SOTA DEED REPORT

RESULTS OF THE

BUSINESS CHARACTERISTICS SURVEY

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MINNESOTA DEED REPORT

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BUSINESS CHARACTERISTICS SURVEY

Policy Analysis Division 612/296-8341

Minnesota Department of Energy and Economic Development 900 American Center 150 East Kellogg Boulevard St. Paul, Minnesota 55101

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EXECUTIVE SUMMARY

SURVEY DESCRIPTION:

A survey designed to assess various business characteristics was sent to 128 firms that received financial assistance through the Minnesota Department of Energy and Economic Development (DEED) in fiscal years 1984 and 1985. Firms receiving assistance in 1986 were excluded from the survey because those firms would not have been able to complete their projects by the time of the survey.

Of the 128 firms surveyed, 91 responded. This high response rate ensured that the respondent firms were a fair representation of the survey population.

SURVEY FINDINGS:

- DEED financing has been targeted at distressed regions of the state.

  Eighty percent of state appropriated dollars have gone to Greater Minnesota.

  Seventy-eight percent of all new jobs created and 77 percent of retained jobs have occurred in Greater Minnesota.

- DEED financing has been directed at manufacturing firms.

  About 65 percent of DEED's business financing assistance went to manufacturing concerns.

- Survey results support the current economic development policy of targeting manufacturing concerns.

  Manufacturing firms were found to create and retain the greatest number of jobs per business.

  Manufacturing firms had the best sales performance of the various industries.

  Manufacturing firms had a high percentage of their sales coming from out-of-state markets, 77 percent compared to only five percent for retail and wholesale trade firms, and 20 percent for service sector firms.

- DEED programs have been reaching those firms least able to obtain private sector financing.

  Eighty-nine percent of all surveyed firms would not have been able to proceed with their projects at the preferred level of investment without DEED's assistance.

- Administration of DEED programs received high marks.

  Professionalism of staff was highly regarded by virtually all financial recipient firms.

Complaints centered on the ease of and time involved in paperwork processing.

1.0 INTRODUCTION

In its effort to promote state economic growth the Department of Energy and Economic Development (DEED) provides low interest loans, grants, and loan insurances to qualified, private businesses. DEED assistance is designed to induce business expansion and job creation in those firms that may not have otherwise been able to finance growth.

This report presents the results of a recent survey designed to assess the characteristics of the assisted businesses as well as the programs through which the firms are financed. An evaluation of the administration of the programs is also included.

Data

In the spring of 1986, a questionnaire was developed, pre-tested and sent to all businesses that received DEED financing during fiscal years 1984 and 1985. (The questionnaire can be found in Appendix 1). Firms receiving financial assistance in fiscal year 1986 were not surveyed since these firms would not have been able to complete their projects by the time of the survey. Of the approximately 270 firms funded through DEED to date, about 128 received financing during the period of interest. Of the 128 firms surveyed, 91 responded. The high response rate of 71 percent ensured that the results of the survey were based on a fair representation of the entire population.

A statistical test of proportions was also performed on survey respondents and non-respondents by industry and program to determine if there were inherent differences between these two groups of firms. The statistical tests showed that there was no significant difference in respondents and non-respondents by industry or program at the 95 percent confidence level. Therefore, statistical evidence also suggests that the survey respondents were indeed a fair representation of the entire population of firms assisted through DEED between FY 1984 and FY 1985.

The survey population of 128 businesses were all assisted by one or more of the financial assistance programs DEED administers. These programs are described below.

DEED Programs

DEED business assistance programs consist of the following: Minnesota Fund Loan Program, Minnesota Plan Loan Program (no longer operating), Opportunities Minnesota, Inc., Small Business Development Loan Program, and the State and Federal Economic Recovery Fund programs.

Other programs not examined include Energy Business Financing programs as well as those of the Governor's Rural Council. While these programs offer direct financial assistance to businesses, the money is either available for pilot projects only, or its primary goal is not economic development.

The Financial Management Division of DEED administers three of the programs, the Minnesota Fund Loan Program, Opportunities Minnesota Incorporated, and the Small Business Development Loan Program. The

Minnesota Plan Loan Program was terminated after only one year; however, the businesses assisted by this program were included in the survey population.

All of Financial Management's loan decisions are subordinate to the Minnesota Energy and Economic Development Authority (MEEDA). MEEDA was created in 1983 to oversee the various loan programs administered by the Financial Management Division. MEEDA is a ten person board akin to a corporate board of directors. The Authority is authorized to sell up to $50 million in Industrial Revenue Bonds to raise lending capital for use through the programs. The Authority also oversees the Economic Development Fund, a general fund appropriation used in the finance programs, which totaled $15 million in the 1984-85 biennium and $11 million in the 1986-87 biennium.

The Minnesota Fund Loan Program (MFLP) is a direct loan program targeted at small businesses, defined by the Small Business Administration as those with less than 500 employees. This program offers below market interest rate loans of up to $250,000 to businesses for land, buildings, and machinery purchases, and for construction, building expansion, or building improvements purposes. Minnesota Fund loans originate from the Economic Development Fund. These loans cannot exceed 20 percent of the total project costs. Of the remaining project costs, ten percent must come from the business; 70 percent can come from private financial sources or other governmental programs.

Opportunities Minnesota, Inc. (OMNI) is a federal, Small Business Administration program that serves businesses with a net worth under $6 million and net profits averaging less than $2 million. Program restrictions do not allow an assisted business to be a lending institution, private recreational facility, a print media, or an investment real estate company. The amount of an OMNI loan may not exceed $500,000 or 40 percent of the total project cost. The maximum length of an OMNI loan is 25 years.

The Small Business Development Loan Program (SBDLP) provides direct loans to small businesses as previously defined by the Small Business Administration. Projects that can be financed with a SBDLP loan include: land and building acquisition, building construction or expansion, renovations, and machinery and equipment purchases. The maximum loan amount is one million dollars. These loan funds primarily come from Industrial Revenue Bonds with a portion of the Economic Development Fund guaranteeing the bonds.

State and Federal Economic Recovery Fund grants (SERF and FERF), administered through the Community Development Division, are different from those administered through the Financial Management Division. Unlike the latter, the Community Development Division does not make loans directly to businesses. Instead, Community Development provides grants to local jurisdictions who, in turn, lend to local businesses. All local Minnesota jurisdictions including Indian tribes are eligible for Economic Recovery Fund grants. Although the Economic Recovery Grant is administered as a single program in the Community Development Division, there are two funding sources. The federal government provides about 80 percent of the total funds for the program from its Small Cities

Development Block Grant program, and the state provides the other 20 percent through a general fund appropriation. The terms of the business loans are decided on between the local jurisdiction and the business. The maximum size of the grant is $500,000. Any state funds that a community receives back from the loans, in excess of $100,000, must be returned to the state. Federal funds are not returned.

Section 2.0 of this report presents an overall description of the survey respondents in terms of industry and program assistance, as well as a regional distribution of DEED financing and jobs created as a result of the projects. A description of how the survey respondents used their proceeds (egs. new construction, renovation, capital equipment purchases, etc.) is included in Section 3.0. Past sales and future sales expectations are discussed in Section 4.0 as key indicators of potential growth for the firms. Section 5.0 analyzes the regional markets served by the respondent firms to determine which types of assisted firms have generated out-of-state income to Minnesota. Section 6.0 assesses the effectiveness of DEED's programs in reaching that group of firms which would have been unable to proceed without the state's assistance. Section 7.0 presents an overall assessment of the administration of these programs.

2.0 DISTRIBUTION OF PROJECTS

2.1 Project Distribution by Industry

The survey questionnaire identified five different types of industries: manufacturing, retail and wholesale trade, services, and other (the one business that listed "other" was a real estate business). Table 1 shows the industry distribution of businesses assisted through DEED programs. Businesses responded by citing their primary activity.

Manufacturing businesses received the majority of DEED's financial assistance, 65 percent. Manufacturing firms are extremely important to the state because they produce products that can be sold in out-of-state markets. The income generated represents "new" income to the state that, in turn, is injected into the local economy creating jobs in other sectors.

The service sector includes such businesses as hotel operations, laundry services, beauty and barber shops, and business services such as advertising agencies, computer repair services, etc. While the service industry, in general, exports a much smaller share of its output than manufacturing, this sector complements manufacturing firm growth. Service businesses were the only other type of business to have a significant representation within the different loan programs. In total, 20 percent of the total survey respondents were service firms.

TABLE 1

BUSINESS ASSISTED BY INDUSTRY

TYPE	NUMBER	PERCENT OF TOTAL
Manufacturing	59	65%
Retail	8	9%
Wholesale	5	5%
Service	18	20%
Other	1	1%
TOTAL	91	100%

Table 2 shows the distribution of businesses assisted by type of financing program. Abbreviations for the programs correspond to those shown in the introduction. "MORE" refers to firms that received financing from more than one program source.

The Federal Economic Recovery Fund reported financing the highest proportion of manufacturing firms, 90 percent; the Minnesota Fund program with 88 percent held the next highest share of manufacturing businesses. Minnesota Plan simultaneously financed the smallest share of manufacturing firms and the highest share, 50 percent, of service firms. This program also held 29 percent of its loans in retail businesses. The OMNI program reported financing a smaller than average share of manufacturing firms and a high share of service sector firms. The other business sectors generally had a small representation within the various programs.

Table 3 presents a regional distribution of DEED financial projects by program. Figure 1 displays the five regions of the state corresponding to the regions defined in Table 3. Each region consists of one or more of the eleven Economic Development Regions.

As can be seen, the Federal and State Economic Recovery Fund programs and the Small Business Development Loan programs have been heavily concentrated in Greater Minnesota. Opportunities Minnesota, Minnesota Fund, and Minnesota Plan, on the other hand, have been more heavily concentrated in the Twin Cities metropolitan region of the state.

