



Minnesota Case Study

Researchers: Alan Okagaki & Travis Green

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Interviewees

Diana Anderson, President, Southwest Initiative Foundation, Hutchinson MN

Brett Buckner, Managing Director, One MN, Minneapolis MN

Joe Buttweiler, Partnership Development Manager, Consolidated Telecommunications Company, Baxter MN

Vicki Chepulis, Grants & Program Coordinator, Five Wings Arts Council, Staples MN

Dawn Espe, Sr. Regional Development Planner, Region Five Development Commission, Staples MN

Nicole Griensewic Mickelson, Executive Director, Region Nine Development Commission, Mankato MN

Anna Gruber, City & County Programs, SourceWell Region 5, Staples MN

Eryk Haapajoki, Director of Sales, Consolidated Telecommunications Company, Baxter MN

Don Hickman, VP for Community & Workforce Development, Initiative Foundation, Little Falls MN

Cheryl Hills, Executive Director, Region Five Development Commission, Staples MN

Kyle Hoffman, Community Development Planner, Region Nine Development Commission, Mankato MN

Andy Isackson, Director of Member Operations, Consolidated Telecommunications Company, Baxter MN

Arlene Jones, Executive Director, Sprout, Little Falls MN

Bernadine Joselyn, Director of Public Policy and Engagement, Blandin Foundation, Grand Rapids MN

Jane Leonard, President, Growth & Justice, St. Paul MN

Kevin Lindsey, President, Minnesota Humanities Center, Saint Paul, MN

Bob McLean, Principal Executive Officer, Happy Dancing Turtle, Pine River MN

Sonja Merilld, Director of Grants, Blandin Foundation, Grand Rapids MN

Eric Muschler, Program Officer, McKnight Foundation, Minneapolis MN

Shawn Schloesser, Community and Business Development Specialist, Region Nine Development Commission, Mankato MN

Kate Searles, Research Director, Growth & Justice, St. Paul MN

Quinn Swanson, Executive Director, Happy Dancing Turtle, Pine River MN

Luan Thomas-Brunkhorst, Chamber Director, Long Prairie Chamber of Commerce, Long Prairie MN

Rick Utech, Executive Director, Todd County Economic Development Corporation, Long Prairie MN

Robin Weis, Economic Development Director, Southwest Regional Development Commission, Slayton MN

Background

- **Intent:** The original intent of the Minnesota site visit was to examine two efforts: Growth & Justice, a research and advocacy nonprofit whose mission is to develop and advocate for public policy that makes Minnesota's economy more prosperous and fairer for all; and the Minnesota Initiative Foundations (MIFs), six regional development entities created by the McKnight Foundation. Growth & Justice's signature activity is the *One Minnesota Equity Blueprint*, a comprehensive policy agenda and socio-economic contract for achieving rural-urban and racial economic equity and inclusive



growth. Over their 30+ year history, the Initiative Foundations have awarded over 32,000 grants in Greater Minnesota¹ and leveraged over \$190 million for a variety of projects.

- Community Development Systems: To best understand Growth & Justice, we visited a number of its partners, most notably three of Minnesota’s Regional Development Commissions (RDCs). Additionally, for one of the RDCs, we met with seven of its partners to gain still more perspective about RDCs and the One Equity Blueprint.

The narrative that emerged was less about Growth & Justice or the Initiative Foundations as discrete institutions but rather the presence of local and regional community economic development systems. These regional systems are tied together through a layer of state-wide institutions and networks that facilitate shared learning and joint state-wide initiatives and policy agendas. The regional and state-wide systems encompass governmental, non-profit, and for-profit actors and are supported by public, philanthropic and private funding. Accordingly, this site report is about these systems as a whole.

Organization

Our inquiry investigated three primary types of organizations within the system:

- Regional Development Commissions: The Regional Development Act of 1969 set up a process for creating regional development commissions (RDCs) – public entities governed by boards with private, public and civic sector representatives. Ten serve Greater Minnesota performing the planning and coordination functions associated with metropolitan planning organizations. All the RDCs are Economic Development Administration economic development districts. Many also operate federally-funded programs such as aging services.
- Initiative Foundations: In the 1980s, Minnesota experienced a farm crisis which precipitated foreclosures, bankruptcies, and a general failure of the rural economy. In response, the McKnight Foundation launched six regional foundations whose purposes were to diversify the rural economy and foster healthy places for people to live. Each initiative foundation is independent and serves its region with grants, business loans, programs and priorities, and donor services. As community foundations, the MIFs are positioned to capture local wealth and reinvest it in their regions. As of 2017, their combined endowments exceeded \$300 million and their loan portfolios totaled almost \$70 million.²
- State-wide Structures: Minnesota has an unusually well-developed set of state-wide organizations that tie together the different regional and local development organizations. Minnesota Rural Partners, created in the late 1980s, was the original coordinating hub for rural development. When federal funding was cut in the early 2000s, the Regional Economic Development (RED) Group was formed in 2004 “to advocate for regional development and realign existing systems with the ultimate goal of increasing business and workforce growth in greater Minnesota.”³ The RED Group is active today. Its participants include the initiative foundations, the RDCs, the state Chamber of Commerce, the state colleges and university system, state Department of Employment and Economic Development (DEED) and other public, private, and non-profit entities. In addition, the initiative foundations meet regularly as do the RDCs through their statewide network, the Minnesota Association of Development Organizations (MADO).

