index is useful, the Office of Tourism has redefined the primary purpose of providing on-the-road travel information services. The primary 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 indirect purpose of satisfying customers. At the time these new economic impact measures are reported, the customer satisfaction index will be dropped. The new measures that reflect this modified purpose are defined below.

"Percent of TIC customers that spent additional dollars" represents the percent of TIC customers who spent additional money in Minnesota they otherwise would not have as a result of the travel information they received. "Additional spending per customer" is the average additional spending by these customers.

During the summer travel season, a survey sample will be selected each week from walk-in customers who requested travel information and signed guest registers at a TIC. Surveys will be mailed up to three times to each sample member and will provide information on the customer's trip and use of travel information. Survey results will also provide measures of the percent of TIC customers who spent additional money as a result of the information they received as well as the average additional expenditure. "N/A" indicates that these measures are new and baseline performance targets are not available.

**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 increased expenditures in 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" measure is derived from customer surveys administered by travel information centers to visitors. The "spending"/economic impact measures are derived through a MOT survey of a sample of TIC customers that is administered following the completion of their trip.

**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 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 will allow MOT to introduce on-the-road travelers to other products, vacation experiences, activities and new destinations so these travelers may be influenced to visit Minnesota again.

To achieve the target levels 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.

**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.

## APPENDIX

### Changes in Performance Measures

The Department of Trade and Economic Development views performance-based management as an evolving and ongoing project, and continues to strive to refine its performance report. The Office of Legislative Auditor's comments on DTED's 1996 report notes that the department has made several improvements over its 1994 report including "more accurate statements about some performance, improved measures, some attention to improving efficiency and productivity, and some additional changes that enhance the report's usefulness." DTED's 1998 performance report continues this improvement with changes apparent throughout the report. The most significant departures from the 1996 report are noted below. Other minor modifications, including changes in targets due to changes in the program's operating environment, are discussed along with the measure in the text.

#### BUSINESS AND COMMUNITY DEVELOPMENT

Most measures within the Business and Community Development Division have been only slightly modified. The most significant changes to improve program performance measurement follow:

##### Goal 1

**Objective 1, Measure 1 (page 8)** – The Small Business Development Center program added a performance outcome ("Started a business") to reflect the goal of facilitating the start-up of Minnesota businesses as recommended by the Legislative Auditor's comments on DTED's 1996 performance report. The SBDC program also added more information on the response rate to annual surveys, as recommended by the OLA.

**Objective 3, Measure 1 (page 12)** – Due to a change in the mission of the Office of Marketing and Business Development, this measure now includes the performance output, "Number of community marketing visits."

##### Goal 2

**Objective 3, Measure 1 (page 19)** – This measure is new and provides information on the Public Facility Authority's new transportation revolving loan fund. As a result, Objective 4, Measures 1 and 2 were cited as Objective 3, Measures 1 and 2 in the 1996 report.

##### Goal 3

**Objective 1, Measures 1, 2 (pages 23, 27)** – As recommended by the OLA and other interested organizations, BCD expanded the wage performance outcome by including a performance indicator that provides wage ranges for new jobs facilitated by the program.

**Objectives 1, 2, 3, and 4, all measures (pages 23, 27, 29, 31, 33)** – As recommended by the OLA, these business finance measures now include a performance outcome that indicates the percent of new jobs that provide benefits.

**Objective 5, Measure 1 (page 35)** – Since the success of the Capital Access Program largely depends on participation of banks, this measure now includes "Number of banks enrolled in program" as a performance indicator.

##### Goal 4

**Objective 1, Measure 1 (page 38)** – These measures were under Objective 2, Measure 1 in DTED's 1996 performance report. The former Objective 1, Measure 1 was eliminated reflecting a change in the strategy and mission of the Office of Professional and Technical Services.

##### Goal 5

**Objectives 1, 2 (pages 40, 43)** – This report consolidates the Minnesota Job Skills Partnership's (MJSP) 1996 performance measurement information (Objective 1 and Objective 2) into Objective 1, Measure 1 in the 1998 report. Objective 2, Measure 1 is new and provides information on the performance of the MJSP's Pathways Program.

**MINNESOTA TRADE OFFICE**

After making significant changes in the 1996 report, the MTO made only small refinements in the 1998 agency performance report. For example, because many clients receive services from several MTO service areas concurrently, it is difficult to accurately measure cost-effectiveness for each service. Due to this measurement problem, the MTO removed the cost-effectiveness measures from the individual services areas and inserted one cost-effectiveness measure into the overall objective and measure (*Goal 1, Objective 1, Measure 1 - page 50*). The MTO also added a new measure, *Goal 1, Objective 2, Measure 2 (page 54)*. This performance indicator provides additional and more timely customer satisfaction information about MTO educational services. The MTO expects additional changes in performance reporting will be necessary as a new information management system is implemented.

**MINNESOTA OFFICE OF TOURISM**

The Office of Tourism made only minor changes to the 1996 report. For instance, a cost equivalency measure was originally developed in as a way to indicate the volume of coverage in print media. Finding that was extremely labor intensive and expensive to determine the equivalent costs, the office now uses the actual number of articles as a representative of the value of advertising (see *Goal 1, Objective 1, Measure 2 - page 69*).

In addition, to better reflect the Office's mission of increasing tourism expenditures, additional tourist spending measures were added to *Goal 3, Objective 1, Measure 1 (page 75)* and the expenditure measure was modified in *Goal 1, Objective 1, Measure 1 (page 66)* to reflect per trip direct expenditures per travel party. The Office continues to monitor and review the measurements to enhance efficiencies and effectiveness if all its programs.