TABLE 2
SECTORS FINANCED BY PROGRAM

	MFLP	MPLP	OMNI	SBDLP	FERF	SERF	MORE
Manufacturing	88%	7%	55%	71%	90%	76%	100%
Retail	0	29	5	0	10	4	0
Wholesale	0	7	5	29b/	0	4	0
Service	12	50	35	0	0	16	0
Other a/	0	7	0	0	0	0	0
Total	100%	100%	100%	100%	100%	100%	100%
Number of Firms	(8)	(14)	(20)	(7)	(10)	(25)	(7)

a/The one "other" business is a real estate company.
b/The distinction between wholesaling and manufacturing businesses is often blurred since many firms are involved in both types of operations. Throughout this report, the industry definition of a firm refers to its primary activity. For instance, one of the wholesale firms within the SBDLP added a manufacturing facility to its operations with DEED financing. Had this project been classified as manufacturing, the industry distribution of DEED financing for this program would have increased to 86 percent in manufacturing and fallen to 14 percent in the wholesale industry.

The Central region alone captured 43 percent of all Small Business Development loans. This region also received a high percentage of Minnesota Plan and OMNI projects.

TABLE 3
REGIONAL DISTRIBUTION OF DEED PROJECTS BY PROGRAM

	MFLP	MPLP	OMNI	SBDLP	FERF	SERF	MORE	TOTAL
West	25%	0%	5%	14%	40%	24%	43%	19%
Northeast	13	0	0	0	40	32	14	15
Southeast	25	29	15	29	20	24	14	22
Central	0	36	20	43	0	4	0	14
Greater MN	62%	64%	40%	86%	100%	84%	71%	70%
Metro	38%	36%	60%	14%	0%	16%	29%	30%
Total	100%	100%	100%	100%	100%	100%	100%	100%

2.2 Regional Distribution of DEED Financing

Table 4 presents the regional distribution of DEED financing. Total financing of these projects is divided into three types of dollars as follows: state appropriated or "public" dollars, publicly guaranteed dollars, and private dollars leveraged as a result of the project.

State appropriated dollars emanate from three program sources, the Federal and State Economic Recovery Fund programs and the Minnesota Fund Loan Program. As seen in column (a) of Table 4, 80 percent of all public spending went to Greater Minnesota. Moreover, the most distressed regions of the state, such as the iron ore mining northeast and the depressed, agricultural west and southern parts of the state, received the majority of this amount. The central region, which has experienced relatively strong growth in recent years, received only three percent of total state assistance.

TABLE 4

DEED FINANCING BY REGION

	(a)	(b)	(c)	(d)
			PRIVATELY LEVERAGED DOLLARS	
REGION	STATE APPROPRIATED DOLLARS	PUBLICLY GUARANTEED DOLLARS	(EXCLUDING TWO LARGE PROJECTS)	(ALL PROJECTS)
West	26.0%	10%	16%	9%
Northeast	28.5%	0%	9%	25%
Central	2.5%	37%	11%	7%
Southeast	23.0%	16%	23%	35%
Greater MN	80%	63%	59%	76%
Metro	20%	37%	41%	24%
STATE TOTAL	100%	100%	100%	100%

Funding for the other three programs, Minnesota Plan, OMNI, and the Small Business Development Loan program, originates not from state appropriated dollars but rather from federal dollars or private dollars raised through bond issuance. DEED only guarantees these loans; state dollars are not spent as funds are loaned through these programs. Column (b) of Table 4 shows the distribution of "publicly guaranteed" financing.

Again, Greater Minnesota was the recipient of the majority of publicly guaranteed business assistance, 63 percent. In general, the west, southeast, and northeast regions received smaller shares of publicly guaranteed than state appropriated dollars. The northeast received virtually none of the publicly guaranteed dollars. This, in part, may reflect the fact that other dollars have been channeled specifically to this area (i.e. I.R.R.R.B., etc.).

Finally, columns (c) and (d) present total commercial dollars invested in the projects as a result of the state's participation. Column (c) presents the distribution of dollars for projects of $15m or less. Column (d) presents the dollar distribution for all projects of the survey respondents including two large projects that each leveraged close to $20m in private funds. These projects occurred in the northeast and southeast regions of the state.

With the inclusion of the two large projects it is seen that over three-quarters of total private dollars leveraged occurred in Greater Minnesota. Even excluding the two large projects, almost 60 percent of the private dollars were leveraged outside the Twin Cities metropolitan region.

In many instances it is more useful to look at the regional distribution of DEED financing in relation to the regional distribution of population. Table 5 presents this information by showing per capita DEED project financing by region.

TABLE 5

PER CAPITA
DEED FINANCING BY REGION

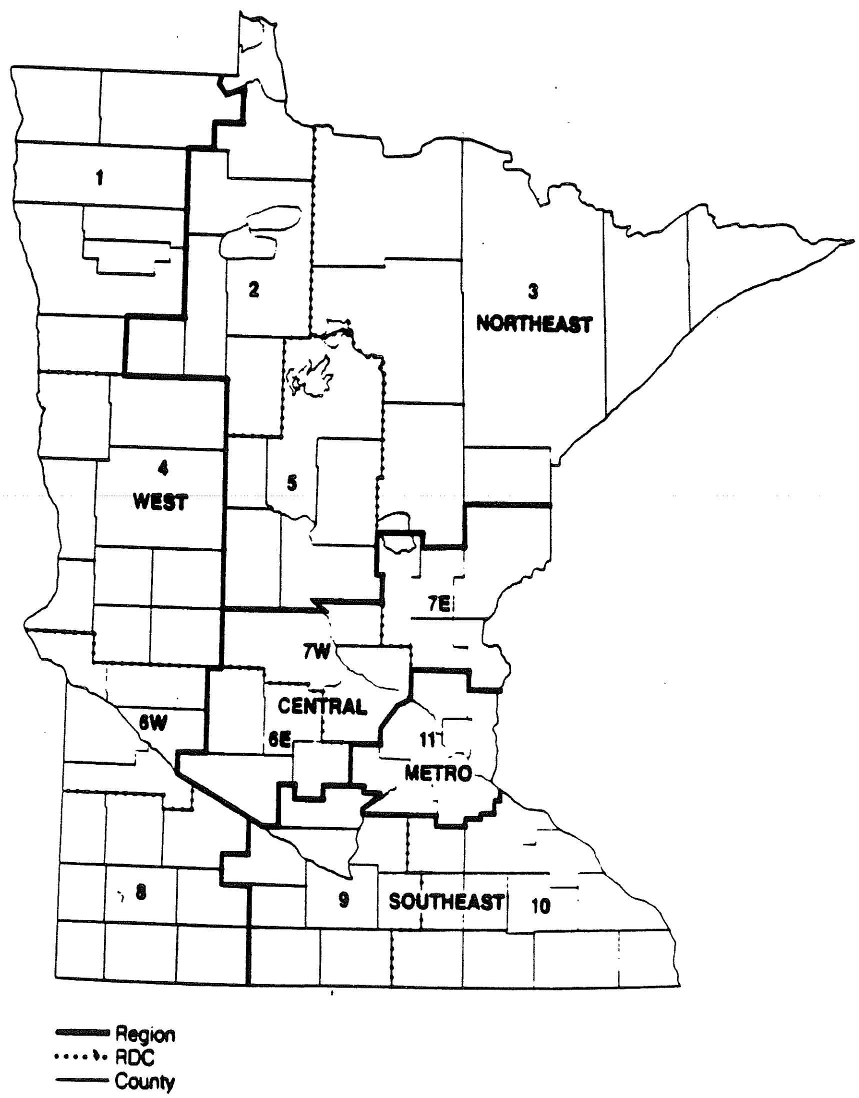
REGION	(a) STATE APPROPRIATED DOLLARS	(b) PUBLICLY GUARANTEED DOLLARS	(c) PRIVATELY LEVERAGED DOLLARS (EXCLUDING TWO LARGE PROJECTS)	(d) PRIVATELY LEVERAGED DOLLARS (ALL PROJECTS)
West	$4.50	$ 2.50	$16.80	$16.80
Northeast	4.30	.00	9.90	42.80
Central	.50	10.70	13.50	13.50
Southeast	2.90	2.10	19.20	50.80
Greater MN	3.10	3.82	14.80	32.70
Metro	.80	2.30	10.70	10.70
STATE AVERAGE	$2.00	$ 3.10	$12.80	$22.70

In all cases the differences in regional assistance are even more striking on a per capita basis. State appropriated dollars have been directed at those areas of the state experiencing the greatest economic hardship. The west and northeastern regions both received more than twice the state average of $2.00 per capita in public funds. The Southeast also received almost 100 percent more per capita than the state average. In contrast, the central and metro areas obtained less than half the state average.

Publicly guaranteed dollars per capita, on the other hand, have gone disproportionately to the central region of the state. This is the result of the large share of SBDLP and over one-third of the Minnesota Plan projects financed in this region.

FIGURE 1

Minnesota's Economic Regions



Finally, private dollars leveraged as a result of the state's assistance have also been concentrated in Greater Minnesota. From column (c) Table 5 it is seen that the rural areas of the state received almost 16 percent more per capita than the statewide average. The Twin Cities metropolitan region, in contrast, got almost 16 percent less per capita than average. Even excluding a $20m project in the southeast, this part of the state benefitted from the largest per capita share of privately leveraged dollars. While the northeast received the least, only $9 per capita, it received almost $43 per capita with the inclusion of the large, $18m project.

In sum, it can be seen that the majority of all dollars generated by financing the survey respondents has gone to those areas of the state in greatest need.

2.3 Regional Distribution of Jobs Created and Retained

The extent to which the state has succeeded in its economic development effort is often measured by the number of new jobs created through the assisted firms. Though this survey did not ask employment related questions, an employment phone survey completed on June 1, 1986 gave current employment data for all assisted businesses. The data presented only represents employment of those businesses that responded to the survey.

The phone survey identified two categories of jobs, created and retained. Created jobs are new jobs of a firm that previously did not exist. Retained jobs are those that previously existed, but would have been lost had the business not received state assistance.