¹“Greater Minnesota” refers to all of Minnesota outside the Twin Cities metro region.

² McKnight Foundation. “Fact Sheet: The Minnesota Initiative Foundations.” https://www.mcknight.org/wp-content/uploads/16_MIF_factsheet.pdf

³ <https://www.greaterminnesota.net/regional-economic-development-red-group/>



The regional development entities often coordinate with the Coalition of Greater Minnesota Cities (CGMC) which brings together city officials primarily for state advocacy and its sister organization, the Greater Minnesota Partnership, which advocates for economic development policies and resources that benefit rural Minnesota.

- **Growth & Justice:** Growth & Justice was founded as a non-profit organization in 2002 on the belief that economic growth must benefit everyone, that growth and justice are fundamentally connected. G&J functions as the parent organization for Thriving by Design, a website and network staffed by G&J employees, through which the One Minnesota Equity Blueprint is being developed. The vision behind the Blueprint is to create a new state Rural Urban Development Act that embodies three themes: “a persistent concern and focus on rural and urban interdependence, a high priority on racial equity and other aspects of social justice, and a stronger integration of climate action with equity in all aspects of policy-making.”⁴ The Blueprint’s Policy Agenda for 2019-2020 includes Democracy and Civic Health; Economic Development; Climate Action and Environment; Infrastructure, Transportation and Transit; Education, Early Childhood through Post-Secondary; Broadband & Digital Inclusion; Housing; Immigration; Criminal Justice Reform; Taxes, Budgets, and Investments.

Context

- **Demographic and Geographic Overview:** Minnesota has a population of about 5.6 million people and a land mass slightly less than 80,000 square miles. 83 percent of the state’s land is mixed cropland. Over half of the population is concentrated in a seven-county region commonly referred to as the “Twin Cities.” These seven counties are governed under the Metropolitan Council, a regional planning organization. The Minneapolis-St. Paul-Bloomington metropolitan statistical area, as designated by OMB, encompasses an additional nine counties for a total population over 3.6 million. Minnesotans generally think of the Twin Cities metro area as “urban” and all of the rest of Minnesota, referred to as “Greater Minnesota”, as rural. However, three other cities have populations over 50,000 (Rochester (117,000), Duluth (86,000) and St. Cloud (66,000)) and should be considered urban centers. Many other counties or regions are anchored by one or more micropolitan cities (population 10,000 – 50,000). The generalization of Greater Minnesota as “rural” is simplistic and potentially somewhat misleading.
- **Regional Framework:** In 1969 Minnesota state government divided the state into 11 regional development districts and created the enabling authority for regional development commissions. At that time, more and more federal programs were requiring multi-county geographies for funding which in turn spawned new collaborations and multi-county organizations each of which defined its “region” however it wanted. At the state level, agencies were using some 80 different sub-state regional delineations, often with no logical rationale for the regional boundaries. This proliferation of regional definitions created confusion and exacerbated difficulties in coordinating services. To ameliorate this problem, the state established standard regions, each defined as a set of contiguous counties. The regional district boundaries have largely been followed. As a result, regional development entities usually have service territories that align with each other. Not only does this facilitate programmatic collaboration but it also encourages collegial relationships because one is working with the same people all of the time.

⁴ Thriving by Design, *One Minnesota Equity Blueprint Policy Priorities For the 2019-20 Legislature*.
https://growthandjustice.org/publication/One_MN_Equity_Blueprint_2019-20_Policy_Priorities.pdf



- Population and Economic Trends: Although more than 4/5 of the land is consumed by farming, employment in the sector has declined from 134,000 people in 1970 to 78,000 today. Most rural Minnesota counties are aging and losing population. However, within any region, some communities thrive, some hold their own, while others fade away. The stronger communities have become economic hubs, collecting and incubating business activity. Manufacturing, both food processing and non-food industries, continues to be an important part of the rural economy. Within counties and regions, employment is concentrating in cities and towns that have competitive advantages and good local leadership. Meanwhile, desirable places with less employment are attracting commuters as residents, while towns that lack competitive advantage or amenities lose population and decline.
- Immigration and Workforce: As counties age or lose population, they experience workforce shortages which in turn have drawn immigrants from urban centers but also some recruited directly from Latin America by employers. Consequently, many areas are coping with assimilating these new populations into their communities. Some areas are working at being a “Welcoming Community” – developing local skills for diversity, inclusion, and cultural competence.

