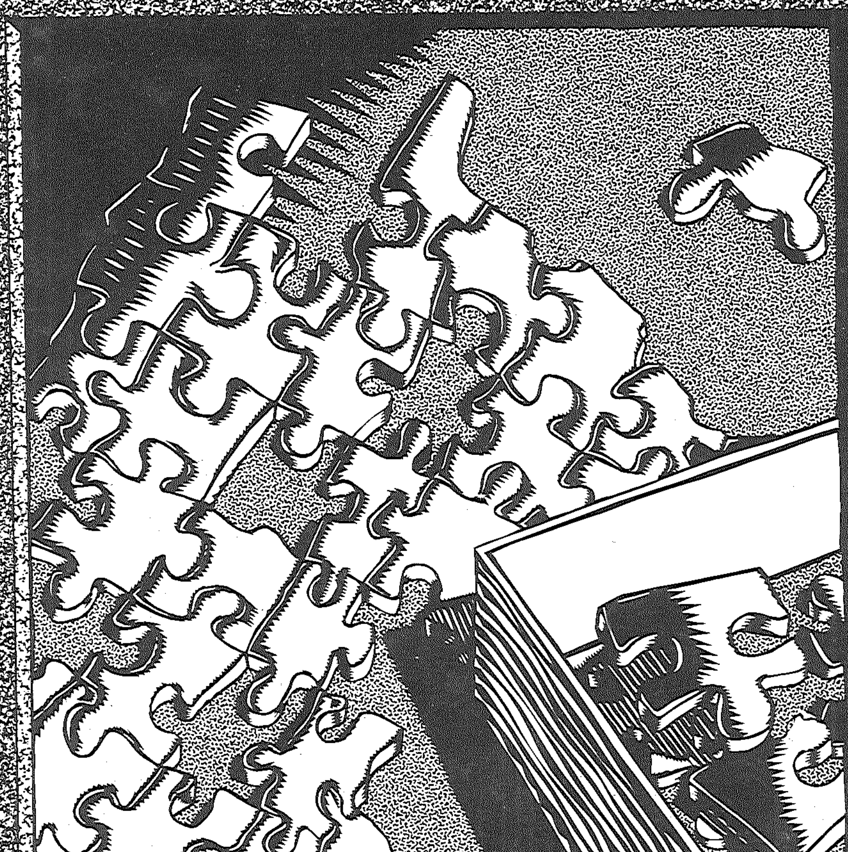
POLICY PERSPECTIVES



REGIONAL DIVERSITY: RE-EXAMINING THE URBAN–RURAL

PREFACE

A basic goal of the Minnesota State Planning Agency is to provide objective, policy-relevant information about the state's people, its economy, and its environment. The Agency is charged with preparing comprehensive, long-range recommendations for the orderly and coordinated growth of the state.

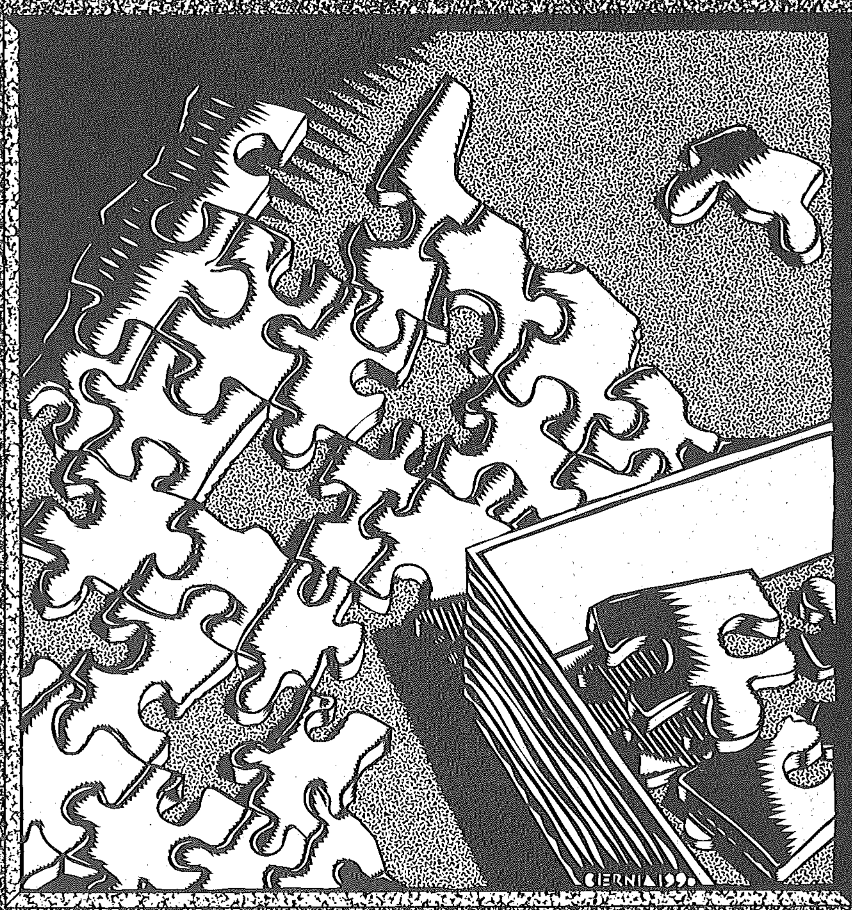
Policy Perspectives is a series of policy guides designed to encourage creative thinking about difficult, long term policy problems. Each edition in the series will explore new ways of thinking about issues, demonstrating how different points of view suggest different problem-solving approaches. The goals of *Policy Perspectives* include:

- viewing issues from a long-range perspective;
- providing an inventory of what approaches to a problem Minnesota and other states have tried;
- promoting a comprehensive, coordinated approach to policy making,
- increasing the likelihood of innovative solutions; and
- avoiding future crises by drawing attention to emerging problems before they become unmanageable.

Policy Perspectives is a product of the State Planning Agency's long range policy planning process. The process includes systematic analysis of policy-relevant trends, identification of emerging issues affecting state government, and research directed at identifying and evaluating alternative policy responses.

Minnesota State Planning Agency
658 Cedar Street
St. Paul, Minnesota 55155
(612) 296-7819

POLICY PERSPECTIVES



REGIONAL DIVERSITY: RE-EXAMINING THE URBAN–RURAL DICHOTOMY

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

REGIONAL DIVERSITY: REEXAMINING THE URBAN-RURAL DICHOTOMY

The State Planning Agency brings a new perspective to ongoing issue areas confronted by state policy makers. The agency is committed to long-range planning. This Policy Perspectives *report is the first in what will be a series of discussion pieces on key issues that would benefit from another look from a new perspective. The goal of this effort is to provide insight, and of equal importance, to provide for a useful perspective for the improvement of the policy making process.*

In this first report, "**Regional Diversity: Reexamining the Urban-Rural Dichotomy**" we emphasize that it is important to consider Minnesota's diversity when setting statewide policy. The report suggests a more flexible approach (vs. the traditional rural-urban dichotomy) and proposes specific guidelines to use when setting new policies. The report is published in four sections.

The first section is called: **Minnesota in the Mind's Eye: The Idea of Urban-Rural Dichotomy**. This introductory piece gives the reader a context in which to begin thinking about how we divide the state for policy purposes. Some of the divisions are based on the way data is gathered, or on geographical or political boundaries. Some of the divisions are intuitive. This raises questions about the tendency to divide Minnesota into urban and rural parts. People define rural and urban Minnesota differently. There is no simple definition.

The second section is called: **Regional Diversity: Patterns of Minnesota Growth.** This analysis challenges the most common way of thinking about Minnesota, as only rural vs. urban or Metro. vs. Greater Minnesota. This report questions the usefulness of perceiving our state as if it were two separate worlds, rural and urban. This analysis also provides commentary on the implications of particular patterns of growth and change in the state.

By looking at population and economic trends over time, as well as a number of other variables, such as socioeconomic issues, we show the shortcomings of the "two Minnesotas" model. There is evidence to support dividing the state into at least three categories: 1) urban; 2) regional trade and service centers; and 3) rural. Indeed, the conclusion of this analysis is that even within those categories, great diversity exists.

Some of the findings of this analysis are:

- Minnesota's economic activity is disproportionately concentrated in the Twin Cities.
- Population and economic growth outside the Twin Cities is increasingly concentrated in a series of regional trade and service centers.
- The economies of the regional trade and service centers appear to be growing relative to other communities in the region.
- Rural Minnesota contains areas of strong growth (larger cities and recreational lake communities), and regions of long-term decline (areas dependent on agriculture).
- Much of rural Minnesota faces the dual challenges of a declining labor force and a growing number of elderly.