Jobs created by respondent businesses are of particular interest since this will identify the type of businesses that generate the greatest number of new jobs to an economy. Table 6 shows created and retained jobs of survey respondents by industry; jobs created and retained per business in each industry are included in the last two columns.

TABLE 6

JOBS CREATED AND RETAINED BY INDUSTRY

INDUSTRY	NUMBER OF FIRMS	JOBS CREATED AS OF JUNE 1, 1986	JOBS RETAINED AS OF JUNE 1, 1986	JOBS CREATED PER FIRM	JOBS RETAINED PER FIRM
Manufacturing	59	1,598	2,629	27	45
% of total	65%	88%	91.5%		
Retail	8	81	18	12	3
% of total	9%	4%	.5%		
Wholesale	5	164	80	32	16
% of total	5%	8%	3.0%		
Service	18	123	147	6	8
% of total	20%	6%	5%		
Other	1	1	0	1	0
% of total	1%	15%	0%	—	—
TOTAL	91	1,967	2,874	22	32

Manufacturing businesses created the retained the largest percentage of all jobs, 81 percent of created and 92 percent of all retained jobs. This, to a large extent, is a reflection of the high percentage of manufacturing firms assisted through DEED.

A more comparable figure is the number of jobs created and retained by industry but on a firm specific basis. Along with manufacturers, wholesale trade firms created and retained the greatest number of jobs per business. Both of these sectors created and retained more than twice the jobs per firm of the retail and service sectors.

Table 7 shows the break-out of total jobs created and retained by program. Federal Economic Recovery Grant recipient firms retained the greatest total number of jobs, 1,229, or 43 percent of all jobs retained. The State Economic Recovery Grant program helped to create the greatest number of jobs, 866, or 44 percent of all jobs created. Together these two programs helped to create or retain 65 percent of all jobs created or retained by DEED's financial assistance programs. This was expected since the majority of manufacturing firms were financed through these two programs.

TABLE 7

JOBS CREATED AND RETAINED BY PROGRAM

PROGRAM	NUMBER OF FIRMS	JOBS CREATED		JOBS RETAINED		JOBS CREATED PER FIRM	JOBS RETAINED PER FIRM
MFLP	8	174		73		22	9
% of total			9%		3%		
MPLP	14	62		90		4	6
% of total			3%		3%		
OMNI	20	203		215		10	11
% of total			10%		7%		
SBDLP	7	181		243		26	34
% of total			9%		8%		
FERF	10	383		1,229		36	123
% of total			19%		43%		
SERF	25	866		678		35	27
% of total			44%		24%		
MORE	7	118		346		19	49
% of total			6%		12%		
TOTAL	91	1,967		2,874		22	32

Those that received Federal Economic Recovery Grants also created and retained the greatest number of jobs per business, 36 and 123, respectively. As previously discussed these two programs financed a high percentage of manufacturing firms. The relatively high employment levels in manufacturing firms explains why recipients of these two programs also created and retained the greatest number of jobs per firm.

Businesses that received Small Business Development loans also had a high number of both created and retained jobs per business, 26 and 34, respectively. As seen previously, the SBDLP program financed only manufacturing and wholesale businesses that, on average, have relatively high levels of employment.

Businesses using the Minnesota Plan program, comprised only three percent of total jobs created and retained by all respondent businesses. These firms also created the smallest number of jobs per business. This was not surprising since a large portion of service firms, which have low employment levels, were financed through this program.

Finally, Table 8 presents a regional distribution of created and retained jobs. Almost 80 percent of jobs retained or created by the surveyed firms were found outside the Twin Cities metropolitan area of the state. The Southeast captured almost 30 percent of all jobs created and 57 percent of retained jobs. This large percentage of retained jobs in the Southeast is largely the result of one firm that received DEED financing to help it retain almost 1,200 workers.

TABLE 8

REGIONAL DISTRIBUTION OF JOBS CREATED AND RETAINED

	CREATED	RETAINED
West	380 (19%)	404 (14%)
Northeast	393 (20%)	38 (1%)
Central	201 (10%)	132 (5%)
Southeast	561 (29%)	1,649 (57%)
GREATER MINNESOTA	1,535 (78%)	2,223 (77%)
Metro	432 (22%)	651 (23%)
STATEWIDE	1,967 (100%)	2,874 (100%)

The central region benefitted from only 10 percent of jobs created and five percent of jobs retained statewide. Virtually all of the Central region's financing came from programs that, to a large extent, have financed retail and service firms, MPLP and OMNI. The lower employment levels in these sectors relative to manufacturing firms explains the small employment gains to this region.

3.0 USE OF FUNDS

3.1 Project Type By Industry

This section describes how the survey respondents used the program proceeds. Projects of the firms are broken down into the following categories: new construction, expansion of an existing site, capital equipment purchases, and finally, renovation of an existing site. Table 9 shows the type of project financed by industry class.

While new construction was frequently cited by firms in all industries, the five wholesale businesses cited new construction as the reason for the loan in every instance. Manufacturing, retail, and service businesses identified new construction as the reason for financing in over half of their projects.

TABLE 9

USE OF FUNDS BY INDUSTRY

INDUSTRY	NEW CONSTRUCTION	EXPANSION PURPOSES	CAPITAL EQUIPMENT PURCHASES	RENOVATION PURPOSES
Manufacturing	58%	36%	39%	9%
Retail	57	14	14	29
Wholesale	100	0	0	0
Service	63	32	16	21
Other	100	0	100	0
ALL SECTORS	62%	31%	31%	12%

Expansion was the second most common reason for needing financing. Thirty-one percent of all businesses used the loan proceeds for expansion purposes. More than in any other industry, expansions were financed in manufacturing.

Capital equipment purchases were tied with expansions as the second most common reason for needing financing. Nearly 31 percent of all respondents listed capital equipment purchases as a reason for receiving financing. Manufacturing businesses made capital equipment purchases 39 percent of the time. This was more than twice as often as the next business type using proceeds in this manner.

DEED assistance was seldom used for renovation purposes. In fact, only 12 percent of all business respondents were involved in renovation projects. However, retail businesses frequently cited renovation as the reason for financing. Twenty-nine percent of all retailers used their loan proceeds in this manner. Renovation was also relatively important to service firms, with 21 percent of them using state funds for this purpose.

"Other" projects such as the purchase of pollution control equipment, lease hold improvements, recovery after a fire, working capital and start up costs represented the least likely use of the financing proceeds with only nine percent of all businesses listing "other" as the reason for financing.

3.2 Project Type by Program

Table 10 presents the use of DEED funds by program. The OMNI and SBDLP programs financed the highest percentage of new construction projects. Ninety percent of OMNI loans and all of the SBDLP loans went toward new construction projects.

TABLE 10

USE OF FUNDS BY PROGRAM

	NEW CONSTRUCTION	EXPANSION	CAPITAL PURCHASES	RENOVATION
MFLP	38%	38%	38%	0%
MPLP	43	7	36	21
OMNI	90	20	15	10
SBDLP	100	14	29	14
FERF	50	50	40	10
SERF	48	52	28	16
MORE	71	14	57	0
ALL PROGRAMS	62%	31%	31%	12%

As seen earlier, state loans were not as frequently used for expansion projects as new construction projects. Businesses financed through the State and Federal Economic Recovery Fund programs listed expansion as the reason for the financing more frequently than all other program participants, about 50 percent of the time. Minnesota Fund Loan Program participants also cited expansions relatively frequently. The high proportion of expansions financed by these three programs is a reflection of their concentration in the manufacturing sector. As Table 9 showed, expansions occurred most often in this industry.

Businesses that used the Federal Economic Recovery Fund and a combination of two or more programs listed capital equipment purchases as the reason for financing most frequently. The OMNI program supported the least percentage of capital equipment purchases. Only 15 percent of OMNI fund recipients used their loans in this manner. Like the MPLP, OMNI loans have been relatively concentrated among retail and service firms which operate with relatively small amounts of capital equipment compared to manufacturing concerns.

Renovation projects were the least frequently cited type of project overall. Only 12 percent of all respondents listed renovation as the reason for DEED assistance. The now defunct Minnesota Plan Loan Program had the highest share of businesses, 21 percent, using state loans for renovation purposes. This was the result of this program's concentration in the service and retail sectors. Firms in these sectors depend on public appeal of their residences to a greater extent than do manufacturing firms.

4.0 SALES OF SURVEY RESPONDENTS

4.1 Industry Sales

The value and the origin of a firm's sales are both important factors to the state. Strong sales growth, in general, lead to gains in state income and employment. Firms selling to out-of-state markets benefit the state by bringing "new" income into the state that induces growth in firms of various industries.

Table 11 presents 1985 sales data of respondents by industry. Several firms have been excluded. One firm was extraordinarily large which skewed the sales distribution. Several firms were eliminated because their sales data reflected that of branch plants outside of Minnesota as well as the Minnesota site. Finally, others were eliminated as no sales data were given; most of these firms had not been operational in 1985.

Total sales of the surveyed firms were about $400m and the average firm sold $5m worth of goods or services. The manufacturing sector accounted for 80 percent of total industry sales. Wholesale firms made up the next largest share, almost 20 percent. These wholesale firms also had the largest sales, averaging $13.6m per firm. This is over three times the national average sales per firm in the wholesale industry. Thus DEED's financing tools are being used by unusually large wholesale firms.

TABLE 11

1985 SALES BY INDUSTRY

INDUSTRY	SALES ($m)	NUMBER OF FIRMS	SALES PER FIRM ($m)
Manufacturing	$328	53	$6.2
Retail	4.4	6	.7
Wholesale	68.0	5	13.6
Service	10.0	16	.6
Other	.03	1	.03
TOTAL	$410.43	81	$5.10

4.2 Past and Future Sales Growth

Changes in the level of a firm's sales are also important. The first survey question on changes in a firm's sales asked whether or not sales changes between 1984 and 1985 had met expectations.

