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Minnesota Department of Energy, Planning and Development

Biennial Report

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Minnesota Department of Energy, Planning and Development

Biennial Report



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Minnesota Department of Energy, Planning and Development

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Letter from the Commissioner

This is the first biennial report of the Minnesota Department of Energy, Planning and Development (EPD). This report incorporates the information requirements of the four previously separate agencies that were combined to create this department--the Energy Agency, State Planning Agency, Department of Economic Development, and the Crime Control Planning Board. The activities and achievements of EPD are described, and a brief narrative of the establishment of the department is included.

The early efforts of the department were spent in creating an effective organizational structure while reducing staff by approximately 180 positions. This was accomplished and work programs were prepared that maximize the use of staff from all divisions to address key issues. Administrative services were consolidated, and employee task forces were formed that submitted excellent reports that contributed to the department's organization. The reduction in funding has, however, made it necessary to modify and, in several instances, eliminate program activities.

The EPD mission statement--"to plan, coordinate and implement strategies to preserve and develop Minnesota's energy, economic, physical and human resources"--correctly implies that many department activities concern inter-disciplinary themes. Studies examining the energy issues in criminal justice, energy programs for small business, and energy conservation in tourism promotion are examples of the important cross-divisional work being accomplished by EPD.

Activities undertaken by EPD encompass a wide range of key issues that concern the State of Minnesota. The department continues to successfully market Minnesota for tourism expenditures--the development of package tours, the cross-divisional work that resulted in the installation of a new computer processing system, and the tourism division relocation on the downtown St. Paul skyway system are all excellent examples of how the department maximizes state tourism resources. The department helps to improve services to developmentally disabled persons through financial grants provided by an almost \$1 million gift from the McKnight Foundation. And criminal justice-related issues are addressed by the department through various activities, including the administration of juvenile justice grants, technical assistance for jail operation through the Minnesota Jail Resources Center, and special projects such as the justice system improvement study.

A primary EPD objective is to provide an "inter-agency" focus for state government. The department has the resources and expertise to provide legislative and executive decision-makers the necessary data and analysis for decisions concerning the most important issues facing the state. One such issue during this biennium was an assessment of the impact on Minnesota of federal spending reductions. EPD assisted in the overall coordination of a governor's task force on this subject. The task force, chaired by the EPD commissioner and made up of commissioners and directors from key state agencies, helped the state plan and prepare for much lower levels of federal funding for grant programs, and to anticipate the efforts of consolidated block grants on programs.

A highlight of the biennium was the completion of a comprehensive review of the proper organization of statewide energy functions. This legislatively mandated report includes an examination of the energy issues Minnesota will face through the 1980's, a review of the current energy planning and regulatory processes, and specific recommendations for changes in the process. The department followed this report with legislative proposals to implement these recommendations. One result was the establishment of the Environmental Quality Board as a separate agency. This study exemplifies the "next biennium" focus for state government provided by EPD and the need for the department to assist state leaders in developing consistent planning and policy to address the economic, environmental and consumer problems anticipated in the future.

EPD worked as a partner in the creation of, and provides continuing support to, an innovative public-private partnership named Minnesota Wellspring. Through a cooperative approach not found elsewhere in this country, Wellspring provides research to explore how public policy can best be shaped to support technology-powered job development and economic growth. The department looks forward to providing assistance to Wellspring, and applauds Wellspring's efforts to marshal the special talents of labor, business, agriculture, education and government to generate economic development.

The future of this state and its commitment to a compassionate provision of public sector services to all Minnesotans, depends on a vigorous and expanding economy. EPD is actively engaged in efforts to promote economic development, and department services and special projects have contributed significantly to job creation and investment in the state. During the past year, this work has resulted in approximately 1,700 jobs created and maintained, with over \$35 million of new investment. In addition, the department will continue to seek innovative responses to development issues--the Small Business Finance Agency (SBFA) is a case in point. SBFA helps address the financing needs of small businesses by offering smaller companies the financial advantages previously practicable only to larger firms. A new "taxable bond" program pioneered by the SBFA with the U.S. Small Business Administration will greatly increase the availability of these low-interest loans.

Other economic development efforts by the department have focused on local communities. The Star Cities Program encourages communities to take an active role in economic development by developing their infrastructure, designing economic development strategies, surveying and marketing the resources of the community, and through other efforts to build the capacity of the community for economic development. Another department activity has been the state assumption of the administrative responsibility from the federal government for the Small Cities Community Development Block Grant program in FY 1983. Approximately \$22 million are expected to be available in grants to counties and cities under 50,000 in population, for projects related to housing and

Program has provided substantial assistance to communities interested in pursuing this option for increasing the efficiency of energy use, mainly in their central businesses areas. The department initiated a large scale demonstration of peat for energy use at a Virginia, Minnesota power plant, which will test the effectiveness of burning peat in existing utility boilers. Other successful programs have emphasized working with communities through various organizations, providing workshops for communities on making local government operations more energy efficient, and helping local citizens, organizations, and industries become more aware of how they can be more energy efficient.

The following sections describe in greater detail the wide-ranging programs of the Department, which taken together, dedicates EPD to the continuing development and preservation of the high-quality living and working environment that presently exists in Minnesota.

Sincerely,

A handwritten signature in cursive script, reading "Robert G. Renner Jr".

Robert G. Renner, Jr.

Commissioner

Department of Energy, Planning, and Development

RGR/lw

Introduction

The mission of the Department of Energy, Planning and Development is to plan, coordinate and implement strategies to preserve and develop Minnesota's energy, economic, physical and human resources. The Department provides legislative and executive decision-makers the necessary data and analysis for short and intermediate-term decisions concerning the most important issues facing the state.

The Department promotes an environment needed for economic expansion and diversification of all the ventures that comprise the states' complex economy--from agriculture to mining, tourism to advanced technology, forestry to manufacturing. It studies Minnesota's energy use and needs, energy conservation and alternative energy development, and provides information on energy to the public. The Department also studies planning issues of broad scope and proposes policies and programs to plan growth and development in Minnesota. And the Department promotes the states' tourism industry, recreation areas and attractions available to vacationers and travelers.

Departmental objectives include the following:

- To create through public policy analysis and legislative change a "job climate" which will encourage the expansion of work opportunities for all Minnesotans.
- To insure an affordable, available supply of energy for all Minnesotans through analysis, conservation and alternative energy development.
- To balance development strategies with the protection of the environment.
- To provide assistance to local governments.
- To provide appropriate public services to businesses wishing to expand or locate in Minnesota.
- To market the state for tourism expenditures.
- To be the "inter-agency" focus for state government.
- To provide the "next biennium" focus for state government.

The current debate on the limits of public sector resources has pitted those who want "more" from government against those who want "less". EPD is pledged to identifying the "better" from all levels of government, the not-for-profit sector and the private sector. This principle dedicates EPD to the preservation and continuing development of the unique Minnesota community.

History of the Department

Government must constantly seek ways to utilize the limited resources of government for the greatest benefit. The importance of this concern becomes quite clear as budgets for state government become ever tighter. The establishment of the new Department of Energy, Planning, and Development is the result of this continual exploration of new ways to provide for the needs of Minnesota citizens.

As the 1981 Session of the Minnesota Legislature examined the budgets for the State Planning Agency (SPA), Minnesota Energy Agency (MEA), Crime Control Planning Board (CCPB), and Department of Economic Development (DED), it became evident that the funding reductions being considered for these agencies would severely hamper their effectiveness. A proposal to merge the staff and resources of the agencies was introduced during the final weeks of the session and was supported by the governor and legislative leaders. The similar duties and responsibilities of the agencies were recognized: long-range strategic planning, research and technical staffs, services to local governments, and the promotion of economic development and tourism.

Legislation enacting the reorganization was passed on May 16, 1981 in an appropriations bill funding state departments for the 1981-1983 biennium. The provisions concerning the merger were brief: all powers, duties and functions of the four agencies were transferred to the new department; a new commissioner of EPD was established and assumes the powers and duties previously vested in the directors of SPA, MEA, and CCPB and in the commissioner of DED; and the merger was effective when the EPD commissioner, who was to be appointed July 1, 1981, notified the commissioner of administration that EPD was ready to begin operations, with the exception that the MEA was to be transferred on March 1, 1982.

Governor Quie appointed Kent E. Eklund as the first EPD commissioner on July 1. The Commissioner formed an executive committee composed of top management from the merged agencies. An organizational structure was created that maximized staff resources to address the program functions listed in the appropriations bill. Staff reductions were made, and the department was organized into four divisions--planning, energy, business development, and tourism--with the various programs in each division positioned within several organizational units or offices.

On September 1, the department's work program and budget for fiscal year 1982 was presented to the finance and appropriations committees of the Minnesota Senate and House of Representatives. EPD officially began operations on October 1, and the reorganization was completed on March 1, 1982 with the incorporation of the Energy Agency into the department.

Organization of the Department

The Department of Energy, Planning and Development performs its activities through four divisions, each headed by an assistant commissioner. The divisions are further organized into offices and office sections.