Given the nature of the state's diversity as well as the potential for continual change, we suggest that Minnesota tackle its key issues with a more flexible approach. Strategies to consider for better policy enactment statewide include cooperation between political units and a reexamination of existing political boundaries.

The third section of this study is entitled: **Regional Diversity: Dimensions for Policy.** Here we question the fundamental need to divide the state consistently for all purposes. The authors use a variety of existing programs (wastewater treatment, dislocated workers, hospitals, tax increment financing, recycling, local water management, and information access) to demonstrate a new way of thinking about policy development.

The report identifies five major "**dimensions**" of rural-urban diversity: **scale, remoteness, administrative capacity, fiscal capacity,** and **socio-economic conditions.** By looking at the existing policies and programs listed above, it becomes clear that when we take the time to consider these dimensions, better policy/program applications can result.

These programs provide examples which demonstrate how to minimize disadvantages or unfair advantages by considering each dimension when policy is developed. The section concludes with some specific guidelines that should be used when approaching policy with a goal of regional neutrality. They are:

- Account for Minnesota's **diversity** when developing and implementing policies.
- Measure the **dimensions** of the policy and incorporate strategies to address them.
- Select **divisions** of the state and its population that best suit the policy.

The fourth and final section of this *Policy Perspectives* includes a **Bibliography** and two background reports which discuss:

1. National trends in **States Managing Growth**, and
2. **Growth Management Tools for Minnesota Local Governments.**

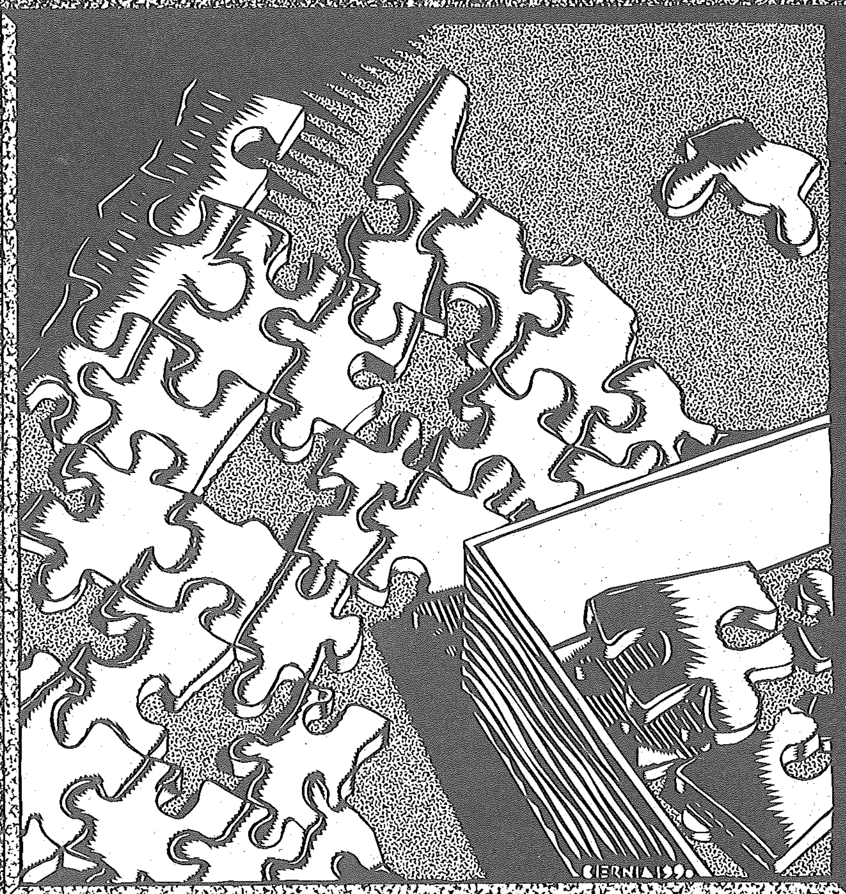
We believe that this new way of thinking about policy development will be useful to policy makers throughout Minnesota.

ACKNOWLEDGMENT

This report, **Regional Diversity: Reexamining the Urban-Rural Dichotomy,** has resulted from a commitment and a cooperative effort from the entire staff of the State Planning Agency. This study could not have been completed without the involvement and expertise of every division of the agency. Chief authors have been acknowledged at the beginning of each section of this report. Particular note should be made of the efforts of Dorothy Petsch on issue identification, and Patrick Ciernia, Don Feeney, and Sandy Henry for their work on final production.

The Minnesota State Planning Agency
For more information: (612) 296-3985

POLICY PERSPECTIVES



REGIONAL DIVERSITY: RE-EXAMINING THE URBAN–RURAL DICHOTOMY

Section 1

MINNESOTA IN THE MIND'S EYE: THE IDEA OF URBAN–RURAL DICHOTOMY

Acknowledgment

J.H. Fonkert wrote this section. Tom Gillaspy facilitated three focus groups on urban-rural issues and contributed ideas, data and maps. The authors thank numerous individuals who contributed time and skills and reviewed and commented on drafts of this section.

This is a section of an overall report, which is the first in a *Policy Perspectives* series. The title of this report is **"Regional Diversity: Reexamining the Urban-Rural Dichotomy."** For more information, contact the State Planning Agency at 612-296-3985, or write: State Planning Agency/ Policy Perspectives/ 300 Centennial Building/ 658 Cedar Street/ St. Paul, Minnesota 55155.

Contents

ABSTRACT

The idea of dividing Minnesota into separate urban and rural parts is deeply ingrained in the minds of Minnesotans. Research for this *Policy Perspectives* project led us to conclude that such "dichotomous" thinking oversimplifies reality. Sound public policy is dependent on a clear and adequate understanding of how needs, expectations, and resources differ across the state. The central question behind these *Policy Perspectives* reports is whether the traditional urban-rural dichotomy is still useful for describing Minnesota or making policy sensitive to varying local conditions.

Diversity creates challenges for policy makers. We subdivide the state for policy purposes in several ways. Boundaries or limits used to categorize places are arbitrary. Boundaries also affect how data are collected. Habitually, reporting data in the same way — i.e., metropolitan vs. greater Minnesota — reinforces the idea that the two groups are fundamentally different and that the comparisons are meaningful.

Minnesotans often talk about urban and rural Minnesota, but they disagree about what is urban or rural. Some include only the Twin Cities as urban. Others consider many smaller cities around the state as also urban. Underlying efforts to define urban and rural areas is an assumption that urban and rural areas are diffferent enough, one from the other, that they need to be treated differently, but the qualities that make a place urban or rural fall on a continuum, making classification difficult.

MINNESOTA IN THE MIND'S EYE: THE IDEA OF URBAN-RURAL DICHOTOMY

Minnesota is a state of contrasts. Its 84,000 square miles include slices of the corn and wheat belts, and the lake-studded north woods. Its communities include small agricultural villages, prosperous regional trade and service centers, tourist and retirement centers, mining centers, Lake Superior ports, and a large metropolitan center enmeshed in the national and international economies.

In short, Minnesota is a complex mosaic of urban and rural.

But, this *Policy Perspectives* study argues that dividing Minnesota into urban and rural parts is deceptively simple.

The Dichotomy Idea

The idea of separate urban and rural Minnesotas is deeply ingrained in the minds of citizens and policy makers. Most commonly, people divide the state into two parts: 1) the seven-county Twin Cities metropolitan area and 2) the 80 counties constituting the balance of the state. Regardless of the terms used — Twin Cities, Metro Area, Outstate, Greater Minnesota — the idea is the same: that there are two Minnesotas, each requiring different solutions for different problems.

We call this idea of separate urban and rural Minnesotas the "urban-rural dichotomy." "Dichotomy" refers to the division of a whole into two contradictory parts, whose contents are mutually exclusive. We use such a strong word to dramatize the strength of the idea that Minnesota can be cleanly divided in two. Our research led us to conclude that such "dichotomous" thinking greatly oversimplifies reality.

This *Policy Perspectives* study explores the importance of the idea of rural-urban dichotomy from two points of view: 1) understanding population and economic growth and 2) designing policy that is sensitive to the diverse characteristics of Minnesota communities. The project had two general goals:

- to examine how commonly-accepted ways of thinking about urban and rural Minnesota influence policy decisions, and
- to explore alternative ways of thinking about Minnesota's geographic diversity.

The Metropolitan-Greater Minnesota dichotomy has long been the accepted geographic framework for thinking about Minnesota. It is so compelling, in part, because the Twin Cities area stands out as the single dominant metropolitan area in the state. It is reinforced by the state's designation of a formal seven-county planning area under the jurisdiction of the Metropolitan Council.