The majority of firms surveyed noted that their past sales had met or exceeded their expectations (Table 12). Manufacturing and service industries had the greatest proportion of firms with better than expected sales performance. Of the retail and wholesale sectors, however, only about 40 percent of the firms had past sales performances that matched or exceeded their expectations.

TABLE 12

CHANGES IN SALES LEVELS FROM 1984 TO 1985 BY SECTOR

	MANUFACTURING	RETAIL	WHOLESALE	SERVICE	TOTAL
Exceeded or Met Expectations	76%	43%	40%	69%	70%
Did not meet Expectations	24	57	60	21	28
Not Applicable	0	0	0	10	2
TOTAL	100%	100%	100%	100%	100%

Minnesota Fund, FERF and SERF recipients had the highest percentage of firms with past sales that had met or exceeded their expectations. (Table 13) This is due to the large portion of manufacturing firms financed through these programs. The OMNI program also financed a high portion of firms with good past sales growth. Close to half of the SBDLP recipients, on the other hand, had poor sales growth in the past year. This corresponds to the poor sales growth of the wholesale firms surveyed which were heavily financed through this program.

TABLE 13

CHANGES IN SALES, 1984-85 BY PROGRAM

	MFLP	MPLP	OMNI	SBDLP	FERF	SERF	MORE	TOTAL
Met or Exceeded Expectations	88%	64%	70%	57%	70%	68%	85%	70%
Did not meet Expectations	12%	36%	20%	43%	30%	32%	15%	28%
Not Applicable	-	-	10%	-	-	-	-	2%
TOTAL (Number of Firms)	100% (8)	100% (14)	100% (20)	100% (7)	100% (10)	100% (25)	100% (7)	100% (91)

The next survey question dealt with the extent of these sales changes. Overall, almost 60 percent of the firms experienced sales growth greater than 10 percent between 1984 and 1985. Fifty-nine percent of manufacturing businesses and 63 percent of service businesses claimed that their sales levels grew by 10 percent or greater between 1984 and 1985 (Table 14). Almost 43 percent of retailers saw their sales grow by more than 10 percent over this time period. At the same time, an equal percentage of retailers experienced either no change or an actual decrease in sales during the year. Wholesale firms experiencing sales growth of more than 10 percent represented less than half of all wholesale respondents.

TABLE 14

ACTUAL SALES GROWTH, 1984-1985 OF INDUSTRY

	MANUFACTURING	RETAIL	WHOLESALE	SERVICE	TOTAL
Greater than 10%	59%	43%	40%	63%	57%
Between +1% to 10%	17	14	40	16	18
No Change	5	29	0	0	6
Decreased	9	14	20	10	10
Not Applicable	10	0	0	11	9
TOTAL	100%	100%	100%	100%	100%
(Number of firms)	(59)	(8)	(5)	(18)	(91)

TABLE 15

ACTUAL SALES GROWTH, 1984-85 BY PROGRAM

GROWTH IN SALES	MFLP	MPLP	OMNI	SBDLP	FERF	SERF	MORE	TOTAL
Greater than 10%	75%	50%	65%	57%	70%	44%	57%	57%
1% to 10%	12.5%	7%	20%	-	20%	28%	14.3%	18%
No change	12.5%	21.5%	-	-	10%	4%	14.3%	7.5%
Decrease in Sales	-	21.5%	-	-	-	12%	-	10%
Not Applicable	-	-	-	43%	-	12%	14.3%	7.5%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%

Table 15 shows estimated sales growth of surveyed firms between 1984 and 1985 by program. Firms using the Minnesota Fund, FERF, and the OMNI programs had higher than average proportions of firms experiencing sales growth of 10 percent or greater between 1984 and 1985. Strong sales growth in manufacturing firms explains the high proportions of sales leaders in the Minnesota Fund and Federal Economic Recovery Fund programs. Strong growth among the service firms corresponds to the successful growth of OMNI program recipients. Interestingly, firms receiving assistance through the SERF program did not have the proportion showing strong sales growth as would have been expected given the large portion of manufacturing firms assisted through this program.

The Minnesota Plan program held the highest percent of firms with stagnant or falling sales between 1984-85. This reflects its concentration in the retail sector which had the poorest sales performance of the survey respondents.

A large percentage of all firms, 61 percent, said that they expected sales growth in the next year of greater than 10 percent (Table 16). Of the manufacturing businesses, an overwhelming majority of 73 percent indicated that they expected their sales to grow by 10 percent or more in the year ahead. Only 29 percent of retail, 40 percent of wholesale, and 42 percent of service businesses expected sales growth of 10 percent or more in the following year. A significant number of retail businesses, 28 percent, indicated that they expected no sales changes next year. To a large extent their expectations may be based on past sales performance in this industry.

Clearly, the manufacturing business respondents expect to be the sales growth leaders among the various industries.

TABLE 16

EXPECTATIONS OF SALES CHANGES IN THE NEXT YEAR

	MANUFACTURING	RETAIL	WHOLESALE	SERVICE	TOTAL
Greater than 10%	73%	29%	40%	42%	61%
Between 1% to 10%	22	29	40	37	26
No Change	2	28	0	5	6
Decrease	3	0	20	5	4
Not Applicable	0%	14%	0%	11%	3%
TOTAL	100%	100%	100%	100%	100%

Expectations of future sales growth of the firms, presented by program in Table 17, were as expected. Minnesota Fund, FERF, SERF, which financed manufacturers, and OMNI, which financed service firms, all expected to have a higher than average proportion of firms with strong sales growth next year. Minnesota Plan and SBDLP recipients, on the other hand, financing retail and wholesale trade firms, respectively, expected slower sales gains in 1986.

TABLE 17

EXPECTATIONS OF SALES GROWTH IN 1986 BY PROGRAM

GROWTH IN SALES	MFLP	MPLP	OMNI	SBDLP	FERF	SERF	MORE	TOTAL
Greater than 10%	85.7%	36%	70%	57%	70%	64%	57%	63%
1% to 10%	12.5%	28.5%	10%	-	30%	28%	29%	25%
No change	-	28.5%	-	-	-	-	14%	5%
Decrease in Sales	-	-	10%	-	-	8%	-	4%
Not Applicable	-	7%	10%	-	-	-	-	3%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%
(Number of firms)	(8)	(14)	(20)	(7)	(10)	(25)	(7)	(7)

4.3 Future Expansion

The potential for future growth of a firm is seen, in part, by its plans for product line expansion. A clear majority of manufacturing and wholesale business respondents, 71 and 60 percent, respectively, indicated that they would be expanding their product line within the next year (Table 18). In contrast to the other business sectors only 42 percent of service businesses and 29 percent of retail business respondents planned to expand their product line in 1987.

TABLE 18

EXPANSION PLANS BY SECTOR

	FIRMS EXPECTING TO EXPAND PRODUCT LINE IN 1987	FIRMS EXPECTING TO MAKE CAPITAL EXPENDITURES IN 1987
Manufacturing	71%	71%
Retail	29%	14%
Wholesale	60%	60%
Service	42%	32%
Other	0%	0%
TOTAL	60%	59%

Capital expenditure plans are also indicative of future growth. On average, almost 60 percent of all survey respondents expected to make capital expenditures next year. The share of manufacturing businesses that planned to make capital expenditures was about 71 percent; the share of wholesale businesses, was 60 percent, the same as expected to expand their product line. Fewer retail and service businesses anticipated making capital expenditures than expected to expand their product line. Only 14 percent of retail businesses and 32 percent of service businesses, respectively, planned to make capital equipment purchases. Again, capital equipment is seen to be less important to retail and service businesses than manufacturing and wholesale firms.

Table 19 presents expenditure data by industry for those firms that anticipated making capital purchases next year. Overall, the majority of firms making capital expenditures next year expected to spend between $100,000 and $500,000. This was to be the most common amount of expenditures for manufacturing and retail firms. On average, service sector firms planned to spend less than $100,000. Of the five wholesale firms, two expected to make capital expenditures of over $500,000 next year.

TABLE 19

DOLLAR AMOUNT OF CAPITAL EXPENDITURES BY INDUSTRY

	MANUFACTURING	RETAIL	WHOLESALE	SERVICE	TOTAL
Less than $100,000	29%	0%	33.3%	80%	33%
$100,000 - $500,000	57	100	0	20	51
$500,000 - $1 million	7	0	33.3	0	8
Over $1 million	7	0	33.3	0	8
TOTAL	100%	100%	100%	100%	100%

5.0 GEOGRAPHIC MARKETS

5.1 Regional Distribution of Industry Sales

As discussed previously, the origin of a firm's sales are extremely important to the state as firms selling to out-of-state customers inject "new" income into the state to induce growth in other firms.

Table 20 presents the geographic distribution of the survey respondents' sales by industry. Table 21 presents the same information but on a percentage basis. These tables show that manufacturing was the only sector to generate significant revenues from outside the state. The retail and wholesale sectors sold approximately 95 percent of their goods and services within Minnesota. Manufacturing firms, on the other hand, sold only about 23 percent of their goods within Minnesota. Seventy-three percent of the remaining goods were sold to other states and four percent of goods manufactured by the surveyed firms were sold in foreign countries. In general, non-manufacturing firms primarily served local markets, whereas manufacturing firms served "export" or out-of-state markets.

While service sector firms could not compare to manufacturing firms in out-of-state sales, these firms were able to sell almost 20 percent of their products to out-of-state customers. Sixty-five percent of the out-of-state sales even came from outside the Midwest region. On closer examination this was seen to be the result of one firm in the survey classified as a business service. Business services include advertising agencies, data processing and computer management facilities, research and development labs, public relations services, etc. All of these types of services are purchased with relative ease by out-of-state buyers. Other services such as auto repair, beauty shops, and health clubs, however, rarely are sold to other than "local" clients.