Collaboration

- Local Collaboration and Functional Ecosystems: Interviews with five regional development organizations in different parts of the state confirm a high level of collaboration on local economic development projects. These regional entities operate in an environment where each county usually has its own economic development staff as do many cities and towns. Often these local entities will initiate an economic development project, for example assisting an existing business with expansion. The MIFs and the RDCs are rural development hubs. They are adept at bringing together the resources, expertise, and partners necessary for the local project to succeed. Partners span a full spectrum of public, private, and non-profit organizations in a wide span of issue areas. The MIFs and RDCs have helped construct support ecosystem that generally seems to function effectively.

Meanwhile, the regional entities are also focused on systemic problems that inhibit economic growth and vitality, such as housing, workforce development and childcare as mentioned earlier. On these region-wide issues, there also generally appears to be strong collaboration among the different actors.

- DevelopMN: MADO’s “Develop MN” policy agenda illustrates collaboration at a state-wide level. Prior to the One Minnesota Equity Blueprint, MADO undertook a two-year process to craft a Greater Minnesota policy agenda called “DevelopMN.” It synthesizes the CEDS plans of the 10 RDCs, supplemented by data analysis, review of national best practice and meetings with state and local economic development organizations, philanthropic foundations, local governments, state and local elected officials, the business community, and educational institutions. The final strategy is built around four cornerstones: 1) human capital, 2) economic competitiveness, 3) community resources (local values and social, cultural, and natural assets), and 4) foundational assets (such as infrastructure).

Rural-Urban Relationships

- The Rural Urban Compact: Growth & Justice views its work in terms of a rural-urban social compact. Historically, the Twin Cities grew as a processing and distribution hub for many of the agricultural products coming out of the great plains. This economic and cultural interdependence inevitably shaped the social compact between parts of the state. Jane Leonard of G&J said, “People (all over



the state) considered Minneapolis “our city” and the University of Minnesota was “our university.” Everyone cheered for the Gophers.” Senate Bill 1 in 1987, by choosing to make investments in Greater Minnesota, was a re-affirmation of that compact. Over time, that compact seems less present and greater political divides have emerged rooted around economic inequality, race, ethnicity and culture.

- Rural-Urban Interdependencies: Interviewees identified multiple ways the Twin Cities metro area and Greater Minnesota are interdependent:
 - Ecosystem Services, in particular water: Urban centers are dependent on rural watersheds for clean water.
 - Food: Agriculture, food processing and distribution intertwine urban and rural economies.
 - Natural Resources: timber, mines, trees, energy.
 - Identity and Sense of Place: Minnesotans understand themselves in terms of rural places. The boundary waters, the tall grass prairies are part of a collective identity.
 - Tourism
 - Workforce: Younger workers are migrating to rural communities experiencing workforce shortages as the population ages.
- State Policy-Making: State-wide coalitions, which intrinsically require rural-urban connections, are necessary to move policy forward. The state-wide structures such as MADO, the RED Group, and the Greater Minnesota Partnership are important vehicles for building those coalitions. Also, the policy interests of urban and rural community economic development professionals frequently align. Housing supply and affordability, child care, workforce preparation, aging infrastructure, brownfield clean-up, and assimilating recent immigrants into workforce and community are challenges common to the Twin Cities and Greater Minnesota and require state-level policy action rather than being solvable solely through local or regional initiatives.

Equity

- Intentionality: A concern for equity was present in the three RDCs and the two Initiative Foundations visited. Equity is conceived in terms of both income and race/ethnicity. Equity outcomes are achieved through strategies and programs that meet the needs of those populations (affordable housing, childcare, workforce development, entrepreneurship training) and through targeted outreach and specialized programs. For example, the (Central Minnesota) Initiative Foundation conducts entrepreneurial training specifically for the Somali community.
- Growth & Justice: Equity was a founding principle of G&J; its premise was that a successful economy must lead to prosperity for all. G&J’s partner in developing the One Minnesota Equity Blueprint is OneMN.org, an organization with strong ties to communities of color. The specific policy recommendations were decided at a December 2018 convening comprised of a representative from each state senate district so that the group matched as closely as possible Minnesota’s projected race and ethnicity distributions for 2040.
- Workforce and Welcoming Communities: The RDCs and the Initiative Foundations have been strengthening the capacities of rural communities to address local resistance to changing race, ethnicity, and culture. This work is often conducted under the rubric of “Welcoming Communities” – events, programs, and outreach to help communities understand and accept these new residents. Workforce shortages have often led the business community to participate in the broader Welcoming Community efforts.
- Foundation Influence: Our sense is that the more progressive foundations have been influential in moving regional development organizations towards equity. Blandin has a training program called



“Leadership in Ethnically Diverse Communities” to increase the capacity of rural leaders to develop inclusive communities and reduce systemic racial and cultural barriers. It has funded innovative programs such as Region 5 Development Commission’s pioneering Welcoming Communities work. More generally, as a funder of development organizations in Greater Minnesota, it can communicate its perspective and help them learn cultural competence skills.