This idea of two Minnesotas dominates most public policy analysis. The seven-county/eighty-county division has become the standard vehicle for describing the state's population and economy. The typical study compares such things as income levels, population growth, housing costs, or crime rates of the two areas. Public opinion polls commonly differentiate between attitudes of respondents living in the two areas.

But, Minnesota's economy and settlement pattern has changed so much over the past twenty years that it seems prudent to ask how the prevailing view of two Minnesotas affects public policy and, more fundamentally, whether the traditional Metropolitan-Greater Minnesota comparisons are still useful.

Implications for Policy

At the core of this *Policy Perspectives* study is the assumption that sound public policy is dependent on a clear and accurate understanding of how needs, expectations, and resources vary across the state. Because it is impossible to consider each of over 850 communities individually, it is necessary to find ways to simplify the picture. The division of Minnesota into urban Metropolitan and rural Greater Minnesota parts is one approach, but there are others. Conceptually, there are any number of Minnesotas: older, central cities and built-up inner suburbs, newer growing suburbs, stable freestanding communities, emerging regional centers, slow-growth agricultural regions, and growing high amenity regions, to name some possibilities. Are there two Minnesotas, three Minnesotas, or more? What ways of simplifying the state's diversity are most useful?

The project consists of two major parts: 1) an examination of changing patterns of population and economic growth in urban and rural Minnesota and 2) an examination of how the policies can be designed to reflect the diversity of our urban and rural communities.

Patterns of Minnesota Growth. This part of the study evaluates the usefulness of the urban-rural dichotomy for accurately describing Minnesota. It describes and analyzes patterns of population and economic growth in Minnesota over the past two decades. It considers the changing size and role of the Twin Cities area, the emergence of other regional centers, and patterns of growth and decline across the state. It divides Minnesota into three parts — the Twin Cities metropolitan statistical area, Greater Minnesota counties containing regional trade and service centers, and rural counties — to illustrate how the traditional Metropolitan-Greater Minnesota division obscures diversity.

Dimensions for Policy. The second part of the study raises an even more fundamental warning. That is, in the rush to divide the state into urban and rural parts, don't lose sight of the real issue: what are the fundamental differenes between communities that need to be taken into consideration when making policy or designing programs? It identifies five dimensions — scale, remoteness, socio-economic characteristics, fiscal capacity, and administrative capacity — that should be considered in policy design.

The central research question behind both parts of the project is whether the traditional urban-rural dichotomy, as expressed in the division of Minnesota into Metropolitan and Greater Minnesota parts, is still useful for describing, analyzing, and dealing with social and economic differences between urban and rural Minnesota.

Two important sets of subsidiary questions arise from the central question:

1. How has widespread acceptance of the traditional dichotomy influenced policy development? How can we tailor programs to deal with geographic diversity in Minnesota? What kinds of bias does the idea of an urban-rural dichotomy introduce into the policy process?

2. What are some alternative ways of conceptually dividing Minnesota for purposes of comparing different parts of the state, or for purposes of making policies or programs sensitive to local conditions?

The report on Minnesota growth and change not only raises questions about the validity of dividing the state into only two parts, but also raises numerous questions about the implications of different patterns of growth in different parts of the state. As a service to the reader, a selected bibliography and two background reports are appended to this *Policy Perspectives* notebook. The first background report is a short history of state-level growth management programs in other states. The second is a brief, descriptive inventory of growth management tools in Minnesota.

The remainder of this introductory report explores two sets of concerns that underpinned this *Policy Perspectives* project. The next section deals with the problem of classifying places for purposes of policy and data gathering. The following section underscores the difficulty of defining urban and rural Minnesota.

The Problem of Making Policy for Diversity

Diversity creates challenges for policy makers. Policies and programs must work in a geographically diverse world. Local places and regions are different enough from one another that uniform state policies are often impractical or politically unacceptable. Older urban neighborhoods have different needs and opportunities than newer suburban areas. Agricultural communities have different problems and capabilities than regional trade centers or tourist area communities.

We subdivide the state for policy purposes in several ways. Some programs differentiate between large and small places, establishing different standards or requirements for places of different size. Other programs set standards based on location, creating different standards for different regions. Sometimes entirely different programs are created for different regions. Usually, the distinction is between the Twin Cities metropolitan area and Greater Minnesota, but some programs are designed for unique regions like the taconite mining area.

The Border Problem. We run into several kinds of problems when we set up classification schemes for public policy. One kind of problem results because jurisdictional boundaries are often arbitrary in the sense that they do not conform to "natural" patterns of economic activity or settlement patterns. This creates the classic "boundary problem." For example, if a metropolitan-wide sales tax were established, shoppers could avoid the tax by shopping just outside the area in which the tax applied. Some federal and state programs make eligibility decisions based on whether or not a community is within a federally designated metropolitan statistical area. One Minnesota hospital reportedly considered moving just a few blocks to be within the area in which higher metropolitan Medicare reimbursement rates applied.*

Most policy makers understand that municipal boundaries can create problems in metropolitan areas. They can also create problems in non-metropolitan areas where growth is spilling over municipal boundaries. For example, much of the growth in the Brainerd area is actually occurring in neighboring Baxter. The two cities are, as a practical matter, one community, but Brainerd, with over 11,000 residents, may be treated differently than Baxter, with only 3,300 residents.

Because patterns of economic activity and settlement are constantly changing, boundaries which make sense today may be obsolete ten years from now. Yet, most boundaries, once established, are very difficult to change. Cities can sometimes annex surrounding territory, but mergers of neighboring municipalities are rare. Regional development commission boundaries are perhaps less sacred, but none have ever changed.

Population limits used to classify cities by size can also be arbitrary. For example, when population thresholds are used to group cities for program purposes, some cities will always fall close to the limit. For example, property tax levy limits apply only to cities over 2,500 population. Cities over 5,000 population receive state highway aid directly from the state, while cities under 5,000 do not.

Data Problems. Boundaries also affect how data are collected. Most data are collected for geographic areas that coincide with political jurisdictions: most often, metropolitan statistical areas or counties, less often cities or townships. Perhaps more importantly, researchers use classification schemes to simplify presentation of data. For example, data are usually more easily digested when presented in a metropolitan vs. Greater Minnesota comparison, rather than presented separately for 87 counties.

This creates two kinds of problems. First, highly aggregated data often obscure important variations within each region or classification. Second, the worth of the classification schemes comes to be taken for granted. Habitually reporting data in the same way — i.e., metropolitan vs. Greater Minnesota — reinforces the idea that the two groups are fundamentally different and that the comparisons are meaningful. The classification scheme can become so entrenched in peoples' minds that it is never questioned. The result can be policy which is based on a distorted understanding of the real world.

Alternative Views of Rural and Urban Minnesota

The division of Minnesota into Metropolitan and Greater Minnesota parts is often used as a kind of shorthand for talking about differences between urban and rural Minnesota. Yet, there is no universally accepted definition of what is urban and what is rural. The Census Bureau has traditionally defined places with at least 2,500 persons as urban. But some smaller places in metropolitan areas are essentially urban, while many larger places outside metropolitan areas are commonly thought of as rural. Instead, being urban or rural is a matter of degree.

What parts of Minnesota are urban? The State Planning Agency asked members of three focus groups to indicate on county-outline maps of Minnesota areas they considered "urban." Although all maps were different, some patterns emerged.

The Twin Cities are unmistakably urban. All the focus group participants colored in an urban area centered on the Twin Cities, but they expressed different ideas about its shape and size. The responses fit into six variations (*Figure 1*):

1. Hennepin and Ramsey counties.

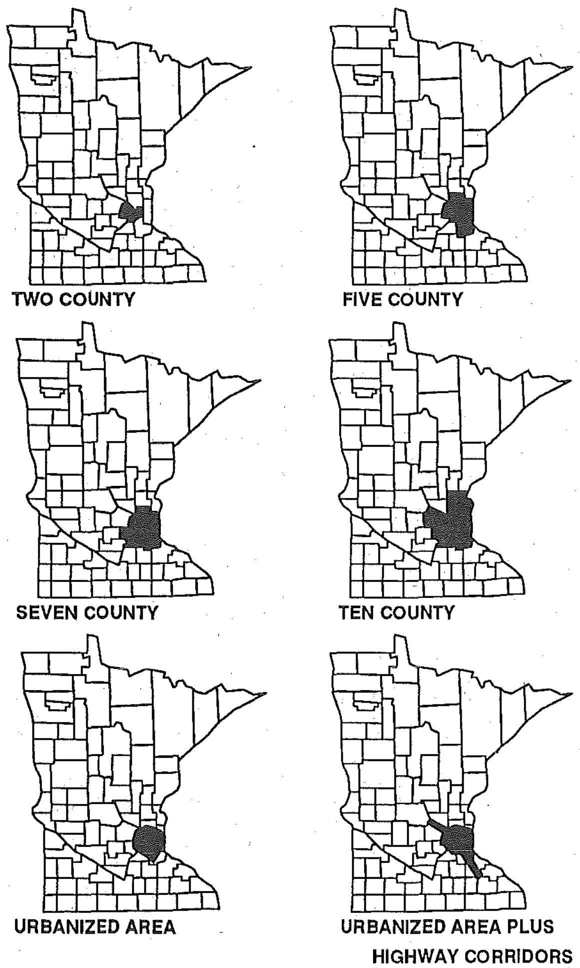
2. A generally circular area centered on Ramsey and eastern Hennepin counties, usually including parts of Anoka, Dakota, and Washington counties, and sometimes parts of Scott and Carver counties.