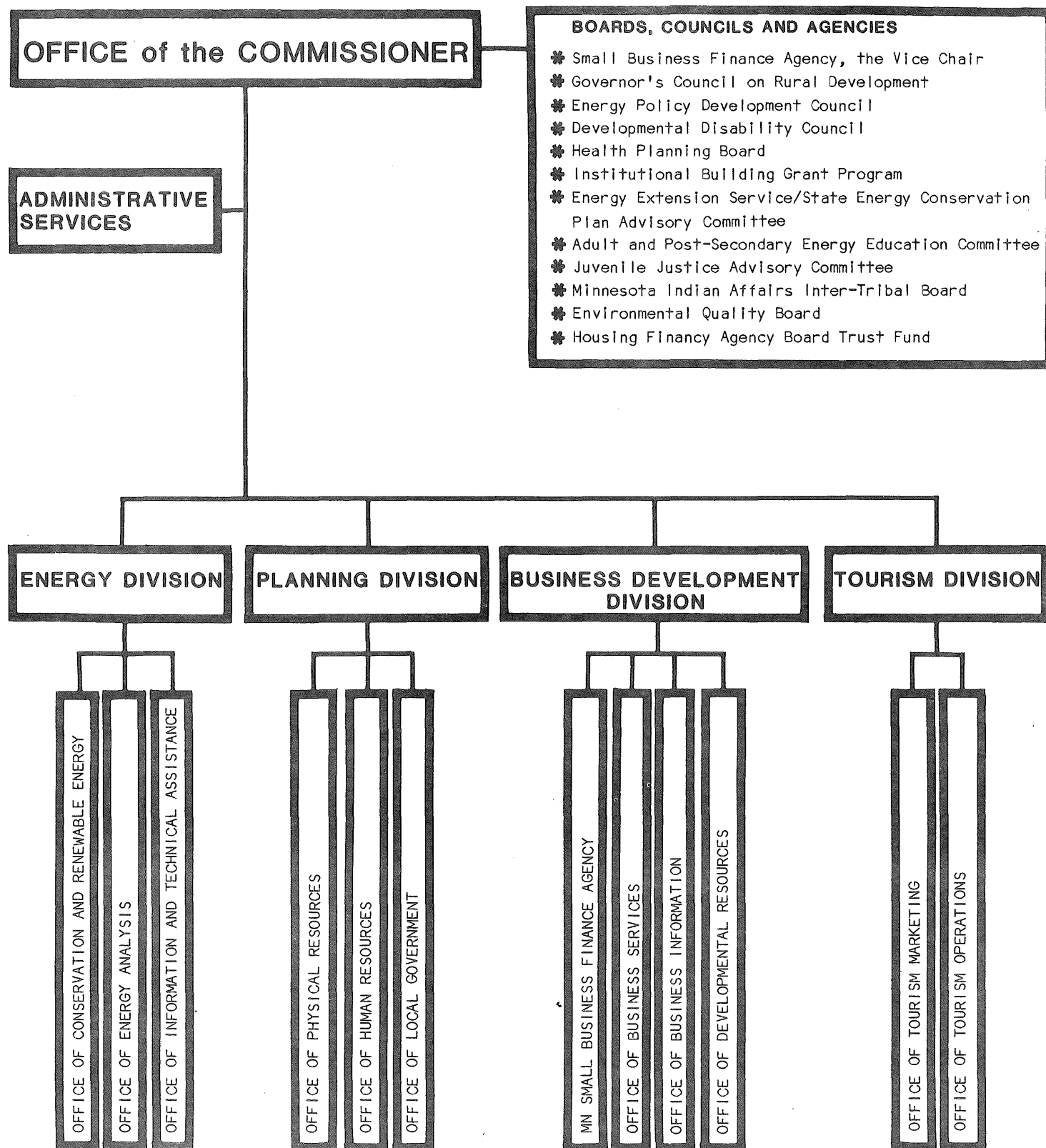
The Energy Division performs activities to ensure an affordable, available supply of energy for all Minnesotans through analysis, conservation and alternative energy development. The Office of Conservation and Alternative Energy administers programs involving technical and educational services for energy users on why and how to save energy, and carries out research into alternative energy systems. The Office of Energy Analysis collects and analyzes energy data and takes action to ensure adequate conventional energy supplies. The Office of Information and Program Delivery provides useful and understandable energy information to the public through published material and a telephone answering service.

The Planning Division helps manage the state's planning process and assists the Governor and Legislature in solving the problems that confront Minnesota. The Office of Human Resources Planning addresses policies and needs which arise from the state's commitment to education and human services. The Office of Physical Resources Planning assists in the establishment of objectives in the use and management of the state's land and natural resources, and coordinates state efforts on the development and management of environmental information systems through the Minnesota Land Management Information Center. The Office of Local Government promotes the improvement and maintenance of a system of local governments which maximizes their ability to solve community problems, by bringing together the staff and services of the Department which most directly work with units of local government.

The Tourism Division markets the State of Minnesota with the result of generating increased expenditures by travelers in the state. The Office of Operations and Grants assists the six tourism regions in carrying out comprehensive marketing programs, processes grants to local and statewide organizations, and provides information to help tourists plan vacations in the state. The Office of Marketing and Research increases the awareness of Minnesota as a vacation area through advertising programs, and promotes the state through publications and public relations activities.

The Business Development Division supports businesses with the assistance needed to startup, locate, and expand in Minnesota. The Small Business Finance Agency issues and sells tax exempt bonds to provide loans for pollution control projects and loans to small businesses for land, equipment, machinery and buildings. Business Services provides field consultants to assist communities in preparing for economic development, assists businesses interested in expanding or locating in Minnesota, and administers several financial assistance programs. Development Resources identifies and secures developmental resources outside the Department for economic development, and provides technical assistance grants for marketing and development studies. Business Information provides comprehensive information on licenses required for business undertakings in the state, and serves as an information clearinghouse for small business assistance and international trade information.

DEPARTMENT OF ENERGY, PLANNING, AND DEVELOPMENT



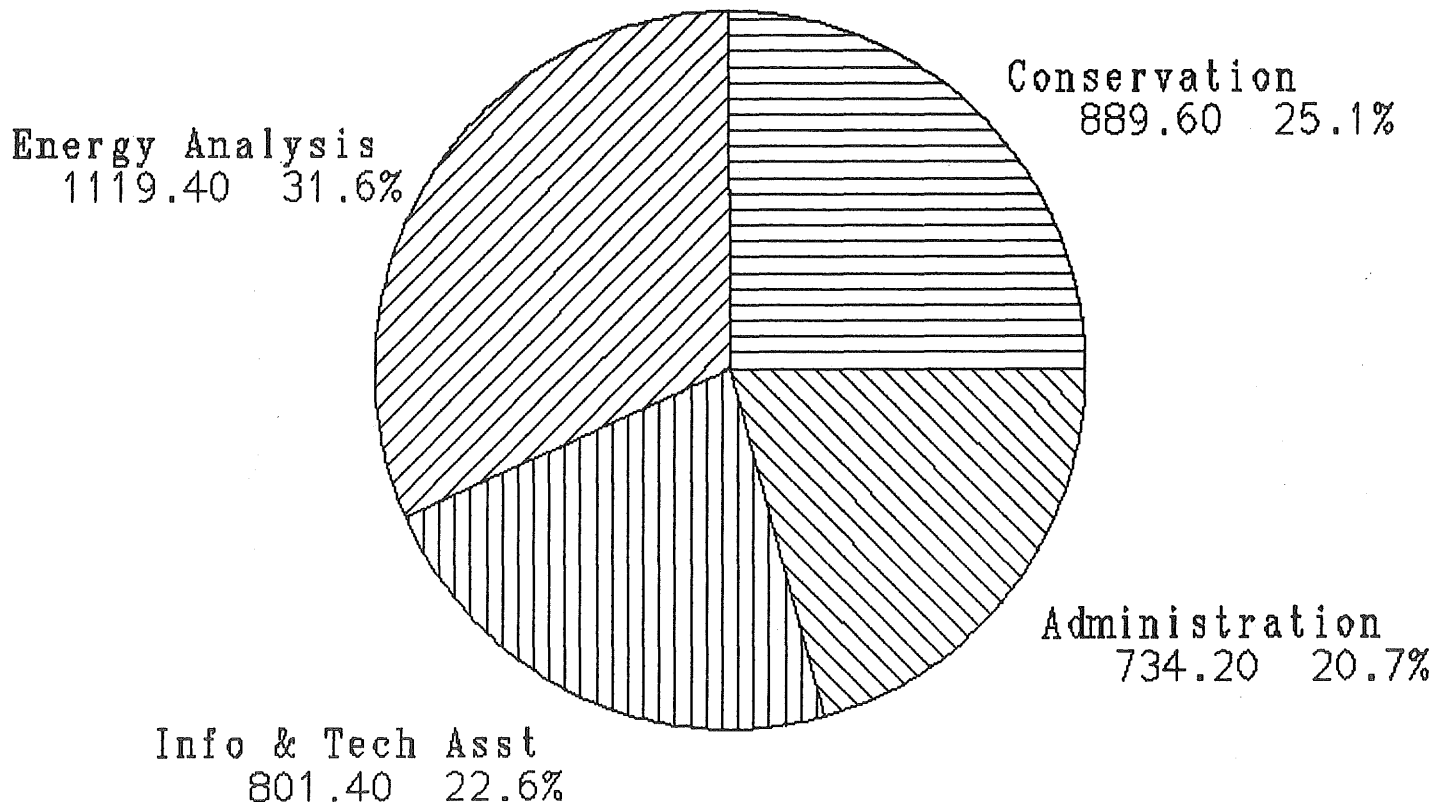
Energy Division

The Energy Division has developed a full range of programs to help citizens deal with problems associated with fossil fuels becoming scarcer and more expensive. These programs promote energy conservation and the development of renewable resources; assure the delivery, as far as possible, of adequate supplies of traditional fuels; and assist Minnesotans during times of energy shortages. The division uses a wide variety of methods to implement these programs--information dissemination, technical assistance, data collection, research, administration of regulatory programs, and financial assistance--and to deliver them to the appropriate audience.

With the emergence of energy costs as a major contributor to the state's economic problems, greater effort over the past year has been focused on the relationship of energy to the state's economy. By the end of the current biennium, the division will have targeted key programs to help solve this problem.

The division is divided into four offices: Office of Conservation and Renewable Resources; Office of Information and Technical Assistance; Office of Energy Analysis; and Office of the Assistant Commissioner. These are described below, along with the programs operated by each.

Energy Division Fiscal Year 1983 Expenditures By Office



THOUSANDS OF DOLLARS

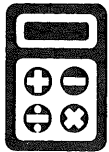
Office of Conservation and Renewable Energy

The purpose of this office is to promote increased efficiency in energy consumption, and the development and use of renewable energy sources whenever possible and economical. It does this by developing and administering programs aimed at important target audiences, including homeowners, renters, utilities, educators, educational administrators, architects, engineers, communities, renewable resources small businesses and consumers, home builders, and commercial and industrial managers and operators. The office is divided into four activities and one support group. The support group is responsible for conducting detailed evaluation services for the whole division.

The Residential Programs activity administers several state and federally mandated programs which require energy audits or actual retrofits to meet efficiency standards. This includes the Minnesota Energy Conservation Service (MECS), a federally mandated program under which major utilities offer energy audits and related services to their residential customers. By the end of the biennium, nearly 100,000 audits will have been completed under this program. The average savings for homeowners who implement recommendations of an audit is 25 percent of their fuel bill. In addition, 170 private sector jobs can be directly traced to the implementation of this program.