TABLE 20

REGIONAL DISTRIBUTION OF 1985 INDUSTRY SALES
($m)

GEOGRAPHIC MARKET AREA	MANUFACTURING	RETAIL	WHOLESALE	SERVICE	OTHER	TOTAL
Minnesota	$ 77	$4.2	$64	$ 8	$.03	$153
Upper Midwest	41	.2	3	.7	0	45
United States	198	.01	1	1.3	0	200
Foreign	12	0	0	0	0	12
TOTAL	$328	$4.4	$68	$10	$.03	$410

TABLE 21

REGIONAL DISTRIBUTION OF 1985 INDUSTRY SALES AS A PERCENT OF TOTAL INDUSTRY SALES

GEOGRAPHIC MARKET AREA	MANUFACTURING	RETAIL	WHOLESALE	SERVICE	OTHER	TOTAL
Minnesota	23%	95%	94%	80%	100%	37%
Upper Midwest	13	5	5	7	0	11
United States	60	0	1	13	0	49
Foreign	4	0	0	0	0	3
TOTAL	100%	100%	100%	100%	100%	100%

5.2 Changes in Geographic Markets

Changes in geographic market areas of firms are important since gains in national markets would bring increased "outside" income into the state. Table 22 shows that manufacturing and wholesale businesses were alone in their indication that they had significant changes in their geographic market areas between 1984 and 1985. About 24 percent of manufacturing businesses and 20 percent of wholesale businesses stated that their geographic market areas changed significantly between 1984 and 1985. (Because there were only five wholesale firms in the sample, the 20 percent arises from a change in sales distribution of only one firm.)

TABLE 22

PERCENT OF FIRMS REPORTING SIGNIFICANT CHANGES IN GEOGRAPHIC MARKET AREA

MANUFACTURING	RETAIL	WHOLESALE	SERVICE	TOTAL
24%	0%	20%	5%	18%

Of the 24 percent of manufacturing firms that reported significant changes in their geographic market areas, there was a gain in national sales share of 41 percent. Minnesota and Midwest sales of these firms, in contrast, fell by almost 30 percent. Interestingly, all of these firms were small as evidenced by annual sales of less than $10m.

6.0 PROJECT STATUS WITHOUT STATE ASSISTANCE

One key concern in relation to the effectiveness of economic development programs is whether businesses receiving assistance from the state would have proceeded with their projects without the public sector's participation. Tables 23 and 24 show the responses to that question.

Overall, only 11 percent of the survey respondents would have proceeded with their projects without the state's assistance. That means that 89 percent of all firms would not have been able to proceed with their projects at the preferred level of investment without state assistance. A large share, 37 percent, would have proceeded with their projects but at a reduced level. Businesses that would have proceeded in another state or would not have proceeded at all amounted to about 52 percent of the total. This indicates that the programs have indeed reached the group of businesses they were designed to reach. That is, DEED financing has appeared to target those firms in greatest need, or those firms unable to obtain financing from private or other sources to complete their projects in Minnesota.

TABLE 23

PROJECT STATUS WITHOUT STATE ASSISTANCE BY INDUSTRY

Project Status	Manufacturing	Retail	Wholesale	Service	Total
Would have proceeded	10%	12%	0%	17%	11%
Proceeded but at a reduced level	34%	25%	40%	50%	37%
Proceeded but in another state	27%	0%	20%	0%	19%
Would not have proceeded	29%	63%	40%	33%	33%
Number of firms	59	8	5	19	91

6.1 Industry Distribution

Table 23 also breaks down project status without state assistance by industrial classification.

The service sector had the highest percentage of firms, 17 percent, indicate that the project would have proceeded without the state's assistance. Manufacturing firms, on the other hand, had the lowest proportion indicating that their projects would have been able to move forward.

A high proportion of service sector firms, 50 percent, indicated that their projects would have proceeded but at a reduced level.

The manufacturing sector alone had a higher than average share of its firms respond that their projects would have proceeded in another state. Almost 30 percent of the manufacturing respondents' were likely to pursue their projects outside of Minnesota. None of the retail or service sector projects, however, would have been lost to another state. This was expected since these firms generally start-up to serve local markets.

Firms in the retail sector had the highest proportion of projects indicate that they would not have proceeded, 63 percent. This probably reflects the fact that retail firms often used the financial assistance for renovation purposes. These projects, therefore, may have been seen as more easily postponed than the expansion plans, for example, of manufacturing firms.

6.2 Program Distribution

Table 24 shows the response of businesses by program as to whether or not the project would have proceeded. Again it is seen that the Federal and State Economic Recovery Fund programs held the smallest proportion of firms that would have proceeded without DEED's assistance. This was expected since these programs financed a large percentage of manufacturing firms.

Minnesota Plan and the Small Business Development Loan programs had the highest percentage of firms indicate that their projects would have proceeded but at a reduced level. These two programs financed many service and wholesale firms. One-half of service firms and 40 percent of wholesale firms had expected to proceed at a lower level. (Table 23)

Minnesota Fund and the Federal and State Economic Recovery Fund programs had the highest percentage of firms indicate that their projects would have proceeded in another state. Again, this is a result of the large proportion of manufacturing firms assisted through these three programs.

Finally, firms receiving assistance through the Federal Economic Recovery Fund, OMNI, and Minnesota Plan (and more than one program), all had higher than average proportions of firms indicate that their projects would not have proceeded at all without state assistance.

TABLE 24

PROJECT STATUS WITHOUT STATE ASSISTANCE BY PROGRAM

	MFLP	MPLP	OMNI	SBDLP	FERF	SERF	MORE	TOTAL
Would have proceeded	13%	14%	20%	0%	0%	8%	14%	11%
Proceeded but at reduced level	37	50	35	72	10	44	0	37
Would have proceeded in another state	37	0	0	14	30	28	43	19
Would not have proceeded	13	36	45	14	60	20	43	33
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%
Number of projects	8	14	20	7	10	25	7	91

7.0 ASSESSMENT OF THE ADMINISTRATION OF DEED'S BUSINESS FINANCING PROGRAMS

7.1 Paperwork Processing, Staff Professionalism, Term and Interest on Loan

The next set of questions dealt with the respondents' perceptions of various administrative aspects of the programs.

Overall, processing time for financial assistance was viewed favorably by more than half of all assisted firms. However, over half of Minnesota Fund and Federal Economic Recovery program participants felt the application processing time was too long (Table 25). A clear majority of the businesses involved in the other programs had a favorable response to the time involved in loan processing. Sixty-four percent of the Minnesota Plan program recipients and 65 percent of the OMNI recipients responded favorably to the application processing time involved.

TABLE 25

APPLICATION PROCESSING TIME

	MFLP	MPLP	OMNI	SBDLP	FERF	SERF	MORE	TOTAL
Very favorable or favorable	38%	64%	65%	57%	40%	56%	100%	59%
Not favorable	62	36	30	43	60	40	0	39
No opinion	0	0	5	0	0	4	0	2

The survey respondents were split in their views of the ease in paperwork processing (Table 26). Two programs received a significantly higher than average negative rating on this factor, the Minnesota Plan Loan Program and the SBDLP. SERF program recipients, as well as those receiving assistance from more than one program source, on the other hand, reported much higher than average positive ratings. Participants of these two programs may be pleased by less paperwork or greater staff assistance with the financial paperwork, especially compared to recipients of MPLP and SBDLP funds. (SERF and FERF participants often were able to rely on assistance from community staff.)

TABLE 26

EASE OF PROCESSING THE PAPERWORK

	MFLP	MPLP	OMNI	SBDLP	FERF	SERF	MORE	TOTAL
Very favorable or favorable	50%	36%	45%	43%	50%	64%	71%	52%
Not favorable	50	64	45	57	50	36	29	46
No opinion	0	0	0	0	0	0	0	2

The professionalism of the staff was viewed as very favorable or favorable by almost all respondents indicating a high regard for the people administering the programs. Overall, 94 percent of all state business assistance recipients expressed an extremely high degree of satisfaction with the staff professionalism (Table 27).

TABLE 27

PROFESSIONALISM OF THE STAFF

	MFLP	MPLP	OMNI	SBDLP	FERF	SERF	MORE	TOTAL
Very favorable or favorable	88	86	90	100	90	100	100	94
Not favorable	0	0	5	0	10	0	0	2
No opinion	12	14	5	0	0	0	0	4

The lower than market interest rate charged by the programs generally drew a favorable response from all program participants (Table 28).

TABLE 28

INTEREST RATE

	MFLP	MPLP	OMNI	SBDLP	FERF	SERF	MORE	TOTAL
Very favorable or favorable	88%	71%	72%	86%	70%	100%	86%	83%
Not favorable	12	22	20	14	20	0	14	13
No opinion	0	7	10	0	10	0	0	4

The term or length of the loan was also viewed favorably by a clear majority of the respondents (Table 29). Overall, 97 percent of survey respondents were satisfied with loan terms.

TABLE 29

TERM OF THE LOAN

	MFLP	MPLP	OMNI	SBDLP	FERF	SERF	MORE	TOTAL
Very favorable or favorable	100%	93%	95%	100%	90%	100%	100%	97%
Not favorable	0	7	0	0	0	0	0	1
No opinion	0	0	5	0	10	0	0	2

The financial covenants of the loan also received a favorable response from 65 percent of the program participants. However, over half of the Small Business Development Loan respondents viewed the financial covenants unfavorably (Table 30). This program funds a larger proportion of total project costs compared to all other programs. Because of this, the restrictions that apply to the operation of the business during the period of the loan are often higher under the SBDLP program than under the other programs.

TABLE 30

FINANCIAL COVENANTS

	MFLP	MPLP	OMNI	SBDLP	FERF	SERF	MORE	TOTAL
Very favorable or favorable	25%	50%	50%	43%	90%	92%	71%	65%
Not favorable	25	29	30	57	0	4	14	20
No opinion	50	21	20	0	10	4	14	15

7.2 Other Assistance Acquired Through the Programs

The survey also inquired as to whether or not a business received any "fringe" benefits from the financial assistance process, in such areas as business planning, or market strategy development, etc. Overall, 21 percent of the respondents indicated that they had received other benefits (Table 31). Within the programs, the Federal Economic Recovery Grant program had the highest share, 30 percent, of businesses indicate that they had received other assistance. Firms obtaining assistance from more than one funding source also felt that they had often received indirect benefits from the loan process.