3. A five-county area including Hennepin, Ramsey, Anoka, Dakota, and Washington counties.

4. A seven-county area including Carver and Scott counties, in addition to Hennepin, Ramsey, Anoka, Dakota and Scott counties. These seven counties comprise the jurisdiction of the Metropolitan Council of the Twin Cities.

* This discussion reflects, in part, ideas expressed by participants in three focus groups convened by the State Planning Agency to help explore urban-rural issues in Minnesota. A written summary of the focus group discussions is available upon request.

Figure 1. **Some Alternative Views of the Central Core of "Urban" Minnesota.**



RESULTS OF MAPS DRAWN BY 22 FOCUS GROUP PARTICIPANTS

5. A ten-county area including Hennepin, Ramsey, Anoka, Dakota, Washington, Carver, Scott, Chisago, Isanti, and Wright counties. These ten counties comprise the Minnesota portion of the federally designated Twin Cities Metropolitan Statistical Area (MSA). The MSA also includes St. Croix County, Wisconsin.

6. An urbanized core, similar to number two above, but including urban corridors along Interstate Highway 94 to the northwest and along U.S. Highway 52 to the southeast. These corridors were portrayed as including urban-type development immediately adjacent to the highways and intersections. Such development was perceived as more related to the urban Twin Cities than the rural countryside.

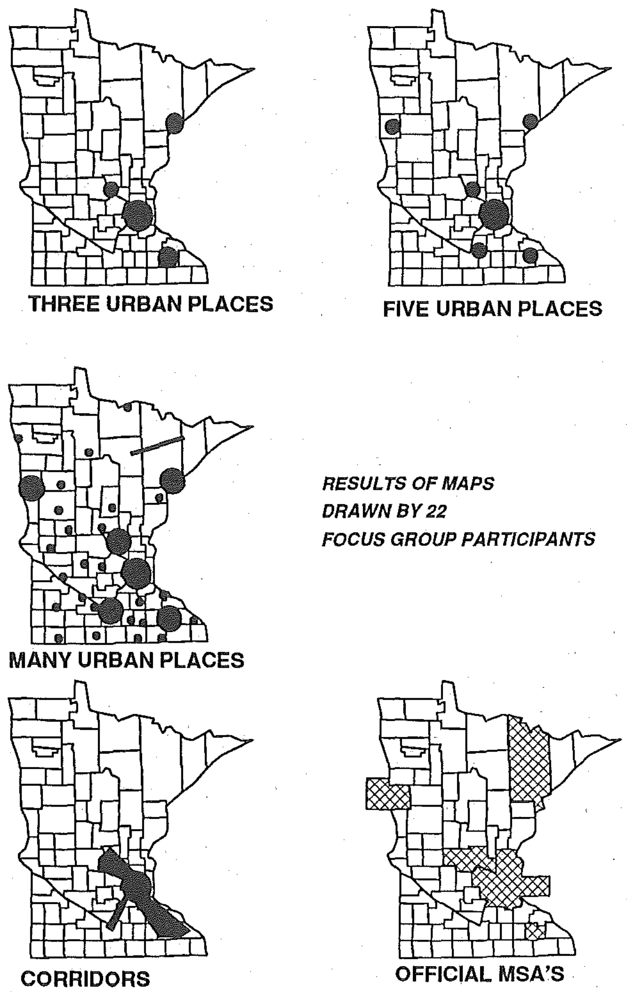
Some respondents also included other areas beyond the Twin Cities as urban (*Figure 2*). Many included Rochester, St. Cloud and Duluth. Some also included Moorhead and Mankato. A few drew maps with many urban places including many small cities scattered throughout the state. One respondent included all cities over 5,000 population, while another sketched a solid urban band along the Mesabi Iron Range.

Other maps showed urban corridors reaching outward from the Twin Cities to include St. Cloud and Rochester. One respondent sketched an urban corridor to the southwest to include Mankato. None of the participants drew a similar corridor to the south along Interstate Highway 35.

Finally, some respondents drew urban areas coinciding with the formal federal definition of metropolitan statistical areas, including the 16 Minnesota counties included in the Twin Cities, St. Cloud, Rochester, Fargo-Moorhead, and Duluth-Superior metropolitan statistical areas. The Mankato area, including North Mankato, is considered urban by many Minnesotans, but does not meet requirements to be a metropolitan statistical area.

Many participants in the map exercise did not limit themselves to county lines when drawing their ideas of urban Minnesota. Yet, for policy purposes, urban and rural are often differentiated along county lines, perhaps because more social and economic data is available for counties than for cities and townships. This causes obvious problems in large counties like St.

Figure 2. **Some Alternative Views of "Urban" Minnesota Outside of the Urban Core.**



Louis or Stearns, which include both urban centers and large less populated areas. When the Metropolitan Council was created in 1969, many people balked at the idea of Scott and Carver county being urban. Today, the 11-county Twin Cities metropolitan statistical area includes Isanti and Chisago counties, large parts of which many people consider still rural.

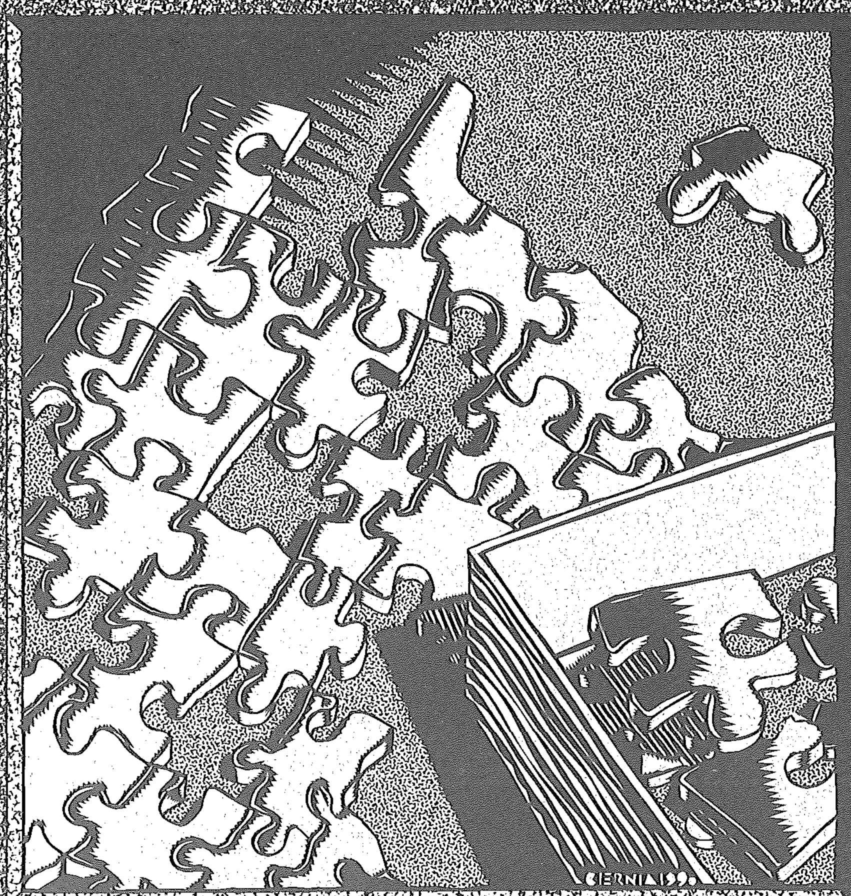
Few widely accepted methods are available for designating urban areas below the county level. Minnesota's rural physician program uses Ranally Areas. Ranally Areas are a proprietary concept of the Rand McNally company, used in its *Commercial and Marketing Atlas*. Ranally areas are based on population density, and are drawn along minor civil division (cities and townships) lines. The Twin Cities Ranally Area does not include the entire seven-county Metropolitan Council area. The Duluth-Superior Ranally Area includes only small parts of St. Louis, Carlton, and Douglas (WI) counties. Rand McNally recognizes Mankato-North Mankato as a Ranally Area, and also includes a small part of Houston County in southeastern Minnesota as part of the LaCrosse, Wisconsin, Ranally Area. A danger in using a proprietary classification such as Ranally Areas is that the defining agency is not politically accountable.