The Education and Technical Programs activity develops and disseminates energy curricula and training to educators and persons in the commercial and industrial sectors, and develops and administers programs to influence new building construction. Two major programs presently are underway: the Total Energy Management for Schools (TEM) program and the Superinsulation Housing Demonstration program.

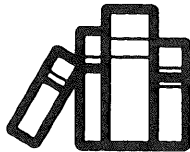
Total Energy Management For Minnesota Schools



**Energy
Accounting**



**Building
Improvement**



**Energy
Education**



Financing



Operations



Maintenance

The division has worked with schools and educators in several of its programs for the past seven years. Under the TEM umbrella, most of these programs have been pulled together in an effort to convince schools to take a comprehensive look at their buildings, operations, and educational programs in order to reduce their energy costs. Programs included are the institutional building grants program administered through the Financial Services activity, training in energy accounting for school administrators, training in building operations for maintenance personnel, training in energy curriculum for teachers, and provision of curriculum materials. There is also an awards program planned for the next biennium.

The superinsulated housing demonstration program involves the building of 19 new homes through grants to secondary and post-secondary carpentry programs which build new homes, and 6 remodeled homes through grants to various organizations, including community groups. It also includes research on energy efficient homes, marketing superinsulation houseplans statewide, implementing superinsulation curriculum in vocational technical institutes, and developing a public information campaign on superinsulation. By the end of the biennium, the homes will be completed, or nearly completed; preliminary research that indicates superinsulation construction far outperforms any other construction technology for energy efficiency in this climate will be validated and nearly all carpentry instructors in the state will have been trained in the technology.

There are two other important projects done by this activity--workshops for the commercial and industrial sectors, and upgrading the energy code portion of the state building code. By June, 1983, over 100 workshops will have been offered on boiler operations and maintenance, steam traps, preventative maintenance, waste heat recovery, tracking energy pneumatic temperature controls, and lighting systems, with approximately 1,500 attendees. The division is investigating current national consensus energy codes and standards, and will be promulgating a new energy code portion of the state building code in line with whichever seems best suited for Minnesota.

The Financial Services activity administers two major programs, the institutional buildings grants program (IBGP) and the district heating program, and provide major staff support to the Total Energy Management program. Over the last three years, approximately \$11.5 million in federal funds and \$7.2 million in state funds have been distributed for energy audits and retrofit to Minnesota institutions. Eligible institutions include schools, hospitals, local governments, and public care institutions. Over 4,500 buildings have been audited and over 700 schools and hospitals have been funded for retrofit projects. In 1981, measures implemented as a result of this program saved these institutions \$30 million in energy costs. Over the next ten years, these measures will save these primarily tax supported institutions \$450 million in energy costs.

**1980 Institutional Floor Space, Energy Consumption
and Energy Intensity By Building Type In Minnesota.**

Building Type	Floor Space		Energy Consumption		Energy Intensity Thousand BTU per sq. ft./yr.
	million Sq. Ft.	percent of Total	Trillion BTU	percent of Total	
School	210.8	60.7	23.1	45.7	109.6
Hospital	43.8	12.6	11.7	23.1	267.1
Local Gov't.	78.1	22.5	13.0	25.7	166.5
Public Care	14.7	4.2	2.8	5.5	190.5
Total	347.4	100.0	50.6	100.0	
Weighted Avg.					145.7

Source: Department of Energy, Planning and Development, Energy Division

The district heating program has provided substantial assistance to communities interested in pursuing this option for increasing the efficiency of energy use, mainly in their central business areas. Grants have been made to eleven cities for planning district heating systems, and a loan program providing up to ninety percent of design and construction costs for district heating systems is just getting underway. A workbook has been developed to help communities plan district heating projects, especially in the areas of financing and ownership.

The Renewable Energy activity administers state laws regarding solar energy and provides technical support to other programs, particularly information programs on solar energy. It is also the point of contact for the solar energy industry in Minnesota, and actively encourages the development of the industry and the use of economical solar applications by consumers through a variety of measures. Passive solar building designs have been distributed to 1,500 firms in the construction industry, and a number of workshops have been conducted for the building industry around the state. By the end of the biennium, staff will have provided information or technical support in response to approximately 2,000 requests for assistance, and will have certified about 60 solar collectors, as required by law.

Information and Technical Assistance

The Office of Information and Technical Assistance operates the state-wide toll-free telephone Energy Information Center; writes, edits, produces and distributes consumer and technical literature on energy conservation and alternative energy resources; produces public information campaigns on energy services available to the public through newspapers and the broadcast media; provides technical assistance to communities and local governments on energy planning and program development; collects and analyzes data on Minnesota's petroleum supply distribution system; and maintains the emergency response and petroleum set aside programs to deal with energy shortages. The office is divided into three management activities.

The Publications and Media Services activity is responsible for the development and production of the division's consumer and technical literature on energy conservation and renewable resources, and for public information campaigns through the media. In the past two years approximately 40 publications have been written and/or updated. This includes a series on energy conservation in the home, several solar publications, woodburning publications, financing information, and much conservation information for special audiences. This activity has also conducted about 20 public information campaigns in the past two years. One of the largest was in support of the Minnesota Energy Conservation Service energy audit program, and featured billboard, television and radio advertising and public service announcements. The activity also conducted a solar campaign and open house highlighting solar water heaters in seven cities outside the metropolitan area. Over one thousand visitors saw one or more of the twenty-five solar water heaters installed in private residences. In September, 1981, the division cosponsored an Energy Expo which attracted 50,000 people from the seven county metro area. This activity played a key role in generating the publicity for the show.

The Information and Petroleum Operations activity is responsible for the energy information hot-line, collecting and analyzing data on Minnesota's petroleum supply distribution system, and maintaining the emergency response and petroleum set aside programs to deal with energy shortages. The Energy Information Center staff annually answers approximately 20,000 calls requesting information on conservation, renewable resources, and financing options. The Information Center also distributes nearly 200,000 pieces of literature annually.

The petroleum operations staff prepare monthly, quarterly, and semi-annual reports on the petroleum and propane supply situation. By monitoring the supply situation carefully, this activity has been able to respond to spot shortages that have occurred around the state, particularly at planting and harvesting time, without using the set aside allocation program. They have also assisted petroleum dealers in finding new suppliers when their suppliers have stopped operating in the state, which helps ensure product delivery to rural Minnesota.

The Community Services activity provides communities with technical assistance for local energy planning and development. In the first half

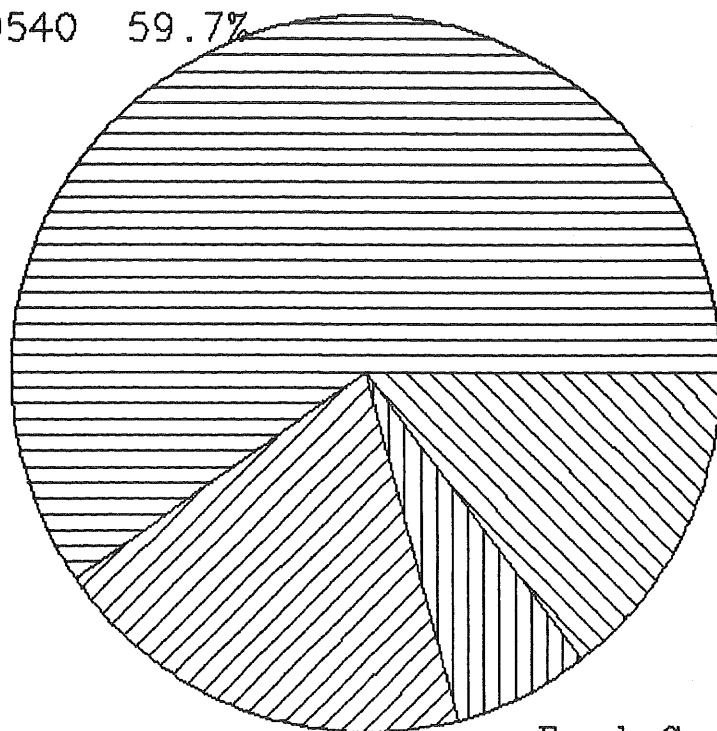
of the biennium, before budget cuts necessitated cutting half the staff, about twenty communities per year received on-site technical assistance. Now the emphasis is on working with communities through other organizations, and providing workshops for the communities on making local government operations more energy efficient, and helping local citizens, organizations, and industries become more aware of how they can be more energy efficient. Approximately 100 local units of government are reached each year through workshops, and another 250 request and receive information or technical assistance documents via telephone or mail. In addition, all communities are reached through a bimonthly community energy newsletter. These communities have used this assistance for a variety of activities: sponsorship of fairs, forums, and seminars; formation of city energy commissions; development of community energy policies; implementation of energy saving programs for local government; revision of land use ordinances; and conducting a comprehensive energy planning process. Minnesota has approximately 50 active energy committees in cities throughout the state.

Energy Division Information Center

Number of Calls Answered By Category

Conservation

9540 59.7%



Regulatory Programs

2339 14.6%

Alternatives

3102 19.4%

Fuel Supply or Cost

989 6.2%

JAN 1982 - NOV 1982

Office of Energy Analysis

The Office of Energy Analysis collects and analyzes energy data; forecasts energy supply, demand and price; examines the need for new energy facilities; assesses feasibility of alternative technologies; evaluates the economic impact of energy; and works to ensure Minnesota consumers will have an adequate, reliable supply of energy. It accomplishes these activities through four management activities.

The purpose of the Data Systems activity is to collect energy data required by law or needed to support the energy division's objectives, and make it available at a time and in a form that is useful for decision making. With the data it collects, this activity designs and maintains computer systems such as the Regional Energy Information System (REIS), writes energy trend reports and provides general programming and computerized graphic support to other agency staff. Reports are prepared on electricity, natural gas, and petroleum.

The Economic Analysis activity assesses trends in energy demands and prices and analyzes the impacts of energy policies using econometric modeling. The fuel price forecasts and demand forecasts provide a foundation for much of the analysis done in the division on the potential impact of conservation and renewable resources, including all the analysis done for the Biennial Report on Energy Policy and Conservation.