TABLE 31

PERCENT OF RESPONDENTS RECEIVING OTHER TYPES OF BENEFITS BY PROGRAM

MFLP	13%
MPLP	21%
OMNI	20%
SBDLP	0%
FERF	30%
SERF	24%
MORE	29%
TOTAL	21%

Table 32 shows various types of assistance gained by firms and the response by program. Business planning assistance was the only "fringe" benefit that respondents cited relatively frequently. In order to receive financial assistance from DEED, all businesses must submit a business plan. In producing this, DEED has been able to assist many small businesses with their planning capabilities. Overall, 14 percent of respondents indicated that they had received business planning assistance. Within the programs, the Federal Economic Recovery Grant program and the OMNI program showed the greatest share of businesses citing planning assistance, 30 percent and 20 percent, respectively.

Less than six percent of all firms received employment training assistance. On average, only four percent of firms received marketing strategy assistance, and less than three percent gained management skill benefits.

TABLE 32

BENEFITS RECEIVED BY PROGRAM

	MFLP	MPLP	OMNI	SBDLP	FERF	SERF	MORE	TOTAL
Business Planning Assistance	13%	7%	20%	0%	30%	12%	14%	14%
Employment Training Assistance	0	7	0	0	10	8	14	6
Marketing Strategy Assistance	13	7	0	0	0	4	14	4
Management Skills Assistance	0	7	0	0	10	4	0	3

7.3 Use of Other Economic Development Organizations and Programs

The last question dealt with the use of other economic development organizations and programs. Table 33 shows the use of other assistance organizations and programs. Minnesota Employment and Economic Development (MEED), an employment training program, was the only heavily used program. Both the Federal and State Economic Recovery Grant recipients and those that received financing from more than one DEED program frequently cited the use of MEED employment training programs. Industrial Revenue Bonds and other employment training programs were used by 17 percent and 19 percent, of all firms, respectively. Federal Economic Recovery Fund recipients also used these two programs most often. The other programs include Industrial Development Corporations, Enterprise Zones, the Iron Range Resource Rehabilitation Board (IRRRB) and Urban Development Action Grants. Only seven percent of the total business respondents cited these other assistance programs.

TABLE 33

PERCENT OF SURVEY RESPONDENTS USING
OTHER ASSISTANCE BY PROGRAM

	MFLP	MPLP	OMNI	SBDLP	FERF	SERF	MORE	TOTAL
MEED	25%	14%	20%	29%	50%	40%	43%	31%
Tax Increment Financing	0	7	10	14	30	4	14	10
Industrial Revenue Bonds	13	0	0	29	50	24	14	17
Other Employment Training Programs	13	7	10	29	40	20	29	19
Others*	15	7	0	0	10	8	0	7

*NOTE: The other assistance initiatives included: Industrial Development Corporations, Enterprize Zones, SBA Loans, Iron Range Resource Rehabilitation Board and Urban Development Action Grants.

8.0 CONCLUSION

Overall, business financing dollars have been directed at those areas of the state experiencing the greatest economic distress -- the Iron Range and the agriculturally depressed western and southern regions of the state. State appropriated dollars emanating from the Federal and State Economic Recovery Funds, and Minnesota Loan programs especially, have been targeted to these regions.

The majority of DEED business financing assistance between FY 1984 and FY 1985 has gone to manufacturing concerns. Three programs have financed a large share of manufacturers, Minnesota Fund, and the Federal and State Economic Recovery Fund programs. The other programs discussed in this report, Minnesota Plan, OMNI, and the SBDLP, were found to be heavily concentrated in the retail and service sectors.

Results of this survey reinforce current economic development policy of targeting the manufacturing sector. First, manufacturing businesses were found to create and retain the greatest number of jobs on a firm specific basis. This refers to direct jobs alone and does not include indirect or "spin-off" jobs created by growth in other sectors.

Second, manufacturing and wholesale respondents had the best sales performance of the various industries. Manufacturing respondents had the largest proportion of firms with past sales levels that met or exceeded expectations as well as the highest levels of growth in sales. Expectations of future sales growth for manufacturing firms far exceeded that of all other industrial sectors. Almost 75 percent of manufacturing respondents expected to see sales growth of more than ten percent in 1986.

Third, survey respondents in the manufacturing sector had the highest percentage of their sales going to out-of-state markets. In total, 77 percent of these firms' sales came from outside Minnesota, bringing "new" income into the state. In contrast, almost 95 percent of wholesale and retail trade products were sold to Minnesota customers. In general, service sector firms also sold their products in Minnesota. Some types of services such as "business services," however, were more readily sold to out-of-state patrons.

Overall, it was found that DEED's programs are apparently reaching those firms least able to obtain financing from other sources. Eighty-nine percent of all firms would not have been able to proceed with their projects (at the preferred level of investment) without the state's assistance. Manufacturing firms had the highest proportion of respondents note that their projects would not have proceeded.

Finally, the administrative staff of DEED received high marks from the majority of the survey respondents, particularly in their professional handling of the financing. The primary program complaints addressed the amount of paperwork and the time needed to process the applications.

9.1 APPENDIX 1: SURVEY QUESTIONNAIRE

<u>Business Characteristics Survey</u>

This survey is designed to assess Minnesota state business assistance programs. As a recipient of state assistance, we are asking that you complete this survey and return it in the provided envelope.

I. General Information

1. **Company name:**

2. **Address:**

3. **City:**

4. **County:**

5. **Type of state assistance received:**

6. **Fiscal year application received:**

---

7. **What is the primary nature of your business? (circle one number)**

    a) Manufacturing 1
    b) Retail 2
    c) Wholesale 3
    d) Service 4
    e) other (please specify) ____
    ______________________ 5

8. **Major product or service (indicate):**
    ____
    ____

9. **Indicate the type of project for which you received the assistance. (circle one or more numbers)**

    a) New construction 1
    b) Expansion 2
    c) Renovation 3
    d) Capital equipment purchase 4
    e) other (please specify) ____
    ______________________ 5

10. **Is the project completed, has the construction, expansion or renovation been finished or the capital equipment purchased? (circle one number)**

    Yes 1
    Date completed: ______

    No 2
    Estimate the percentage of the project that is completed and the completion date:
    Percent completed ___
    Projected completion date ______

II. Business Market Area

11. Estimate the geographic distribution of your market area, in terms of gross sales, one year ago. (give a percentage for each area)

a) Minnesota	____
b) Upper Midwest except Minnesota (Iowa, Wisconsin, N. Dakota, S.Dakota)	____
c) U.S. except Upper Midwest	____
d) Foreign	____
Total	100%

12. Has this geographic distribution changed in the last year? (circle one number)

Yes 1 go to 12a then continue
No 2 go to 15 and continue

12a. What is the current geographic distribution of your market area in terms of gross sales? (give a percentage for each area)

a) Minnesota	____
b) Upper Midwest except Minnesota (Iowa, Wisconsin N. Dakota, S. Dakota)	____
c) U.S. except Upper Midwest	____
d) Foreign	____
Total	100%

13. If there was a change in your market distribution, how important was the project to that change (by hiring additional sales staff, etc.)? (circle one number)

a) Very important	1
b) Important	2
c) Somewhat important	3
d) Not important	4
e) No change	5

14. Would you attribute the change in market area to any other factors? (rank 1 through 4)

a) Local economic conditions	____	1
b) Changes in competition	____	2
c) Regional economic conditions	____	3
d) National economic conditons	____	4
e) other (explain) ________________	____	5

III. Business Activity

15. What is your annual gross sales for calendar year 1985? (indicate) ______________

16. Did your 1985 sales level: (circle one number)
    a) Exceed expectations 1
    b) Meet expectations 2
    c) Not meet expectations 3

17. How did your gross sales change since 1984? (circle one number)
    a) Increased more than 50% 1
    b) Increased between 10% and 50% 2
    c) Increased between 1% and 10% 3
    d) Stayed the same 4
    e) Decreased 5

18. How important was the project to changes in your sales level? (circle one number)
    a) Very important 1
    b) Important 2
    c) Somewhat important 3
    d) Not important 4
    e) Project not completed 5

19. How much do you expect sales to change in the next year? (circle one number)
    a) Increase more than 50% 1
    b) Increase between 10% and 50% 2
    c) Increase between 1% and 10% 3
    d) No change 4
    e) Decrease 5

20. How important do you consider the project's contribution to your company's future growth? (circle one number)
    a) Very Important 1
    b) Important 2
    c) Somewhat important 3
    d) Not important 4

21. Why would you consider the project important or unimportant for future growth? (please specify) ____________________
    ____
    ____
    ____

22. Do you expect to expand your product line, or diversify your business in the next year? (circle one number)
    Yes 1
    No 2

23. Will you be making any significant capital expenditures in the next year? (circle one number)

Yes 1 go to 23a then continue
No 2 go to 24 and continue

23a. If yes, what would be the dollar amount? (circle one number)

a) Under $100,000 1
b) $100,000 to $500,000 2
c) $500,000 to $1,000,000 3
d) Over $1,000,000 4

VI. Program Assessment

24. Have you been contacted by any other states within the last year? (circle one number)

Yes 1
No 2

25. What is your assessment of the Minnesota business assistance program(s)? (circle one number in each category)

	Very Favorable	Favorable	Not Favorable	No Opinion
Application Processing time	1	2	3	4
Ease of processing (Paperwork, etc.)	1	2	3	4
Professionalism of staff	1	2	3	4
Interest rate	1	2	3	4
Term of loan	1	2	3	4
Financial covenants	1	2	3	4
Other (please specify) ________	1	2	3	4

26. Has the state business assistance application process helped your business in any other way? (circle one number)

Yes 1 go to 26a then continue
No 2 go to 27 and continue

26a. Please indicate the area of improvement. (circle one or more number(s))

a) Business planning	1
b) Employee training	2
c) Marketing strategy	3
d) Management skills	4
e) other (please specify) ____ ________________	5

27. Without the state's financial assistance: (circle one number)

a) This project would have proceeded anyway	1
b) This project would have proceeded, but at a reduced level	2
c) This project would have proceeded, but in another state	3
d) This project would not have proceeded	4

28. Have you used other state or local economic development programs? (circle one or more number(s))

a) MEED	1
b) Tax Increment Financing	2
c) Industrial Revenue Bonds	3
d) Opportunities Minnesota, Inc.	4
e) Economic Recovery Grants	5
f) Small Cities Development	6
g) Block Grants	7
h) Employment training	8
I) other (please specify)	9

29. Please indicate any additional comments, criticisms or recommendations that could improve the Department's business assistance programs. (use the back of this sheet if necessary)

Thank you for your cooperation.