Conclusion

It almost goes without saying that urban and rural areas are different. The dominance of the Twin Cities area as the state's single, major metropolitan area makes it tempting to think of Minnesota as composed of two mutually exclusive parts: urban and rural. Yet, as necessary as some simplifying classification scheme is for making the state's diversity manageable, such efforts at classifying places are fraught with difficulty.

Underlying efforts to define urban and rural areas is an assumption that urban and rural areas are different enough, one from the other, that they need to be treated differently. They may have different problems, different resources, or different capabilities. But, it is difficult to classify individual places as urban or rural because the qualities which make a place urban or rural fall on a continuum. The other parts of this *Policy Perspectives* study further explore the difficulty of simple urban-rural dichotomies.

POLICY PERSPECTIVES



REGIONAL DIVERSITY: RE-EXAMINING THE URBAN–RURAL DICHOTOMY

Section 2

REGIONAL DIVERSITY: PATTERNS OF MINNESOTA GROWTH

ACKNOWLEDGMENTS

Don Feeney was the principal researcher and author of this section. J.H. Fonkert wrote the historical overview portion. Jim Hibbs and Don Yaeger assisted with research and preparation of maps and charts. A steering committee which included David Birkholz, Tom Gillaspy, Mike Kilgore, Rand Kluegel, Suzanne Plass, and Steve Reckers helped guide this portion of the report from its conception. The authors thank numerous individuals who contributed time and skills and reviewed and commented on drafts of this section.

This is a section of an overall report, which is the first in a "Policy Perspectives" series. The title of this report is "Regional Diversity: Reexamining the Urban-Rural Dichotomy." For more information, contact the State Planning Agency at 612-296-3985, or write: State Planning Agency/ Policy Perspectives/ 300 Centennial Building/ 658 Cedar Street/ St. Paul, Minnesota 55155.

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FIGURES

ABSTRACT

Minnesota is often looked at as consisting of two parts: the Twin Cities metropolitan area and Greater Minnesota. This way of dividing the state obscures many important factors which need to be considered when making public policy.

This section illustrates these factors by examining a three-part division of the state: the Twin Cities area, regional trade and service centers, and rural Minnesota. It examines how the characteristics of the population and economy of each of these areas differ and how these characteristics are changing. It also shows not only the significant differences between each of these classes but the diversity which is found within each one.

Each part concludes with a discussion of the policy implications of these trends. An overall summary calls into question the utility of present-day political boundaries which are often based on settlement patterns which no longer apply. It advocates adopting a more flexible approach to substate issues and program administration.

PART I

INTRODUCTION

It has been said that there are two types of people in the world: those who divide everything into two categories and those who do not. The former view is widely expressed in the way Minnesotans view Minnesota. The prevailing view is that of an "urban" Minnesota, usually defined as the Twin Cities, opposed to "rural" or "outstate" or "Greater" Minnesota. This view is reflected in public policy through programs like the "Year of the Cities," the Greater Minnesota Corporation, and the Metropolitan Council. At an earlier time this division may have been accurate.

Times change.

This report concludes that a "Twin Cities-Greater Minnesota" split does not reflect current realities and does not benefit policy development. The populations and economies of some urban centers outside the Twin Cities now more closely resemble those of Minneapolis and St. Paul than they do surrounding rural communities. Some rural areas are growing at rates comparable to those of the Twin Cities suburbs, while others are experiencing painful declines. Suburban sprawl no longer applies only to the Twin Cities metropolitan area. Some suburbs fit the stereotype of wealthy residents, crowded shopping areas, large and growing tax bases and vibrant economies. Others are experiencing problems almost identical to those of the central cities.

Yet recent public policy decisions, based on a division of the state into the Twin Cities and Greater Minnesota, often do not recognize this diversity. For example, the city of New Germany (1988 population 377) is located on the fringe of the Twin Cities area in Carver County. The city is required to recycle 35 percent of its solid waste by December, 1993. Duluth (1988 population 88,299), on the other hand, is only required to recycle 25 percent of its waste.

Minnesota contains over 850 cities, more than 1,500 townships, 87 counties, 435 school districts, unorganized territories, and assorted special districts. Each of these is in some way unique. Yet it is difficult to create and analyze public policy based on 3,000 special cases. Some form of classification system is necessary.

Many classification schemes are geographic, reflected in state law by terms such as "Twin Cities Metropolitan Area," "rural," or "regional development commission." Others, such as "cities of the first class," are not. The "Policy Dimensions" report in this *Policy Perspectives* series proposes several non-geographic dimensions to be considered when formulating public policy.

This report proposes one alternative geographic way of looking at Minnesota and its communities. It divides Minnesota into three groups: the Twin Cities area, regional trade and service centers, and, for lack of a better term, rural Minnesota. For many purposes three divisions may be inadequate: each of these divisions could be further subdivided. The Twin Cities area includes the central cities and older inner suburbs, the rapidly growing outer suburbs, and an urban fringe. The regional trade and service centers include not only the centers themselves but an urban fringe and suburban communities. Rural Minnesota includes, at a minimum, a growth region surrounding the state's lakes and a region of general decline elsewhere.

This three-part classification is but one way of thinking about Minnesota. It does not account for all the diversity that exists in the state, nor does it adequately reflect every demographic or economic trend. It will not prove equally useful for every aspect of public policy. Indeed, there are many policy decisions for which a geographic analysis is not appropriate. It does, however, illustrate the problems and oversimplifications which result from the Twin Cities-Greater Minnesota dichotomy now so widely used.

The report begins with a brief description of historical settlement patterns in Minnesota. Many of our government structures and much of our infrastructure reflect patterns that existed as long as 100 years ago. Understanding how the patterns of today differ from those of yesterday helps suggest policies which may need reevaluation. Discussions then follow of the trends affecting the Twin Cities area, the regional centers, and rural Minnesota. **Each discussion concludes with a section on some implications of these trends for public policy. These implications are not meant to be definitive or exhaustive. They are meant to provoke discussion and debate and to help the reader begin to think about implications in his or her own specific field.**

It is important to remember that most of the trends presented in this report are not unique to Minnesota. Other midwestern states have seen the emergence of regional centers, growing populations in unincorporated areas with lakes, economic concentration in major metropolitan areas, and suburban sprawl. A recent report from the University of Minnesota's Center for Urban and Regional Affairs documents many of the population and economic changes affecting communities throughout the upper Midwest.

A brief note on data: this report was assembled using information from a wide range of sources. Many of these sources present estimates rather than actual tabulations. Most are available only at a county level rather than by city or town. This is unfortunate: county boundaries often do not reflect the geographic, demographic, and economic divisions of the state. This analysis will be greatly enhanced by the coming availability of the 1990 census. Preliminary population figures from the 1990 census were not used because of the likelihood that they will be changed and because of restrictions placed on their use by the U.S. Census Bureau. The final 1990 census tabulations will likely result in minor changes to some of the population trends presented here. Because the census results may show some cities changing from slight population decline to slight gain or vice-versa, we urge the reader to give more attention to aggregate results than to figures for individual cities.

PART II

A HISTORICAL OVERVIEW: HOW WE GOT WHERE WE ARE

Summary:

Agricultural settlement supported a dense network of small cities in southern and western Minnesota during the railroad era. As farm population declined, retail and other services became more concentrated in a handful of larger cities.

The original settlement pattern in northern Minnesota was closely tied to the location of natural resources, especially iron ore. The fate of northern cities has been linked to the ups and downs of the mining and wood products industries, but is increasingly tied to tourism and retirement.

The Twin Cities emerged early as the dominant trade and service center for a large region extending beyond Minnesota's borders. Today, it accounts for roughly half the state's population.

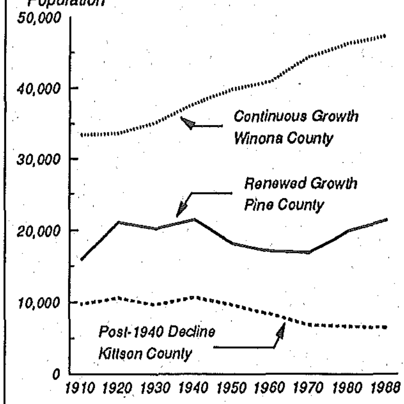
Most areas outside the Twin Cities, St. Cloud, Rochester and Winona areas reached their peak populations by the 1940s. Agricultural areas have generally been declining ever since, but lake areas and areas near growing metropolitan areas have had renewed growth recently.