The Supply and Demand Analysis activity projects energy supplies, determines the supply/demand balance for various energy sources, develops policy and positions on current energy issues, intervenes in state and federal regulatory proceedings, and plans for energy emergencies. Much of the analysis for the Biennial Report of Energy Policy and Conservation is done by this activity. This activity spearheads intervention by the staff in Certificate of Need cases. Staff testimony since this process began has helped make the case for the cancellation of seven unneeded power plants and the implementation of conservation programs and alternative energy investments, which supply energy at a lower cost than traditional fuels. Savings to Minnesota electricity consumers may be as high as \$700 million. This activity recently completed a study on the impact of rising energy prices on low and fixed-income Minnesotans, and will produce a report by mid-winter.

The Engineering Analysis office assesses the potential, determines feasibility and promotes development of alternative energy technologies such as biomass, solid waste, solar, wind and hydro power redevelopment. The bulk of the work coordinated and done by this activity is funded by the Legislative Commission on Minnesota Resources (LCMR), and other outside sources. Major work is being done on two large peat demonstration projects. At the Virginia, MN power plant, fuel peat has been purchased from several persons interested in getting started in this business, and test burned separately and in combination with western coal. Work on the use of peat lands for the growth of bio-energy crops (including cat-tails and willows) is taking place with the University of Minnesota.

To encourage the development of hydropower, the activity has worked with the St. Anthony Falls Hydraulic Laboratory and the DNR/Dam Safety

Division to do a preliminary estimate of hydropower production feasibility of existing dam sites, and is working with communities with dam sites in preparing preliminary permit, license, or license exemption applications to the Federal Energy Regulatory Commission. The Division also coordinates and chairs a task force to discuss financing options, Public Utility Regulatory Policy Act (PURPA) rules, wheeling power, ownership options, development options, and other hydropower issues of interest to these communities to further the development of their sites.

This activity is also involved in two large solar monitoring projects and a wind monitoring project. A total of 28 solar water heaters are being monitored to assess their performance in Minnesota. Four passive solar, well insulated homes are also being monitored. Though indications are that the wind represents a major renewable energy resource in Minnesota, measurements of wind energy have been collected for other uses, such as for airports, and may not accurately represent the available energy for power production. The activity currently has a small-scale anemometer loan program in conjunction with Northern States Power Company for the use of residential users interested in installing their own windmills.

Office of the Assistant Commissioner

The Office of the Assistant Commissioner for Energy has responsibilities in seven major areas: overall division management; preparing and monitoring the annual workplans and budgets; reviewing the need for new energy facilities; maintaining the Energy Division library; preparing legislation and testifying before the legislature on energy related issues; preparing, monitoring and reporting on major federal plans for grant funds; and providing support to other division offices in contract administration, procurement, and inventory control. The library has the most complete collection of energy-related materials in the state, and serves the public (as well as the staff) both through service to visitors and through the state's libraries' MINITEX system. The Certificate of Need staff administer the Certificate of Need for large energy facilities program, and advise the Commissioner on what decision should be made in need cases.

The key issues to be addressed in the coming biennium are how to begin turning around the energy dollar drain on the state's economy, and finding ways to use energy to benefit the state's economy through the use of indigenous renewable resources and the development of energy conservation businesses. There are also two other important issues for the state to address: first, the development of long-lasting solutions to the problems that low and fixed-income citizens experience due to rising energy costs; and second, the development of various programs which, with state support, can be initiated to help public and private institutions reduce their energy costs.

Other key components of energy policy will be much the same as they have been over the past several years: energy supply security; long-range forecasting; emergency energy management; and information, education, and technical support to the public.

Planning Division

The Department of Energy, Planning and Development, Planning Division, helps manage the state's planning process and assists the governor and legislature in solving the problems that confront Minnesota. The Planning Division analyzes issues and presents findings and recommendations to the governor and legislature to help them formulate policies and develop programs. In addition, the division helps coordinate state activities and programs, provides planning and technical assistance to local units of government and regional development commissions (RDC's), and develops a basic framework of data, projections, and assumptions to guide the planning of state agencies.

With the establishment of the Department of Energy, Planning and Development, the programs assigned to the Planning Division were positioned into three organizational units--the Office of Human Resources Planning, the Office of Local Government, and the Office of Physical Resources Planning. This reorganization of the division has produced a more streamlined, better managed organization, which makes better use of our shrinking planning resources.

Office of Local Government

The Office of Local Government promotes the improvement and maintenance of a system of local governments which maximizes their ability to solve community problems. This office brings together the staff and services of the Department of Energy, Planning and Development which most directly work with units of local government. The Office serves units of local government by:

- producing and distributing analyses of issues relevant to local government;
- providing technical assistance;
- providing workshops and training to improve local governments' operations and management;
- administering grants programs; and
- providing the governor and the legislature with reports on the status and concerns of local governments in Minnesota.

The Office of Local Government also provides staff and technical assistance to the Governor's Council on Rural Development, the Juvenile Justice Advisory Committee, and the Legislative Commission on Minnesota Resources.

The activities of the Office are carried out through five sections which provide support services or direct services to local governments: Governor's Council on Rural Development, Community Services, Outdoor Recreation Grants, Criminal Justice, and Intergovernmental Research.

The Governor's Council on Rural Development is an inter-agency, inter-governmental forum for identifying emerging rural issues in Minnesota and developing strategies for dealing with those issues. Chaired by the

Lt. Governor, the Council members include representatives of each regional development commission, the Metropolitan Council, and state agencies affecting rural development. The Council provides liaison to the U.S. Department of Agriculture's State Rural Development Committee and monitors implementation of the Rural Development Act of 1972 in Minnesota.

The Council's objectives are to disseminate information and recommendations about problems affecting rural Minnesota and to serve as advocate for rural interests to the Governor, the legislature and other appropriate agencies and organizations serving rural Minnesota. During the 1981-1983 biennium, the Governor's Council on Rural Development: identified major issues of concern to rural Minnesota through an issue identification process; established task forces and developed work programs in the areas of small business development, value-added processing of farm and forest products, and farm and agricultural land protection; initiated programs addressing economic needs and concerns of rural women; administered a grant program funded by interest from the Rural Rehabilitation Trust Fund; sponsored and planned the Rural Youth Institute for leadership development; and prepared a framework for the development of rural capital improvement investment strategy.

The Community Services Section provides local government outreach services including information dissemination, capacity-building, grants administration, and planning assistance, to improve local government services and management. These objectives are achieved by: (1) providing planning grants to local units and regional development commissions; (2) providing assistance for improved management practices, financial reporting, and use of federal grants-in-aid; (3) providing technical assistance on a range of topics including local government organization, data processing, downtown renovation, community beautification, citizen involvement, energy conservation, and growth management; (4) providing training programs to improve the skills of local government officials and staff; (5) assembling and analyzing physical, social and economic data for use by local governments for solving urban and rural problems; and (6) conducting special studies for the governor and the legislature.

During this biennium, The Community Services Section awarded land use planning grants to 12 Minnesota communities, and administered grants to regional development commissions funded by the state and the U.S. Department of Housing and Urban Development 701 Program.

This section works closely with the Department's Energy Division to provide workshops and training to encourage comprehensive energy planning; through six workshops during the biennium, elected officials and staff from 37 counties and over 100 cities received training in energy planning. Community Services also sponsors and presents an annual Mainstreet Conference on training for local officials on downtown renovation, and this section has initiated a "Local Focus" project. This project consists of a comprehensive technical assistance program designed specifically for a community's needs in cooperation with community officials; the first of four designs testing the Local Focus concept was completed with Little Falls.

The major activity of the Outdoor Recreation Grants Section is to distribute money from two grant programs to units of local government to improve park and recreation facilities in Minnesota. Funds from the two programs--the federal Land and Water Conservation (LAWCON) program and the state Legislative Commission on Minnesota Resources (LCMR) program--may be used for the acquisition and development of park land or outdoor recreation facilities and are available to counties, cities, towns, and special park districts or elected park and recreation boards in cities of the first class. This section also administers the Outdoor Recreational Development program, which provides state grants to units of local government for the development of athletic courts, trails, and regional parks in certain metropolitan areas. In addition, staff from the Parks and Recreation Section provide technical assistance to potential applicants and will assist in the preparation of applications and implementation of project.

The Criminal Justice Section provides technical assistance and information on crime and justice-related issues and administers grant programs directed toward improving the criminal and juvenile justice systems in Minnesota. During this biennium, grants administration activities have been the major focus of this section. On June 30, 1982, the Crime Control Planning Board, the supervisory board in Minnesota for the Law Enforcement Assistance Administration (LEAA) grant program, was abolished. While the LEAA will be completely closed out in early 1983, federal and state funds are still available for juvenile justice grants. This section provides support services for the Juvenile Justice Advisory Committee, which was created by the legislature in 1982 to oversee the federal juvenile justice program.

Technical and information activities of the Criminal Justice section include a wide variety of services to local governments involved in planning, research and program development in criminal and juvenile justice areas. The Statistical Analysis Center Clearinghouse publishes the quarterly Crime Times newsletter and responds to information requests from units of local government, state agencies, and citizens. During the current biennium, the Clearinghouse has filled an average of 391 requests per month for reports and statistical information and 50 requests per month for library resources. The Minnesota Jail Resource Center (MJRC) helps improve jail operation through technical assistance and training, and assists jails in meeting American Correctional Association jail accreditation standards. During the biennium, the MJRC provided jailer training throughout the state, both in special workshops and with on-site assistance, and met its goal of accreditation of three local secure facilities. And staff analysis of criminal and juvenile justice issues resulted in a variety of reports, including materials prepared for use by the governor and legislature, federal and local units of government, and the general public.

The Office of Local Government provides information and analysis of local government needs and of state-local relations through the Intergovernmental Research Section. This section is responsible for monitoring changes in state and federal relations which affect units of local government; for analyzing the impacts of such changes on local governments; and for providing the governor, legislature and local

governments with the results of these analyses. Intergovernmental Research staff also provide assistance to other state agencies and to the legislature on issues that affect intergovernmental relations.

A major activity of this section during the biennium has involved staff support in preparation for Minnesota's administration in F.Y. 1983 of the U.S. Department of Housing and Urban Development's Small Cities Community Development Block Grant (CDBG) program. Certifications of the state's ability to administer the program were submitted to HUD; public hearings on state administration were held throughout Minnesota; several meetings were held with local government elected officials and staff serving on policy and technical advisory committees for state administration; and the rules for administration were written and adopted.