Commentary

- Uniqueness: One could argue that the “systems” that we found in Minnesota are no different than those found in other states. For example, Minnesota’s regional development commissions are like EDA economic development districts seen all over the country, the initiative foundations are like other community foundations, and MADDO, which has been instrumental in building state-wide agendas, has analogues in most states. While true at a surface level, our qualitative judgment is that the development infrastructure is more robust, and the depth of collaboration and functionality is markedly higher than we have seen elsewhere.
- History: The present state of community economic development in Minnesota – including the high degree of collaboration and regional strategies -- is a product of deliberate public policy choices, investments in rural areas, and leadership development over a long period of time. The theme of regional approaches was initiated in the state’s 1969 Regional Development Act that set up the regional district boundaries and the RDCs. Senate Bill 1 in 1987 reaffirmed the rural-urban relationship and provided seed funding for the Initiative Foundations. The state-wide structures such as the RED group and MADDO have continued this tradition of collaboration, regionalism, and have helped advance efforts in diversity and inclusion. Thriving by Design and the Equity Blueprint build on that foundation and take it another step forward.
- Community Economic Development Practice: Nationally, economic development and community development are usually separated. However, the RDCs and the Initiative Foundations see the work as one and the same. Both perceive the critical economic development issues to be housing, childcare, and workforce preparation. This is a far cry from the common refrains of reduce taxes, cut regulation, and recruit business through public subsidy. This shift has been prompted partly by rural workforce shortages which have forced greater communities to respond to housing, childcare and workforce development needs. Another factor integrating community and economic development might be that the MIFs and the RDCs are “hybrid” institutions. The MIFs are community foundations that make social purpose grants, but they also have small business development and lending functions much like CDFIs. Similarly, the RDCs conduct planning and programs for transportation, housing, land use, social services and the like but they are also economic development districts with business lending functions. They too must combine social purpose programming with economic development.
- Investment: Balancing investment between urban and rural areas is a central theme of the rural-urban compact and of the One Minnesota Equity Blueprint. Other interviewees talked about the need to equitably invest in both rural and urban areas. Policy debates are too often framed as a false choice between rural and urban. The message behind “One Minnesota” is that everyone benefits if we invest in both. The social compact is a political consensus that permits equitable investment in rural Minnesota.
- Philanthropy: Minnesota’s strong regional economic development system exists because of consistent funding over a long time by several foundations, most notably the McKnight and Blandin foundations. As a result, Greater Minnesota has a more highly developed non-profit infrastructure



compared to other parts of the country. By investing in the RDCs, we hypothesize that the foundations have not only built their capacity but also exposed them to a broader spectrum of perspectives than is commonly seen among local economic development organizations.

- **Leadership:** The strong regional development systems are also a product of local leadership which has also been cultivated, in part by foundation investment. The Blandin Foundation’s leadership program has trained over 7,000 leaders in about 600 rural Minnesota communities since 1985. The Bush Foundation has offered fellowships for community leaders since 1965, approximately 2300 fellows in total. Just as foundation investment have had a cumulative effect of strengthening institutional capacity in rural areas, we believe that these leadership investments have had an analogous impact in Greater Minnesota.
- **Knowledge Sharing:** The statewide structures such as MADO and the RED Group have helped accelerate shared learning which in turn makes it easier to coalesce around state policy agendas and priorities. For example, we were struck by the similarities in issue framing between the three RDCs, the two Initiative Foundations, and the One Minnesota Equity policy agenda. The high degree of communication has led to a more common understanding of issues and agendas.
- **Political and Cultural Divides:** Nearly all the interviews touched on the political and cultural divides in the state or their region, analogous to the toxic national political climate. Rural Minnesota is going through significant cultural and demographic changes, often precipitating a backlash. The problem extends to urban areas where liberal residents are quick to dismissively characterize Greater Minnesota as “Trump country.” Rural practitioners acknowledge how difficult their work has become because of highly vocal conservative activists. Although urban-rural coalition building should be possible given commonalities of interest, it is difficult to negotiate in a climate of stark political division.



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