Three major story lines shaped the present-day map of Minnesota:

- the settlement and subsequent thinning of agricultural population in southern and western Minnesota,
- the alternate booms and busts in the resource-based economy of northern Minnesota, and
- the emergence of the Minneapolis-St. Paul urban area as a regional metropolis.

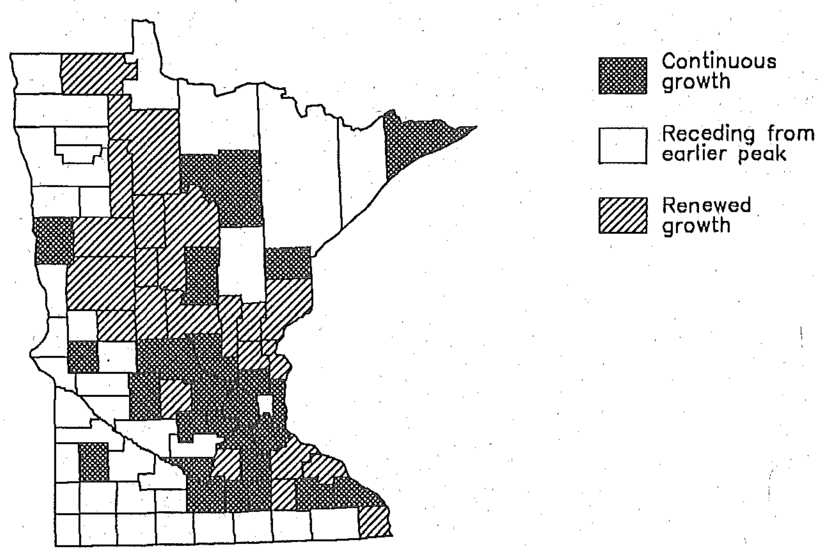
These story lines are reflected in the three different population trends illustrated in Figures 1 and 2. Some areas -- most notably the Twin Cities, Rochester, Winona, and St. Cloud -- have grown every decade. Most other areas of the state reached peak populations before World War II (Figure 3). Most agricultural counties have had declining population ever since, but a number of counties in northcentral and southeastern Minnesota have grown again in recent decades. Most of these counties with renewed growth are in lake areas or near growing metropolitan

Figure 1 **Three Minnesota Population Patterns**



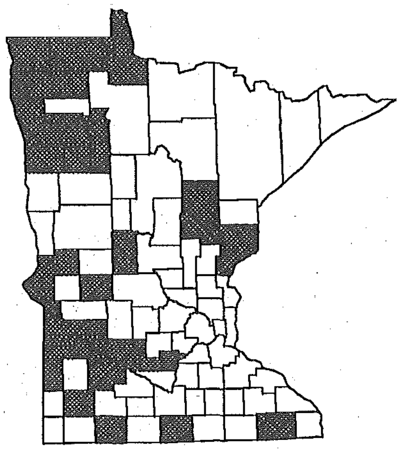
SPA Graphic. Data: U.S. Census and SPA estimates

Figure 2 **Minnesota Population Trend Patterns 1910-1988**



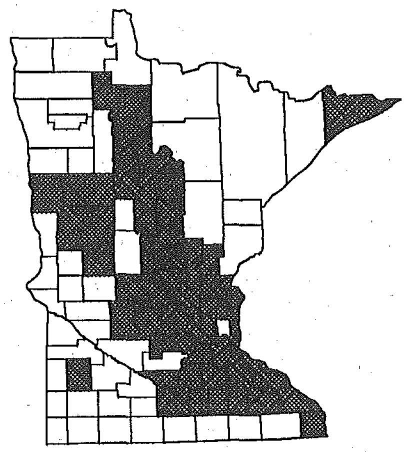
SPA Graphic. Data: U.S. Census and SPA estimates

Figure 3 **Minnesota counties with peak population in 1940 or before**



SPA Graphic. Data: U.S. Census and SPA estimates

Figure 4 **Minnesota counties with peak population in 1988**



SPA Graphic. Data: U.S. Census and SPA estimates

areas. A broad swath of counties from southeastern to northeastern Minnesota are at their largest population this century (Figure 4).

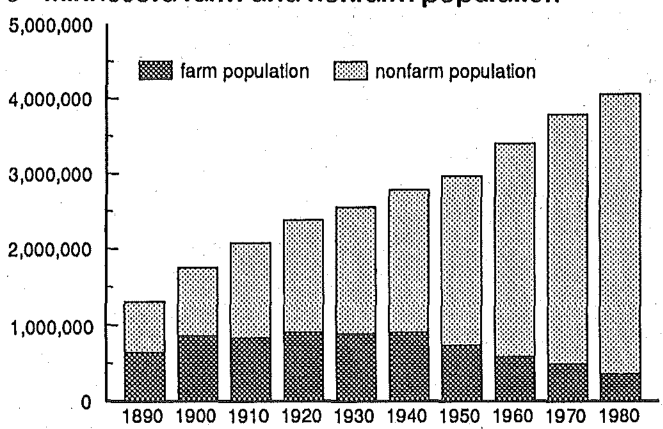
"Streamlining" the Agricultural Web of Small Towns and Cities

Thousands of small family farms established across southern and western Minnesota required a dense network of uniformly spaced small towns and cities to serve as service centers and collection points for agricultural produce. By 1920, the region's settlement pattern was essentially complete. Over 140 cities, mostly small trade centers, reached their peak populations in 1920 or before.

The dominant trend since then has been the "streamlining" of the agricultural railroad era settlement pattern. Expanding highways, motor transportation, and declining farm population reduced the number of trade centers necessary to serve the rural population. Minnesota's farm population fell from 905,000 in 1940 to only 359,000 in 1980 (Figure 5).

Streamlining favored some towns over others. As the density of farm population declined, many small towns were left with a too thinly populated service area to survive as full service centers. Larger cities, which offered more numerous and more specialized retail and professional services were more likely to grow.

Figure 5 **Minnesota farm and nonfarm population**



SPA graphic. Data: U.S. Census

Boom and Bust in Resource-based Industries

The opening of mining on the Vermilion, Mesabi, and Cuyuna iron ranges in the 1880s and 1890s spawned a string of urban settlements whose fortunes were strongly tied to the national industrial economy. These cities owed their location entirely to the distribution of ore. Some small cities like Hoyt Lakes and Silver Bay did not even exist until the beginning of taconite production in the 1950s. Other small cities sprang up around the wood products industry and in popular resort areas.

Not unlike agriculture, mining supported a smaller population base after 1920, due in part to mechanization. War-time demand for ore boosted the mining economy in the 1940s and early 50s, before depletion of easily-mined high grade ore. Ore petered out on the Cuyuna and Vermilion ranges during the 1960s. In the 1970s, taconite pellet technology breathed new life into the Mesabi Range, but a series of economic recessions and foreign competition caused large job losses in the early 1980s. The combined population of

Lake and St. Louis counties declined 24,000 between 1960 and 1988.

Ascendancy of the Minneapolis-St. Paul metropolitan area

The Twin Cities grew up at the margins of these two distinctively different settlement areas as a dominant transport, agri-processing and financial center for a vast region stretching along the westward rails to the Rocky Mountains of Montana. The Twin Cities first achieved dominance as a railroad and food processing center. Duluth-Superior also prospered as a railroad and shipping center for wood and western wheat, but the Twin Cities, which were better integrated into the national market, soon overshadowed the Twin Ports.

The Twin Cities metropolitan area progressively increased its share of Minnesota and Upper Midwest population and economic activity. In 1900, what is now the seven-county Twin Cities area claimed 28 percent of the state's population, with most of the seven-county total living in Minneapolis and St. Paul. By 1970, the seven-county share reached 49 percent of the state total.

By the mid-1960s, there was growing awareness that a multi-county area centered on Minneapolis and St. Paul was a region unto itself, requiring a unique set of institutions and programs. Rapid population growth and sprawling urban development prompted the legislature to create a cast of regional agencies, including the Metropolitan Council, the Metropolitan Transit Commission, the Metropolitan Airports Commission, and the Metropolitan Waste Control Commission to plan for and manage metropolitan growth.

Creation of regional institutions like the Metropolitan Council helped give the seven-county metropolitan area an identity in peoples' minds. It became popular to refer to "The Metro Area." People viewed the Metro Area as a sort of core urban area, surrounded by a largely rural "Outstate Area." During the 1980s, many people objected to "Outstate Area" as condescending, and suggested "Greater Minnesota" as a more acceptable name. "Greater Minnesota" was readily accepted, but the idea of two Minnesotas -- a seven-county metropolitan area and an 80-county nonmetropolitan area persisted.