During the biennium, the Intergovernmental Research section provided assistance to the Minnesota Department of Revenue with preparation of a report to the governor on local property tax levy limits and mandates; provided staff support to an interagency task force on federal budget cuts and prepared a series of reports analyzing the impact of the "New Federalism" on Minnesota; and is assisting the Department of Administration with staff support for the general government subcommittee of the Governor's Task Force on Local Government Administration. Throughout the biennium, the Intergovernmental Research section provided technical assistance and information on the federal CDBG program through a HUD 107 grant.

Office of Human Resources Planning

The Office of Human Resources Planning addresses policies and issues which look beyond a single program or single agency perspective. Rapid economic and social changes and the shift in federal policy toward state and local government is forcing reassessment of state government's policies and relationships in human services and education sectors. The Office provides the governor and legislature with information and recommendations from analysis of changes in population, socio-economic conditions, and intergovernmental policies. Such analyses assist policy bodies in assessing the effects of such changes upon the people of the state and programs to serve them. In addition, the Office provides assistance to state and local agencies to improve their management, funding decisions, and service delivery. To carry out these activities, the Office of Human Resources Planning is organized in four units: Human Resources Issues Analysis, State Demography, Developmental Disabilities Planning, and Health Planning.

The Human Resources Issues Analysis Unit addresses general policies and needs which arise from the state's commitment to human services and education. This is accomplished through:

- policy studies of special populations;
- developing planning and management assistance materials;
- providing technical assistance to state and local agencies;

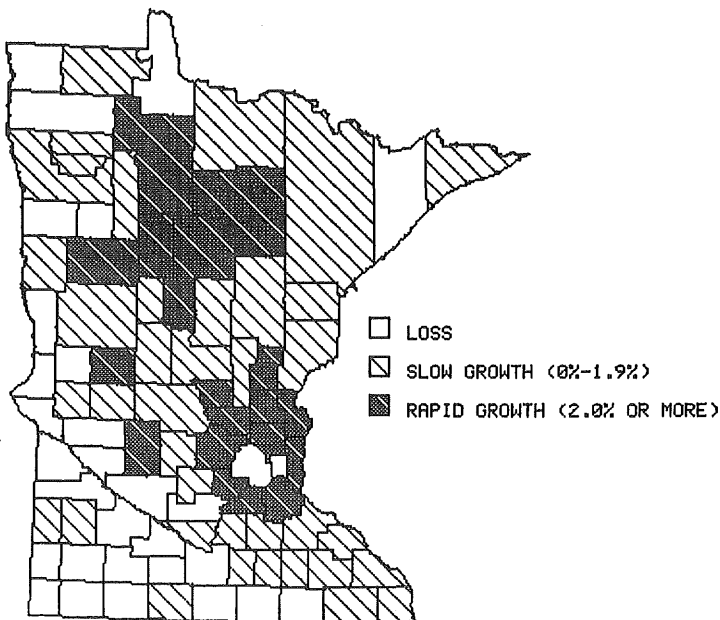
- coordinating planning efforts or special issues among state agencies; and
- developing data sources and information which support interagency, cross programs and intergovernmental planning and management.

During this biennium, reports that have been completed include: an analysis of the impact of federal and state budget cuts and program changes upon Minnesota's vulnerable populations; the changing characteristics of Minnesota's elderly population; and an analysis of high technology manpower needs and the capacity of the education systems to provide training.

The State Demography Unit conducts analysis of trends in population and population characteristics and addresses their impacts upon state policy sectors. It also produces data which are used by the state in resource allocation formulas and serves as an information source for other state agencies and departments, other levels of government and the general public. Recent activities of the State Demography unit include the analysis and publication of important results of the 1980 Census and resultant trends; organizing and operating the Minnesota Census Data Center leading to improved access to, and use of, census information; and providing analytical support with the Land Management Information Center on legislative reapportionment. The figure below is from the unit's "Population Notes", a series of short notes on census and related results of general interest.

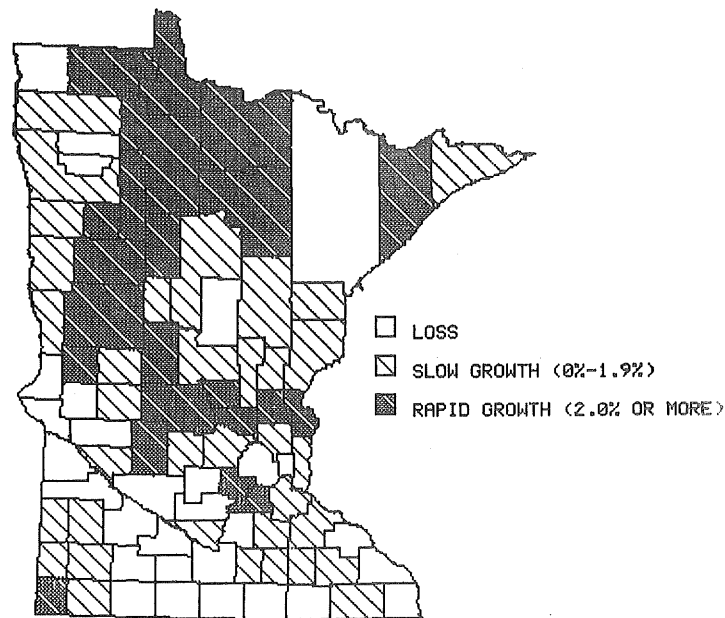
Average Annual Population Change

1970-1980



Within the state, growth continues to be strongest in the Twin Cities suburbs and the lake areas of northcentral Minnesota, while the population of many of the state's central cities and agricultural areas continues to decline.

1980-1981



However, suburban growth has slowed from the very rapid rates experienced during the 1970s while the area of rural growth has expanded. Rural growth in Minnesota is now more rapid than growth in either urban or suburban areas.

The Development Disabilities Planning Unit focuses on the special needs of developmentally disabled persons through policy studies, grants for training and program development with funds from federal and private sources, and through advocacy activities. The work of this unit is carried out in conjunction with the Governor's Planning Council on Developmental Disabilities, which oversees the development of, and gives final approval to, a state plan concerning developmental disabilities.

The top priority for the Developmental Disabilities Planning Unit during the biennium has been a policy study on issues related to developmental disabilities (Policy Analysis Series), and conducting policy seminars throughout the biennium for the legislature and governor. The highpoint of the biennium occurred when the unit received nearly a million dollars from the McKnight Foundation to provide financial grants for improving services to developmentally disabled persons.

The Health Planning Unit is responsible for development of a State Health Plan, and for administration of a statewide health planning system. It recommends approaches to constrain health costs and to improve the health of citizens. The unit is responsible for reviewing facility construction requests as part of the federal and state certificate of need process, and the unit oversees seven local health systems agencies around the state through the Statewide Health Coordinating Council. Recent activities of the Health Planning Unit include the establishment of a State Health Plan, which contains an analysis of state options for containing Medicaid costs.

Office of Physical Resources Planning

The Office of Physical Resources Planning addresses the need to integrate economic and physical development opportunities, with the state's natural resource base and its ability to provide and maintain a level of service and facilities acceptable to the citizens. Minnesota is a resource rich state. Our varied landscape, rich soils, abundant supply of fresh water, diverse mineral potential and extensive forests create the basis for our economic activities and our life styles. If the state is to maximize its opportunities for economic development and a high quality of life, it must establish clear objectives about the use and management of its land and natural resources. These objectives will serve as a guide to state agencies and local units of government when implementing their diverse responsibilities. The state must also consider a strategy for making investments in public facilities and services so that growth occurs in a manner that is compatible with our natural resources and our long term ability to financially support development.

The Office of Physical Resources Planning is organized into two sections: the Land Management Information Center (LMIC) and the Policy Planning section. Together, these units assist state policy makers in identifying and implementing opportunities for allocating and managing land, water, and other natural resources in a manner that best accomplishes the state's long and short-term objectives.

The Land Management Information Center (LMIC) was created in 1977 to provide land use and natural resource information to natural resource managers at the federal, state, and local levels of government. LMIC activities and functions can be broadly categorized to include: the expansion and enhancement of data bases; technical assistance; and the coordination of information.

Each year LMIC provides maps and statistics from a computerized information file--the Minnesota Land Management Information System (MLMIS). MLMIS contains records of natural resources, jurisdictional boundaries, and cultural features for each of the 1.3 million 40-acre parcels in the state. It is both a depository of geographic information and a computer analysis system. Besides information such as public and private outdoor recreation sites, school districts, public ownership, and forest cover, the MLMIS has on its files such information as census geography, Landsat tapes, river mile inventory and watershed boundaries, historic/archaeologic sites, and new geologic information. MLMIS is one of the most advanced state computerized records of natural resources presently in operation, and the system has been recognized nationally by professional organizations concerned with automated information systems.

Technical assistance in the form of maps and statistics is routinely provided by the center to other government agencies to help them deal with natural resource issues, such as preserving agricultural land, irrigation, etc. LMIC staff help program managers use data in MLMIS to address problems and come up with possible solutions. LMIC served approximately 280 clients during the biennium; besides providing technical assistance to various clients in Minnesota and the U.S., the unit has given technical assistance to other states and several foreign countries.

Another role of the Land Management Information Center is to catalog information sources. The Mapping and Remote Sensing Information Center (MARSIC) fills this role. MARSIC acts as a clearinghouse by making information more available and reducing duplication in data collection. MARSIC functions include: user assistance concerning questions about specific maps or air photos; products cataloging and indexing; improving user awareness and the usefulness of products; and offering consultation and assistance to a user wishing to develop a specific product.

During this biennium, four LMIC programs were funded by the Legislative Commission on Minnesota Resources (LCMR). These programs enable the center to deliver its current products and services more effectively and to develop new capabilities and information sources. The four programs were:

- The upgrading of the computer system at LMIC, including the enhancement of computing capability, online storage, and tape backup systems.
- Minnesota is involved in a long term program to complete detailed soil surveys for the state. This soils data is a key to a great many environmental problems. Research this biennium has focused

on the most effective way to digitally capture the soils data and to make this data a part of the MLMIS data base. Cost effective methodologies under exploration include video scanning, improved software, and cooperative arrangements.