RETURN TO:

Minnesota Department of Energy and Economic Development
Policy Analysis Division
Attn: **Scott Lindall**
900 American Center Building
150 East Kellogg Boulevard
St. Paul, Minnesota 55101

9.2 APPENDIX 2: BUSINESS SURVEY CODE BOARD

Variable #:	Name	Descriptor
Variable 1:	ID	Identification number. Code: 001 to 128
Variable 2:	REG	Development Region: Code: 1-West, 2-Northeast, 3-Central, 4-Metro, 5-Southeast
Variable 3:	PROG	State assistance Program: Code: 1-MFLP, 2-MPLF, 3-OMNI, 4-SBDLP, 5-FERF, 6-SERF, 7-More than one program.
Variable 4:	YEAR	Fiscal year assistance received.
Variable 5:	TYPE	Type of business: Code: 1- Manufacturing, 2-Retail, 3-Wholesale, 4-Service, 5-Other.
Variable 6:	SIC	Standard Industrial Classification Code.
Variables 7 to 11: Type of project that was assisted:		
Variable 7:	NCON	New Construction, Code: 0-Yes, 1-No
Variable 8:	EXPN	Expansion, Code: 0-Yes, 1-No
Variable 9:	REN	Renovation, Code: 0-Yes, 1-No
Variable 10:	CAPE	Capital equipment purchase, Code: 0-Yes, 1-No
Variable 11:	OTHP	Other for the type of project, Code: 0-Yes, 1-No
Variable 12:	COMP	Project completed Code: 1-Yes 2-No
Variable 13:	PUCP	1-(Percent completed)
Variable 14:	OMN	Percent distribution of MN Business-1984
Variable 15:	OUMW	Percent distribution of UMW Business-1984
Variable 16:	OUS	Percent distribution of US business-1984
Variable 17:	OFOR	Percent distribution of Foreign buisness-1984
Variable 18:	DISC	Change of geographic distribution: Code: 1-Yes, 2-No

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Variable #:	Name	Descriptor
Variable 19:	NMN	Percent distribution of MN Business-1985
Variable 20:	NUMW	Percent distribution of UMW Business-1985
Variable 21:	NUS	Percent distribution of US business-1985
Variable 22:	NFOR	Percent distribution of Foreign buisness-1985
Variable 23:	PROIM	Importance of the project to the change: Code: 1-Very Important, 2-Important, 3-Somewhat Important, 4-Not Important, 5-No Change.
Variable 24:	SALES	Annual gross sales for 1985.
Variable 25:	SACH	Did your sales levels: Code: 0-Not Applicable 1-Exceed expectations, 2- Meet expectations, 3-Not meet expectations.
Variable 26:	PERCH	Percent change in sales since 1984: Code: 0-Not Applicable 1-Increased more than 50 percent 2-Increased between 10 and 50 percent 3-Increased between 1 and 10 percent 4-Stayed the same 5-Decreased
Variable 27:	IPCS	Importance of the project to changes in sales Code: 0-Not Applicable 1-Very important 2-Important 3-Somewhat important 4-Not important 5-Project not completed
Variable 28:	SAEX	Expectations of sales changes next year Code: 0-Not applicable 1-Increased more than 50 percent 2-Increased between 10 and 50 percent 3-Increased between 1 and 10 percent 4-No change 5-Decreased
Variable 29:	PRGRO	Importance of the project to future growth Code: 0-Not Applicable 1-Very Important 2-Important 3-Somewhat important 4-Not important
Variable 30:	EXPRO	Expect to expand your product line Code: 1-Yes 2-No
Variable 31:	CAP	Capital expenditures in the next year Code: 1-Yes 2-No

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Variable #:	Name	Descriptor
Variable 32:	AMONT	Dollar amount capital expenditure Code: 1-Under $100,000 2-$100,000 to $500,000 3-$500,000 to $1,000,000 4-over $1,000,000 5-Not Applicable
Variable 33:	CONT	Contacted by other states Code: 1-Yes 2-No
Variables 34 to 40-Assessment of Business assistance programs		
Variable 34:	APTM	Application Processing time Code: 1-Very Favorable 2-Favorable 3-Not Favorable 4-No Opinion
Variable 35:	EAPR	Ease of processing the paperwork Code: 1-Very Favorable 2-Favorable 3-Not Favorable 4-No Opinion
Variable 36:	PROF	Proffessionalism of the staff Code: 1-Very Favorable 2-Favorable 3-Not Favorable 4-No Opinion
Variable 37:	INTR	Interest rate Code: 1-Very Favorable 2-Favorable 3-Not Favorable 4-No Opinion
Variable 38:	TRM	Term of the loan Code: 1-Very Favorable 2-Favorable 3-Not Favorable 4-No Opinion
Variable 39:	FINCO	Financial Covenents Code: 1-Very Favorable 2-Favorable 3-Not Favorable 4-No Opinion
Variable 40:	OTHAS	Other assessments Code: 1-Very Favorable 2-Favorable 3-Not Favorable 4-No Opinion
Variable 41:	APPAS	Other assistance from the application process Code: 1-Yes 2-No

Variable #:	Name	Descriptor
Variables 42 to 46-Additional areas of improvement		
Variable 42:	BUSPL	Business Planning assistance Code: 0-Yes 1-No
Variable 43:	EMPTR	Employment training Code: 0-Yes 1-No
Variable 44:	MKTST	Marketing strategy Code: 0-Yes 1-No
Variable 45:	MGTSK	Management skills Code: 0-Yes 1-No
Variable 46:	OTHSK	Other skills Code: 0-Yes 1-No
Variable 47:	WOAST	Without the states assistance the project would have: Code: 1-Proceeded anyway 2-Proceeded at a reduced level 3-Proceeded but in another state 4-Would not have proceeded 5-would have proceeded at reduced level in another state
Variables 48 through 55-Used any other state or local development assistance		
Variable 48:	MEED	MEED Code: 0-Yes 1-No
Variable 49:	TIF	Tax increment finance Code: 0-Yes 1-No
Variable 50	IRB	Industrial Revenue Bonds Code: 0-Yes 1-No
Variable 51:	OMI	Opportunities Minnesota, Inc. Code: 0-Yes 1-No
Variable 52:	ERG	Economic Recovery Grants Code: 0-Yes 1-No
Variable 53:	SCDBG	Small Cities Development Block Grants Code: 0-Yes 1-No
Variable 54:	EMPT2	Employment Training Code: 0-Yes 1-No
Variable 55:	OTHPR	Other programs Code: 0-Yes 1-No

9.3 APPENDIX 3: OPEN-ENDED QUESTIONS

Question 21. Why would you consider the project important or unimportant for future growth?

- We needed a larger area to become more organized - the new building was laid out for our use.
- Enabled us to increase from 29 to 52 lodging units.
- Supplied needed equipment and floor space required for growth.
- Increased efficiency and therefore has made us more competitive in the market.
- Our industry is shrinking. Holding our own is an indication of success. The equipment has helped our ability to compete very materially.
- It gave an interest rate feasible in a time of ridiculous interest rates - they are still high for small business (13%)
- Just re-locating to Minnesota.
- 1. We have received funding for growth and development which would otherwise be difficult, 2. attracting and training of personnel.
- The program provides financial assistance to small companies that would otherwise not have the opportunity.
- To acquire capital equipment in a more timely manner.
- Could not grow without the equipment acquired.
- Too much paperwork, hassle, and personal guarantees.
- Couldn't expand without new building.
- Give much needed room to operate properly.
- It has allowed us additional room for storage and growth.
- Specialty equipment purchased - increasing market.
- Image of firm for clients and employees.
- We now have a base to start from.
- Project created a new business - a base from which to develop growth.
- Provided us with offices and allowed us to leave home.
- Competition forced me to expand.
- When the building was built we needed extra space.

- To try to keep small rural towns prosperous.
- Additional room for assembly and inventories.
- 1. More competitive because of efficient layout. 2. Impressive quarters for new and old customers and prospects.
- Location of office gives higher visibility and easier access.
- The debt burden created could drastically affect financial analysis negatively. Positive - if sales continue to improve, very long term outlook could be good if debt is reduced.
- We can now present the product better and serve customers better.
- Expansion room.
- Control because of ownership of building and land for expansion.
- Meeting customer needs for cheese. Without the building we could not have satisfied our present customers or tried to get any new business.
- Rent - overhead and expansion capabilities.
- Now can offer customers flexibility in materials in and out of our process storage available - direct ship to their customers. Impressive to customers - we mean business!
- Location - efficiency.
- Starting new business.
- Never received the second loan (for equipment) when needed. Any advantages on building and land loan (OMNI) percentage rates have been met on open market, so any savings there are negligible.
- Allowed us to grow and increase production capabilities.
- Larger volume, greater efficiency, better work habits.
- We built a building that allows us greater credibility and stability with our customers. We can now advertise more without the fear of changing address yearly for lack of space.
- Moving from 12,000 sq. ft. to 27,000 sq. ft. allowed room for more employees, equipment, and storage necessary for increased sales.
- Without proper waste water disposal we would have to cease operations.
- Needed the manufacturing capacity.
- Room for expansion.
- Without it we could not have produced all the goods we sold.