The rest of this report shows that this two-part view of Minnesota is increasingly unsatisfactory. The Twin Cities share of population and economic activity is still growing, but more slowly than before. A handful of dominant regional trade and service centers are emerging in Greater Minnesota. Both our research and a recent report from the Center for Urban and Regional Affairs at the University of Minnesota show that the gap in economic activity between the largest and smallest cities is growing. Increasing numbers of financially secure retirees, together with tourists and summer home owners have kindled growth in several lake areas in Minnesota.

Implications:

- **Land use and settlement patterns can and do change quickly. We should not assume current trends will continue. Changes in technology (such as transportation and communications), economics (fuel costs and the health of different industries), and climate could cause fundamental redirection of current trends. Long-term building programs and other infrastructure investments should be designed with flexibility in mind so that they can meet tomorrow's needs as well as today's.**

For example, five of the six Regional Treatment Centers (formerly state hospitals) were built before 1940. All but one are outside the Twin Cities metropolitan area. This accurately reflects pre-1940 settlement patterns, but presents problems when half the population lives in one metropolitan area. A system of small, community-based treatment centers, in addition to its merits for patient care, is certainly better able to adapt to changing settlement patterns.

PART III

THE PRESENT DAY: ARE THERE TWO MINNESOTAS?

At least three distinct areas have emerged in Minnesota. One is the Twin Cities area. It is, on average, more rapidly growing (Figures 6-9), and wealthier (Figures 10, 11) than the rest of Minnesota. It is younger (Figure 12), and includes more people of color (Figure 13). Its economy is more diverse.

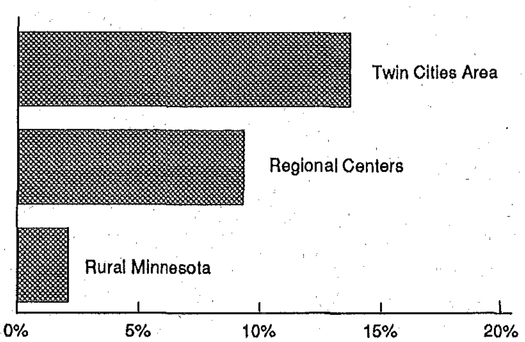
For purposes of comparing the Twin Cities metropolitan area with the rest of the state, statistics for the metropolitan area cited in this report are based on the federally designated metropolitan statistical area (MSA). The Minneapolis-St. Paul MSA includes Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Washington, and Wright counties, as well as St. Croix County, Wisconsin. (The Wisconsin portion is excluded from tabulations in this report.) The federal government uses MSA boundaries for reporting social and economic data about metropolitan areas.

Another group consists of the regional trade and service centers outside the Twin Cities area and their surrounding communities. There are about 13 of these centers, ranging in size from Duluth (1988 population 88,299) to Grand Rapids (1988 population 8,194). On average, these areas are growing, though not as rapidly as the Twin Cities. They have higher levels of income than nearby rural areas, though again, not as high as the Twin Cities. They also increasingly dominate the economic activity of what we have come to call "Greater Minnesota."

For lack of a better term, we call the third group "rural Minnesota," though some cities within this classification are sizeable. On average, populations in this region are declining or growing only slowly. Incomes, again on average, are the lowest in the state. The economy depends much more heavily on agriculture, forestry, or mining, and the region's share of the state economy is steadily declining.

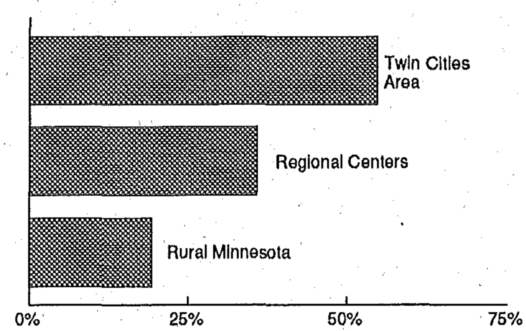
These are just generalities. For every rule cited above there are notable exceptions, and for each of these areas further subdivision is both valid and often necessary for making public policy. The remainder of this report describes each area and its relation to the rest of the state.

Figure 6 **Population Change 1972 - 1987**



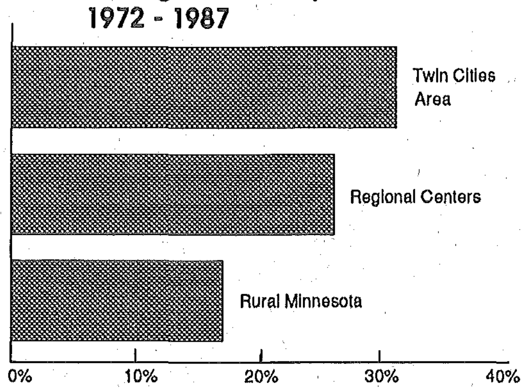
SPA Graphic. DATA: State Planning Agency

Figure 7 **Employment Change 1972 - 1987**



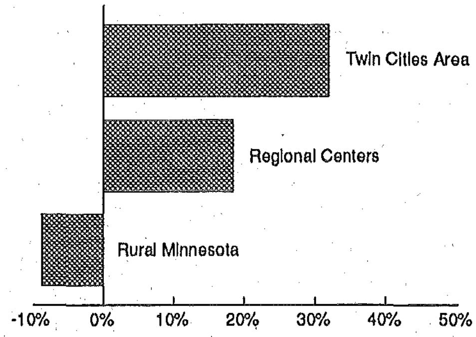
SPA Graphic. DATA: U.S. Bureau of Economic Analysis

Figure 8 **Change in Per Capita Income 1972 - 1987**



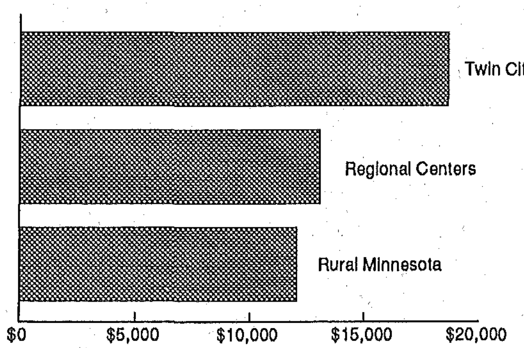
SPA Graphic. DATA: Bureau of Economic Analysis
Note: Data adjusted for inflation

Figure 9 **Change in Retail Sales 1972 - 1987**



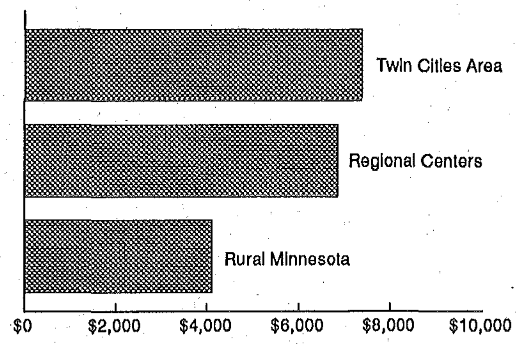
SPA Graphic. DATA: U.S. Census of Retail Trade
Note: Data adjusted for inflation

Figure 10 **Per Capita Income 1987**



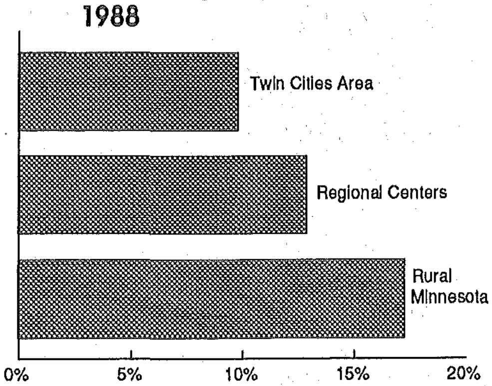
SPA Graphic. DATA: U.S. Bureau of Economic Analysis

Figure 11 **Per Capita Retail Sales 1987**



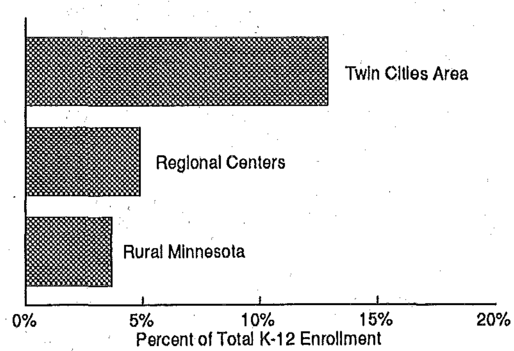
SPA Graphic. DATA: U.S. Census of Retail Trade
State Planning Agency