- INDEX is a computerized, information and data exchange of environmental resources information for the State of Minnesota. It is a reference guide to the location of data held by various agencies and libraries through a computerized catalog composed of six files including: bibliography file, data source file, Environmental Impact Statement file, person file, and project file. The system is designed to allow key word or topic area searches to provide a current activity list to anyone interested.
- Public land is a large share of the land acreage in Minnesota. The Land Records project is creating a computer file of all publicly held land in the state. This includes federal land held by agencies such as the U.S. Forest Service, U.S. Fish and Wildlife Service, BLM, and the National Park Service; state land held by the Department of Natural Resources, the University and the Department of Transportation; and other public land such as county and regional parks and city land. The computer files will include acreage counts, administrative identifiers, and location codes to allow mapping of the information.

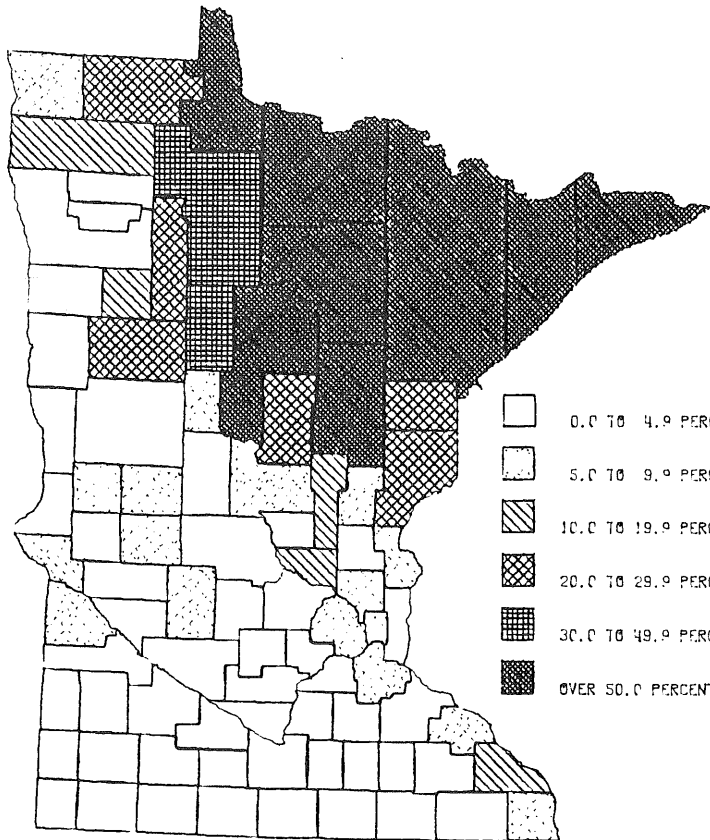
The activities of the Policy Planning Section provide information and coordination for state agencies, the governor, and the legislature in the area of physical resource planning. Short and long-term land use and physical development objectives and policies are proposed for consideration by administrative and legislative decision makers.

The Policy Planning section has undertaken several major projects which were completed or started during the biennium. The LCMR funded a Land Use Change Project that identified and developed a rapid and cost effective method to monitor land use change. Closely linked to this project is the section's ongoing Trend Analysis Program. This program attempts to interpret land use change information compiled from other agencies, and identify problems and opportunities for state development and protection of natural resources.

Another ongoing activity of this section is the review of the Outdoor Recreation Act. The department is required to review the management plans for outdoor recreation areas prepared by the Department of Natural Resources and the Minnesota Historical Society. During the biennium, plans were reviewed for 6 state parks, 3 scientific/natural areas; and 2 state trail systems. Additionally, the Planning Division provides staff support for the Outdoor Recreation Advisory Council.

The Policy Planning section also undertakes special studies, usually as part of larger divisional or departmental assignments, which call for the special, technical resources of this section. Three such studies were completed/started during this biennium:

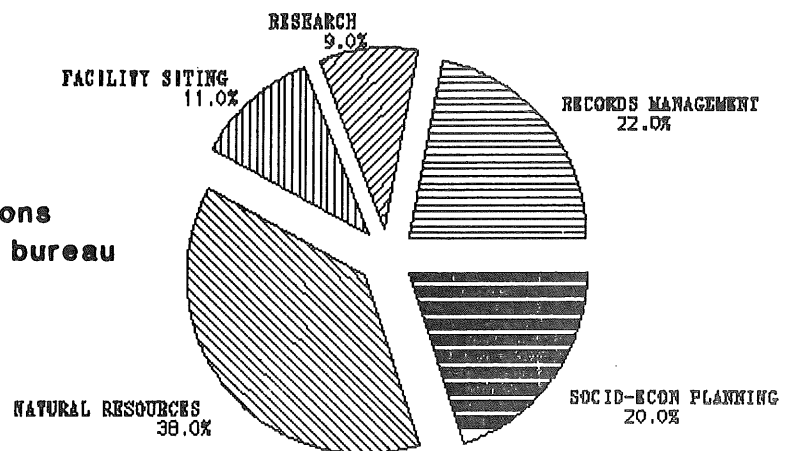
- A case study of the Fargo/Moorhead area, as part of a border city project, to assess the issues that effect cities adjacent to border states.
- A Recreation Based Tourism study has been initiated to evaluate the economic contribution of recreation to the state and the impact of changes in the resort industry.
- And a Northeastern Minnesota Resource Economy study, to assess the opportunities for development of natural resources as an aid to the economic distress of that region.



Distribution of public land (federal, state and county) by county which is representative of the natural resource and administrative data available in M.L.M.I.S.

Public land as a percent of all land in the county, 1978.

Types of project applications conducted by the service bureau in 1981.



Business Development Division

The mission of the Business Development Division is to help businesses start, expand, or locate in Minnesota. The division provides information needed by business decision makers as well as direct assistance to business development projects. These information and direct assistance services are organized into four program areas: Business Information, Business Services, Development Resources, and the Small Business Finance Agency.

Business Information

The Business Information program provides general information needed by new and existing businesses: information about business and environmental licenses and permits, the things to consider before starting a business, sources of assistance for entrepreneurs, business people and inventors, and information about exporting to other countries. These activities are carried out through the Bureau of Business Licenses, the Small Business Assistance Center, and the International Trade Assistance Operation.

Created by the 1981 legislature, the Bureau of Business Licenses provides a centralized office for business license applicants and the general public to obtain comprehensive licensing information and assistance. Business licenses are those licenses, permits, certifications, registrations, and other forms of approval issued as a condition of doing business in Minnesota. The bureau is responsible for providing a number of services, including:

- comprehensive information on the number and kind of licenses required for a business venture, the agencies which issue them, and the affirmative burdens imposed on applicants;
- opinions as to the number, kind, and source of required licenses and potential issues in obtaining licenses based on a review of a potential applicant's business concept at an early stage in its planning; and
- assistance in developing master application procedures for obtaining related and similar licenses from different licensing agencies of the state, as well as facilitating the consolidation of hearings in obtaining multiple licenses when feasible.

These services are provided at no charge, and the bureau publishes a free directory of major business licenses of Minnesota state agencies.

During this biennium, the Bureau of Business Licenses has responded to over 3,600 written, telephone, and in-person requests for licensing information and assistance. In addition to publishing a Directory of Licenses and Permits for state licenses, the bureau has compiled information on the licenses of Minneapolis, St. Paul, and the counties of Ramsey and Hennepin. Compilation for other major cities and counties in Minnesota is in progress, and the bureau will develop methods for update and retrieval of this data during the next biennium. Additionally, the bureau will undertake efforts to increase business awareness of its services and issues relating to business licensing.

The Small Business Assistance Center serves as a clearinghouse and referral service for information needed by small businesses. The center provides information on requirements for business start-up, operation, and expansion in Minnesota; assists socially and economically disadvantaged businesses through the state set aside program; and informs small business of programs and financing available through federal, state, and local government agencies. Referral services are another major function of the center. The center makes referrals to sources of specific assistance, increasing awareness of the wide range of services already available to small businesses, and helping small business to fully utilize these programs.

The center also serves as a liaison between entrepreneur and government agencies, and actively participates in business-related workshops, conferences, and seminars. Three annual public information programs conducted by the center have proved particularly successful:

- The Small Business Trade Fair showcases small business products and services, and provides a one-stop marketplace where buyers and management personnel can learn the latest in small business innovation, capabilities, and prices.
- The Set-Aside Conference focuses on government opportunities (state, federal, local) available to Minnesota minority vendors.
- Inventors, entrepreneurs, and interested organizations are brought together at the annual Midwest Inventors and Innovation Workshop for an exchange of information and to discuss problems involved in bringing an idea to commercial success.

Major issues for the Small Business Assistance Center in the next biennium will include revising and updating various information for inclusion in a 1983 "going into business in Minnesota" guidebook, and the possible use of private sector firms to provide planning and business management assistance.

The International Trade Assistance Operation works to strengthen the state's economy primarily by helping Minnesota businesses expand sales in new markets abroad and by assisting foreign industries in locating their new American subsidiaries in Minnesota. To help exporting Minnesota manufacturers, the operation fosters sales of Minnesota goods in world markets in a variety of ways. These include contact with the manufacturers, microfilmed catalog exhibitions introducing Minnesota products to prospective customers abroad, holding free "How to Export" seminars throughout the state, and by publishing an "Exporter's Assistance Guide" designed specifically to meet the needs of the Minnesota business person.

Minnesota's investment potential abroad is promoted through direct mail, advertising, "How-to-do-Business in Minnesota" seminars, and by participation in international trade conferences. The operation provides technical information and assistance to foreign firms seeking to invest in Minnesota, and identifies Minnesota companies interested in joint ventures or licensing arrangements with foreign firms.

The value of and need for a strong export program has become increasingly apparent. To help promote and develop expansion, the international trade operation goals for the next biennium include updating and expanding the current Minnesota Exporter's Assistance Guide into a primer for would-be exporters. Additionally, the operation will seek to expand the number, scope, and quality of its export assistance workshops and to provide these with special emphasis on small business, on high technology firms, and on the in-bound tourism business.

Business Services

The Business Services program is the major marketing function used to encourage business growth in Minnesota. Marketing efforts are conducted on the state, national, and international levels. The program encourages job creation and investment through the formation of public-private partnerships between communities, industry, and state government. It also administers grants and loans to businesses.

Businesses require accurate and available information when considering expansion or relocation. Business Services fills this need by preparing and maintaining a complete information system of economic and community data used by business and other clientele for decision making. The system includes extensive data profiles of over 230 Minnesota cities, industrial park profiles, business regulations, federal, state, and private financing programs for business expansion and other related information.