- More capacity to build more products.
- Important - we needed the additional storage room for our increased sales.
- Important due to the 17,000 square feet it added.
- There were no facilities like what we have to offer for us to expand into.
- To better meet market demands.
- Important because project enables company to compete in a cost effective manner.
- Helped to hit a higher level of development of company which allowed better innovation.
- The project support was an important part of the total recovery process. Without the recovery, present and future sales levels would not materialize.
- The project enabled us to expand production capabilities that are showing significant results in our current fiscal year.
- It supplied start-up assistance necessary to establish a manufacturing facility with volume efficiency necessary to become competitive in the market.
- Product in a growing market with much potential.
- We never would have survived without it.
- Added capacity to build.
- Keeping people in my resort year around.
- To accomodate more people.
- The addition of 3 cabins is an increase of $8,000 per year. The 5 winter cabins will give us another $6,000 to $10,000.
- Established credit with a bank.
- It is important because we needed the extra space and equipment.
- Project developed groundwork for future expansion.
- Very. We now employ 20 and expect to double that in 1 1/2 years.
- Capital was freed up for development of new product and market expansion.
- Increased company's product line.

- Let us continue growth and expand employment earlier than anticipated.
- We needed assembly and warehouse space before we could solicit larger contracts. Requires time before contracts materialize.
- Without the additional space and modernization we could not continue to compete in our market.
- Unimportant - the grant was rather small.
- Production capacity.
- Development of our machine has opened new prospects for future markets and has made our company competitive in the industry.
- Lack of physical space would not have allowed <u>any</u> expansion.
- Without funding we would have taken a lot longer to get operational.
- The project helped us to get through the research and development.
- We needed room for expansion to make more, sell more, earn more.
- We still have extra floor space for future growth.
- Provides an expanded manufacturing capability related to other _____ manufacturing facilities in Minnesota.
- Provide capability to produce product volume and variety to meet.
- Without the expansion, we would not be able to handle the crowds.
- The low interest rates provided by the project enhanced expansion in Minnesota rather than elsewhere.

Question 29. Please indicate any additional comments, criticisms or recommendations that could improve the Departments business assistance programs.

- We would recommend a program recognizing successful companies and making funds available for future expansions as well as original business startup expenditures.

- A panel or commission comprised of businessmen may help staff professionals judge viability of new products, services or enterprises for which funds are given.

- The pre-grant/loan requirement whereby one must budget dollar amounts by activity, eg. new construction, purchasing machinery and equipment, etc. is a necessary guide to determine if the loan/grant will be made. A certain latitude should be given Grantee to change line item budgets as the business progresses. It would seem that tax payers of Minnesota, DEED, Grantors, and the Grantee would all be best served by a standard grant compliance accounting system. We have instituted such a system. It is both economical and efficient.

- We were very fortunate to have an economic development specialist in the city of ________ to assist and coordinate all aspects of the grant program. Without him, the paperwork could be overwhelming for a private business. The program has been a big help to us now and particularly for the future.

- We have been approached by several sun belt states as well as South Dakota and Iowa. It's very obvious that Minnesota needs to lower the cost of business doing business. High work comp, high unemployment tax, and high income tax are the most severe problems.

- Key element in Department's marketing of programs must be local government assistance who knows industry and can communicate with them.

- The grant/loan program is a good one that has been critical to our young company. And while it is a good reason for doing business in this state, it does not outweigh the various tax overburdens that Minnesota demands. I support the loan program, but the tax climate has driven out far more jobs than this program will create.

- The removal of the 6% sales tax on building materials would help all resorts expand and improve while costing less. My $20,000 loan was used to pay around $1,000 in sales tax so how much did your lower interest rate on $10,000 of it really save me?

- Amount of money loaned should not be based on number of people employed, or at least a larger amount loaned for each person employed. I can see this used in manufacturing but not for small resorts.

- I think we need more assistance programs like this for small resorts so we can update and compete with the larger resorts.

- Some staff people display haughty, if not arrogant attitudes...with little regard for value of time. Compared with other states we have had discussions with, I'm sorry to say, I am not particularly proud of our own.

- The amount of paperwork required is excessive. Our opinion is that about 25% of the volume of paper would have provided the necessary information. The same information was provided in many ways.

- Very fair program.

- Given the success of an individual business DEED should be able to help the same business fund another expansion. And not be turned down because an individual finance officer feels that DEED has done enough. If we can show DEED that economic expansion can be accomplished with outside funds the goals of the DEED program should be met. I still do not feel that we are getting our "fair" share in southwestern Minnesota.

- Our business could double in size given the right programs. (Jobs!)

- The reserve of $130,000 of loan proceeds in a holding account is a hindrance to our company. A company expanding into a new facility needs all the capital it can generate. Our cash needs as we attempt to fully utilize our new building are great. The $130,000 could be utilized to develop additional volume through our facility creating more jobs and lower per unit overhead.

- Have a better control on the Trust Bank that invest monies held in escrow. Borrower should have input and say to improve interest recovery and charges for such investments and to where they go.

- Straighten out Trustee. Project Supervisor's role is "fuzzy" at best. For firms acting as their own general contractor the Project Supervisor's role is ______ redtape.

- I felt the 503 program was a terrific program. My only complaint comes from the closing. It was very difficult to keep communication lines open. Therefore, some of our paperwork was not in on time, delaying the debenture sale about two months. One comment I have is, being this is such a terrific program, I think it should be advertised more. We ran upon it by accident.

- Finance cost for loan we felt was high. Re: Soft costs.

- I do not like to fill out this survey form as it brings back all the frustration and anger incurred during a time of extreme struggle. The comment this spring by the person in the ARA program was a topper! When our president called for our papers again, the comment was "I didn't think you'd still be in business." And this was the person supposedly representing us to the state program!!!

- Bob Heck was super to work with and very helpful. It was very discouraging going through the red tape because a small business person just does not (and should not) have the time to spend. Bob was very supportive however and the final interest rate was excellent! Thank you very much!

- We are located between ____________________ in the middle of nowhere. No bank would help us and ______ County has never tried an IRB, so without the OMNI program we never would have qualified for <u>any</u> private financing. It's great to be here but sure as hell has little appeal to the big money in ________. I'm expanding to _______ and would like to solicit some additional help from you. Dave Drum has been most helpful but the details of the loan application have me bogged down - seemed like the SBA one was easier. Can I get some help from your office? Thanks a bunch for the warehouse help! (#64)

- We are very satisfied with all the help we received in processing our loan. We believe that you gave us the most professional service we have received since we started operations in 1979. We think your department is doing an excellent job.

- My experience with the program has been unfavorable thus far...
  * approval process after initial submission took way too long
  * Debenture agreement was very general in some areas and very restrictive in others...our attempts to resolve the issues are still in process.

- Concern about the banks relationship to the project.

- Input on pitfalls other companies have encountered when taking on projects, ie. architects, banks, financial analysis.
  Project analysis and input prior to start of project, maybe through a referral program to consultants who are experts in each type of project.
  Possibly a board of accomplished business people to review projects for flaws in design, layout, finances.

- Paperwork necessary to finalize project was not already laid out from the beginning. Several documents prepared in application process were done leaving the impression most of hoops had been jumped through but when it came time to close another new set of paperwork was suddenly necessary causing unexpected attorney fees and additional time delays in closing. Left a bad taste in the participating bank and our mouth in the bureaucratic approach.

- With programs like the OMNI 503, Minnesota will grow economically. I am impressed with the department.

- The Department of Development handled the loan application very well. We're very happy with their professional <u>help</u>!

- Stop giving away the ship to attract companies to the state. Assist our home grown business with less real estate taxes, less cost for unemployment and workmans' comp. I agreed with the elimination of your office since little, if any, benefit us. Cost.

- The only negative thing about the loan program we are involved in, is that there was a penalty for early pay-off. This, as far as I am concerned was something that was unfair and unjustified!

- The SBA/Minnesota plan is no longer in use, as I understand. However, the SBA application format was not good because it did not anticipate cost at interim financing for the construction/rehab period. This actually was a very significant expense for start-up. A separate construction budget and time/action projection would have been appropriate - time was money and no one in processing was alert to this. We knew it and brought it to the loan people (SBA) attention but it didn't seem to "compute" - we were short at closing and had to add another sizeable cash in fusion. Project was not overleveraged - owner equity very high in comparison to any "assistance" program for new business. It could have been fatal to start-up success all else being equal.

- Set up time limit. Say 30 days either go or no go and hold to it from both sides.

- The basic requirement when the application was made was for an operating capital loan. This would have better served the needs of this company.

- The Minnesota Department of Energy and Economic Development programs have been an integral part of our success thus far. They have enabled us to accomplish our objectives despite significant non-operational, but required expenditures. We are very grateful and will attempt to return the benefits through employment goal achievement (met thus far) and active community development for Business Development.

- The Department should be commended for its activity overall in Minnesota. Without its assistance there would not be the many small firms in operation in Minnesota today.

- We feel the Department's business assistance programs are excellent in their intent. However, with the anti-business attitude that exists in the State Legislature, it appears you will be continuing to fight an uphill battle.

- 1. New employee training assistance. 2. Property tax and sales tax relief.

- Our experience working with Bob Heck was very pleasurable. Our application was handled speedily and professionally. We enjoyed working with Bob - he always followed through and was always very upfront with us.

- We felt Del Redetzke did an excellent job helping us with this project. Our only complaint is lots of paperwork, legal cost, and the time it takes to get the loan processed. But we would like to say thanks, with your help we were able to expand our operation which in turn created four new jobs.