Business Services staff also provide technical assistance for economic development projects in approximately one hundred Minnesota communities on an annual basis. The program staff serve as a liaison between industry and communities to aid in construction, financing, and other aspects of project development, and assistance is provided to communities lacking an industrial development staff of their own.

Job Creation/Investment Generation

Whenever business development division staff have made significant contributions to a development project, the jobs and investment produced were counted against targets. The results, exclusive of USAG and SBFA, are shown below.

	<u>FY 81</u>	<u>FY 82</u>
New Jobs	635	1,359
New Investment	\$27,426,300	\$36,271,900
New Property Taxes	\$ 1,179,330	\$ 1,559,692
Communities Receiving Technical Assistance	64	130

Early in this biennium, the Business Development Division identified two issues which were believed to be integral to the successful and continued economic development of the state of Minnesota. These issues included: 1) the need for a comprehensive statewide economic development plan or strategy and 2) the need to develop greater professionalism at the community level to achieve desired development goals and solve economic related problems. To address these needs, the Minnesota Star Cities Program was designed by the division.

The Star Cities Program is a capacity building program which prepares cities for economic development. Cities electing to participate must complete a variety of steps that develop the community's organizational readiness and marketing and problem solving ability. The final test is successfully marketing the city to a prospective industrial client. More than 70 cities are participating in the program; ten cities have received Star City designation. Business development staff serve as consultants, helping each city complete the self-improvement course. The program helps to build a strong base for economic development--the local community.

Business Services also administers financing mechanisms that benefit both businesses and communities by helping them meet their economic goals with technical assistance or direct financial aid. The Area Redevelopment Administration provides loans to assist new and existing businesses for the purposes of purchasing land, buildings, machinery, and equipment. A loan can be made directly to a business, a local development corporation or an area redevelopment agency in a community or county.

The program also administers the Revolving Loan Fund, created in 1980 through a combination of state and federal funds. This low interest business loan program is aimed at designated counties throughout the state that meet certain criteria. Through the use of these loans funds can be provided to either new or existing businesses for the purchase of land, construction of buildings, and for the purchase of machinery and equipment. The maximum state participation is 20% of the total project cost or \$250,000, whichever is less. The balance of the financing must come from the private sector, the applicant and/or other public agencies.

Indian Business Loans are provided to individual Minnesota Indians and organizations. Applicants must be of at least 25% Indian ancestry and be an enrolled member of a non-based band or tribe to qualify for a loan. Loans are made to profit businesses and can finance up to 25% of the total project cost. Funds must be used for long-term financing and cannot be used to repay or consolidate existing liabilities.

The Business Services program also provides assistance to community development corporations. Organizations in socio-economically disadvantaged areas are eligible to receive planning, administration and venture capital grants from state funds through the program.

Small Business Finance Agency

The Minnesota Small Business Finance Agency was created by the 1980 legislature to implement a loan program that assists and encourages the establishment, maintenance, and growth of small business in Minnesota. The program works in cooperation with cities, towns, counties, and private or public leaders to provide adequate funds on sufficiently favorable terms. The program also seeks loans to reduce to a manageable level the costs of pollution control and waste disposal resulting from the operations of small businesses.

In September of 1981, agency rules were officially approved and the agency started to process applications. Business loans may be made for land, building, machinery and equipment. The agency does not refinance or provide capital requirements, and the agency may finance up to \$1,000,000. The pollution programs carry the guarantee of the U.S. government on the principal and interest of the loans. A company must meet all the requirements of the U.S. Small Business Administration to qualify for the guarantees.

The agency also has a direct placement of tax-exempt bonds in the amount of \$100,000 for companies with 20 or fewer employees, revenues of \$1,000,000 or less for the preceeding fiscal year, and not dominant in its field of operation. The client's bank originates the loan, processes it through the agency, and purchases the paper for its bank portfolio.

<u>Bond Issues Closed by SBFA</u>	
Highland Villager	\$265,600
Dakota Rhodes	95,000
Crossings, Inc.	247,000
Terrazzo	153,000
Wedding Shoppe	75,000
TOTAL	<u>\$835,500</u>

The agency has approved initial resolutions for 14 companies for a total of \$3,885,000 through their business loan programs and \$4,925,000 for 4 companies through the SBA pollution loan program.

In August, 1982, the Small Business Administration in Washington approved a pilot demonstration to be administered by the Minnesota Small Business Finance Agency. Minnesota is the only state in the nation for this demonstration program which will provide long-term, fixed-rate financing to businesses that qualify for SBA loan guarantees. The agency will issue a taxable bond which will provide the funds to purchase the guaranteed portion of loans for land, building, machinery, and equipment. To date, the agency has received inquiries from 543 companies and banks.

Development Resources

The Development Resources program is a state sponsored technical aid unit that helps Minnesota's smaller communities and businesses by providing them with the technical assistance and expertise needed to carry out local economic development projects.

The program helps clients solve financing needs by identifying appropriate state, federal and private funding sources. It helps clients complete the often complex application process in a timely manner. The program also administers a limited technical assistance fund, available to communities and businesses that need feasibility studies on a particular project where market analysis, product development or expansion potential are concerned.

In assisting local governments, economic development organizations and businesses, priority is given to regions eligible for funding programs available to the department. Smaller communities are especially targeted for assistance because they often lack the staff to search for appropriate sources of aid and to complete the critical and often competitive application process. Similarly, it is frequently necessary to augment technical assistance services offered by regional development commissions and other organizations.

During the past biennium the program has begun to offer workshops primarily focused on instructing small communities and developers in loan packaging and leveraging public development dollars. The program has packaged Small Cities UDAG applications that have resulted in \$30 million in industrial development and 400 permanent jobs plus hundreds of construction and temporary jobs. In addition, numerous technical assistance grants have been awarded resulting in studies on county impact on rail line abandonment, industrial park site analysis, and a major analysis of direct reduction feasibility. The program has also been successful in obtaining supplemental income through EDA for the other programs in the Business Development Division, i.e. Equal Business Opportunity, International Trade, Marketing for SBFA and Star Cities.

Many critical issues will confront Minnesota and its economy in the 1980's. The economic problems that are currently facing Minnesota have brought increased attention to the state's economic development activities, and the question of what the state should do, or not do, is being asked repeatedly. The Business Development Division is but one of many agencies that deal, either directly or indirectly, with economic development. A major problem is that much of this related activity is conducted without policy relationships.

The major issue facing the Business Development Division is whether it will remain a relatively autonomous service provider or become part of a system based upon a conscious state economic development policy.

Tourism Division

The Department of Energy, Planning, and Development, Tourism Division, coordinates the state's activities with the efforts of tourism organizations and chambers of commerce to expand the tourism-travel industry in Minnesota. Staff people work with national and regional programs designed to increase tourist traffic into and through the state. In addition, the division provides an information service and tourist aids to travelers and organizations.

Tourism is a big business in Minnesota. In 1981, the tourism industry expenditures reached \$2.25 billion, directly employing 105,000 Minnesotans (not including any part-time or seasonal work) and helped to contribute \$188 million in tax revenues. The tourism industry involves resorts, campgrounds, motels and hotels as well as gas stations, grocery stores, restaurants and many other businesses, all of which affect Minnesota's economy. The division works with all those varied interests to create effective tourism programs to bring more tourism dollars into the state.

The Tourism Division staff work directly with Minnesota's many business associations, area chambers of commerce, tourism organizations and the directors of the state's six tourism regions to make Minnesota's total tourism campaign effort more cohesive and effective. The division aids the regions in promoting special events, and brings together participants from all sectors of the industry at an annual tourism conference. The division of tourism also promotes Minnesota nationally as an ideal place to hold meetings and conventions.

During the last two years the Tourism Division has gone through a great deal of change in terms of its organization and operation, primarily as a result of the establishment of the Department of Energy, Planning, and Development. The division was reorganized into two offices: the Office of Grants and Operations, and the Office of Marketing and Research. Both of these offices are headed by directors and the staff report directly to them.

Office of Marketing and Research

The Office of Marketing and Research concentrates its principal efforts in five areas:

- advertising
- publications
- package and group tours
- special promotion and publicity
- research and development

These programs are inter-related, and are all essential to successful tourism marketing.

In the area of advertising, the division has continued its theme line-- "Minnesota. Lakes. And a whole lot more."--and continued its advertising in a year round approach. For the last three years the advertising has been recognized nationally by the Travel Industry Association of America through its annual marketing awards. The division still places emphasis on the summer months, but has been able to increase its marketing capabilities through the use of fall color and snow reports. Although the major media used by the division is newspaper and radio, the fall of 1982 saw the first attempt at television advertising in the Minneapolis/St. Paul market with the production of a ten-second spot highlighting fall color. The advertising has changed emphasis from people writing to the office to utilization of national and statewide toll-free numbers.

Research is an ongoing Division activity that is essential to successful promotional efforts. Advertising and promotional activities must be targeted toward potential consumer markets, and trends in the tourism industry must be determined and analyzed. As part of the division's advertising, all programs are calculated to determine the cost benefit of the program. A special study was undertaken to determine the exact return for the state's investment in tourism in fiscal year 1981. All costs other than grants were included and the \$970,000 investment generated \$42 million in sales as a result of tourism expenditures, or a return of \$43.29 for every dollar invested. It was also determined that the state directly received in excess of \$2.00 in additional tax revenues for each state dollar invested in tourism.

Information is of primary importance to the traveler coming to Minnesota, and is a necessary complement to an effective advertising program. The division has produced a number of publications in the last two years for these purposes. In addition to the 16-page, four color lure book, the division produced the following publications: MINNETOURS: CANOEING, BACKPACKING, AND HIKING; ALL ABOUT MINNESOTA; FISHING IN MINNESOTA; FALL TOUR GUIDE AND CALENDAR; SNOWMOBILING GUIDE; SKIING GUIDE; WINTER CALENDAR OF EVENTS; SPRING/SUMMER CALENDAR OF EVENTS; and HISTORIC INNS. In addition to being used as a direct response piece, these publications have also been provided to chambers of commerce, civic groups and highway information centers for their distribution.

The division has taken on an aggressive program over the last two years to increase business through package and group tours. In 1981, the state produced its first package tour brochure to be distributed through retail travel agents throughout the country. The first year saw 150 packages developed which resulted in \$65,000 worth of business being booked from the program. In 1982, the publication was upgraded and went from 150 to 300 packages. It is anticipated that the sales through this program will more than triple, once the 1982 evaluation is completed. To work directly with the motorcoach and bus operators in the United States, the division in 1982 produced its first-ever group tour planning manual which will be distributed nationally to all the major tour brokers and bus companies.

Advertising Campaign Analysis

1978-1979

The division has developed a way to measure the value of its advertising as a return on investment. The table below not only shows the effect of tourism advertising on visitors to Minnesota, but also how long they stay and how much they spend here.

Criteria	Summer 1979	Fall 1979	Winter 79/80	Summer 1980	Fall 1980	Winter 80/81
Total number of visitors	25,654	12,359	6,659	22,603	68,091	5,050
Total days visitors stayed	175,987	53,515	32,229	146,469	281,580	18,887
Daily expenditure per visitor	\$16.26	19.81	10.44	13.23	17.14	20.64
Visitor's expenditure per trip	\$111.50	85.78	53.77	85.73	70.96	77.18
Total spent in Minnesota	\$2,862,016	1,060,132	333,476	1,937,785	4,826,757	389,735
Advertising costs	\$69,412	60,000	46,375	38,243	82,812	41,407
Return on each advertising dollar	\$41.23	17.67	7.26	50.67	58.29	9.41

Division involvement has also increased in the area of international marketing. The division participated in three sales missions to foreign countries, including the U.K., Norway, and Germany, as part of a cooperative program with Northwest Airlines.

The final area in the Office of Marketing and Research deals with special promotions and publicity. The division has: continued to host the annual Governor's Fishing Opener at Lake City and Lake Kabetogama; produced in cooperation with the Northwestern Bell Telephone Company a laminated bookmark promoting the use of the telephone to reach the division's Travel Information Center; and further developed fall reporting services through weekly distribution by Associated Press and United Press International wire services. In addition, two effective and valuable programs that cost very few tax dollars are continued by the division--a public service radio campaign, and the distribution of editorial material to publications such as Better Homes and Gardens, Woodalls, Travel and Leisure, Amoco Motor Club and many others.

Office of Operations and Grants

The Office of Operations and Grants assists the six tourism regions in carrying out comprehensive marketing programs, processes grants to local and statewide organizations, and provides information to help tourists plan vacations in Minnesota. These activities have been modified over the past two years. Because of budget reductions, the division was forced to eliminate its local matching grants program and reduce its grants programs with the six tourism regions and statewide organizations. However, support has continued for the production of the

six tourism region lure books as well as statewide publications for motels, hotels and motor hotels, resorts and campgrounds.

In 1982, the division instituted a new computer processing system for handling all travel inquiries. Cooperative use of the computer system with the Land Management Information Center became possible when EPD was established. The system provides a number of efficiencies and management tools. In addition, the new system keeps an accurate record of the pamphlets and brochures requested, it aids the division in staff and inventory management, it provides detailed and accurate analysis of the impact of the division's various advertising efforts, it helps monitor the origin and destination of Minnesota vacationers, as well as a variety of other services. In the first three months of operation the division realized a net savings of over \$14,000 in postage because of a greater ability to use third class bulk mail through ZIP code sorting done by the computer.

The Tourism Division in the summer of 1982 relocated to the skyway system in St. Paul, primarily as a way to increase visibility for the Travel Information Center. In the first three months at the new location, more than 15,000 people came into the office for travel information. This compares to 9,000 people for a whole year coming into the Center when it was located at the Hanover Building. It is anticipated that the new location will allow the division to respond to visitors to the Center at a level of 35,000 to 40,000 per year.

Several special projects that cross both offices have been initiated during the biennium. The division has been able to establish an effective liaison program with the Department of Natural Resources (DNR); the division and DNR jointly worked on promotions at the State Fair and several publications, and the Trails Section of DNR is utilizing

INQUIRIES

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982**</u>
Mail	41,671	39,694	80,215	67,555	77,388	107,086	
Phone	20,771	19,145	19,942	52,558	58,296	74,700	
Visitors*	<u>3,030</u>	<u>3,995</u>	<u>4,245</u>	<u>7,038</u>	<u>6,212</u>	<u>5,934</u>	
Totals	65,472	62,834	104,402	127,151	141,896	187,720	

* Since relocating to the Skyway June 1, 1982, the division has had 15,417 walk-in visitors through August 31, 1982

** Total inquiries through July 1982 are 3.4% ahead of the 1981 figures

Tourism's computer data processing system. The relationship with the Department of Transportation has continued to expand through joint work with the division on improving the highway signing laws and the kiosk system. And, the division has placed special emphasis on improving attendance at the state's only national park, Voyageurs National Park, and to that end, helped secure a pilot project from the national Park Service to better promote and market the park.

The Tourism division's primary goals in the next biennium will be to develop a coordinated statewide program for tourism with all state government agencies that impact on the travel/recreation field, and to develop a computer data base that will contain useful information such as motel listings, resort facilities, travel distances and all other relevant information that travelers may need to help plan their vacations. The system would be one of the first of its kind in the United States for a tourism office.

How to fill your summer in Minnesota.

In Minnesota there are interesting events to keep you entertained all summer long.

They range from eating contests to county fairs, tractor pulls, car races and more.

For a complete listing of summer events in Minnesota call **1-800-652-9747** toll-free. In the Twin Cities, call **296-5029**.

Minnesota Lakes. And a whole lot more.



Appendix: Partial Listing of Department Publications

Energy Division

Air to Air Heat Exchangers for Residences

Assessment of Combination Air Supply for Residences

Basement Insulation

Energy Accounting Procedures Manual for Local Governments and School Districts

Energy Conservation in Rental Housing: A Case Study of Minnesota's Residential Rental Retrofit Program

Energy Efficient Building Program Needs Assessment

Heat Recovery Seminar: An Evaluation of Their Effectiveness in Stimulating Conservation Actions

Local Energy Awareness Handbook

Minnesota Superinsulation Housing Curriculum (multi-agency)

The Potential for Utility Conservation Investments in Minnesota

District Heating Planning in Minnesota: A Community Guidebook

The "Sun on Tap" Solar Water Heating Campaign--An Evaluation

"Regional Impacts of Rising Energy Prices" by the Federal Reserve Bank of Minneapolis: A Critique

Energy Planning Guide for Minnesota Communities

An Energy Primer for Minnesota Teachers (multi-agency)

Bio-Energy in Minnesota (multi-agency)

Effectiveness of Residential Energy Audits in Minnesota

Measured Thermal Performance and the Cost of Conservation for a Group of Energy Efficient Minnesota Homes

Minnesota Directory of Energy Resources, People and Organizations

Minnesota Quarterly Energy Summary

Minnesota's Historical Energy Use Trends 1960-1980

Residential Heating Oil Price Monitoring Project

Residential Rental Retrofit Inspection Program; Summary Report

Virginia, Minnesota Peat Test Burn Proposal (multi-agency)

Planning Division

Annual Report of the Cooperative Program for Providing Public Access Sites on Metropolitan Area Lakes (multi-agency)

Community Capital Improvement Survey: Report of Findings

Community Capital Improvements: Needs and Financing; Case Studies of Four Minnesota Cities

Energy Planning Guide for Minnesota Communities

Fiscal Overview of Minnesota Local Governments (annual)

State-to-Local Mandating in Minnesota: Background Research and Discussion of the Problem

The Impact of Federal Program Changes on Local Capital Expenditures

Final Report--Governor's Task Force on Juvenile Justice

Crime Control Agenda, 1982

Impact of Juvenile Reference

Adult Felony Offender Report

Juvenile Restitution Program Planning Guide

Shelter Care Program Planning Guide

Crime Times (quarterly)

Community Development Briefs (monthly)

Policy Analysis Series on Issues Related to Welsch v. Noot Consent Decree

Community Alternatives and Institution Reform (CAIR)

Defining Advocacy and Protective Services

Development Disabilities Information Exchange Newsletter

Developmental Disabilities: A Policy Briefing Book

Credentialing Health Personnel in Minnesota - A Report to the Legislature

Physicians in Minnesota

State Policies Plan for the Provision of Residential Care

Summary of Minnesota Health Research Program

Elderly Series:

The Changing Minnesota Elderly: A Demographic Report

The Elderly as a Resource: An Examination of Volunteerism Among the Elderly in Minnesota

Energy Policy and the Elderly

Housing for the Elderly

Minnesota's Elderly in the 1990s: Final Report

Tax Policy and the Elderly

Governor's Task Force on Health Care: Final Report

Public School Educators in Minnesota

Supplementary Sources of Funding for Human Services

The Vulnerable Populations of Minnesota: a Report on the Impact of Federal and State Budget and Program Changes

Faces of the Future

Median Income Estimates for Minnesota Counties (annual)

Population Notes (occasional series)

Revised Minnesota Population Projections (1970-2010)

Population Estimates of Cities and Townships; 1981

An Approach to Land Use/Land Cover Measurement, 1981

Catalogue of Data Sources: Land Use in Minnesota, 1981

Growth Management Study, 1981

Catalog of Water Sources in Minnesota

A Directory of Minnesota Maps

LMIC Newsletter (monthly)

INDEX Newsletter (quarterly)

Inventory of Aerial Photography and Other Remotely Sensed Imagery

Minnesota Cropland Resources

Minnesota Public Map Collections

Minnesota Land Management Information System (MLMIS) Overview

LMIC Data Inventory

North Shore Data Atlas

Business Development Division

Agribusiness Policy Directions: Recommendations of the Agribusiness Advisory Task Force

The Business Licensing: An Interim Report to the Minnesota Legislature

Directory of Licenses and Permits

Forest Products Task Force Report

Mineral Policy Direction: Recommendations of the Mineral Task Force

Minnesota Exporter's Assistance Guide

Minnesota: Financing

Minnesota: Taxes

Minnesota: What a State We're In!

Small Business Assistance Directory

Minnesota: Transportation

Tourism Division

Minnetours

Canoeing, Backpacking, and Hiking

All About Minnesota

Fishing in Minnesota

Fall Tour Guide and Calendar

Snowmobiling Guide

Skiing Guide

Winter Calendar of Events

Spring/Summer Calendar of Events

Historic Inns