Figure 12 **Percentage of Population 65 and Over 1988**



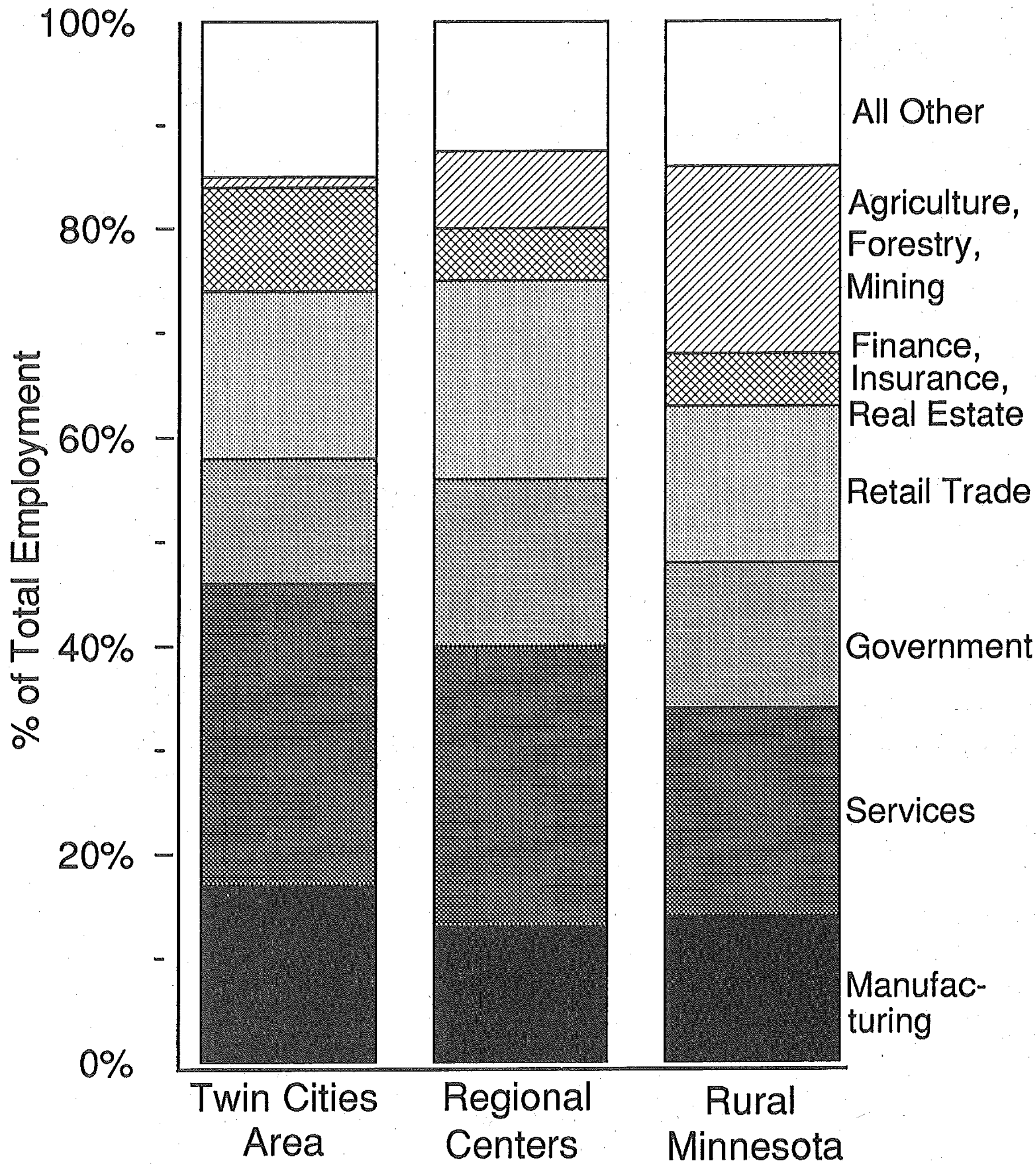
SPA Graphic. DATA: Estimated from Medicare enrollments

Figure 13 **Minority K -12 School Enrollment 1988**



SPA Graphic. DATA: MN Department of Education

Figure 14 **Employment by Industry 1987**



SPA Graphic. DATA: U.S. Bureau of Economic Analysis

THE TWIN CITIES AREA: THE OLD AND THE NEW

Summary

Population growth in the Twin Cities is more rapid than in the rest of the state, though this difference has narrowed considerably in recent years.

Minnesota's economic activity is concentrated in the Twin Cities much more than is population.

Twin Cities area population growth is greatest in newer suburbs and fringe areas. Outward expansion of the densely settled urban area slowed during the early 1980s, but resumed in the last half of the decade.

Tremendous diversity exists within Twin Cities suburbs. Many older suburbs, along with the central cities, are faced with declining populations, a growing number of elderly, and an aging housing stock.

At the end of World War II, the Twin Cities area consisted of the Cities of Minneapolis and St. Paul and a few new suburbs such as Robbinsdale and West St. Paul. Places like Bloomington and Maplewood were still unincorporated, and seemed more like the rural countryside than part of a major metropolis. North St. Paul, Rosemount, and Stillwater were among freestanding cities with identities other than suburbs.

Growth since that time has been dramatic. The population of the metropolitan area (as currently defined) has nearly doubled since 1950. This growth has been characterized by a rapid expansion of the urbanized area surrounding the central cities.

The changing federal definition of the Twin Cities metropolitan area[1] illustrates the area's expansion (Figure 15) In 1950, the area consisted of four counties (Hennepin, Ramsey, Anoka, and Dakota), with Anoka County included only because it contains Colum-

Figure 15 **Federal Definition of the Twin Cities Metropolitan Area**

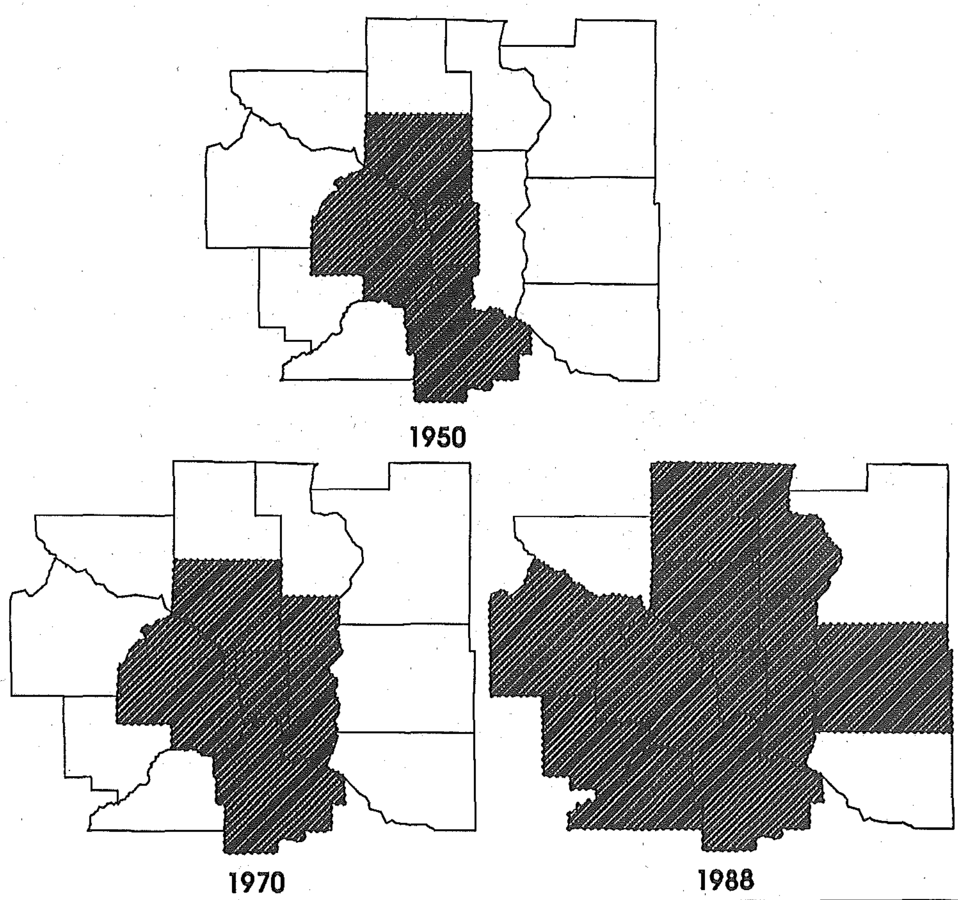


Figure 16 **1988 Population Density (Persons per Square Mile)**

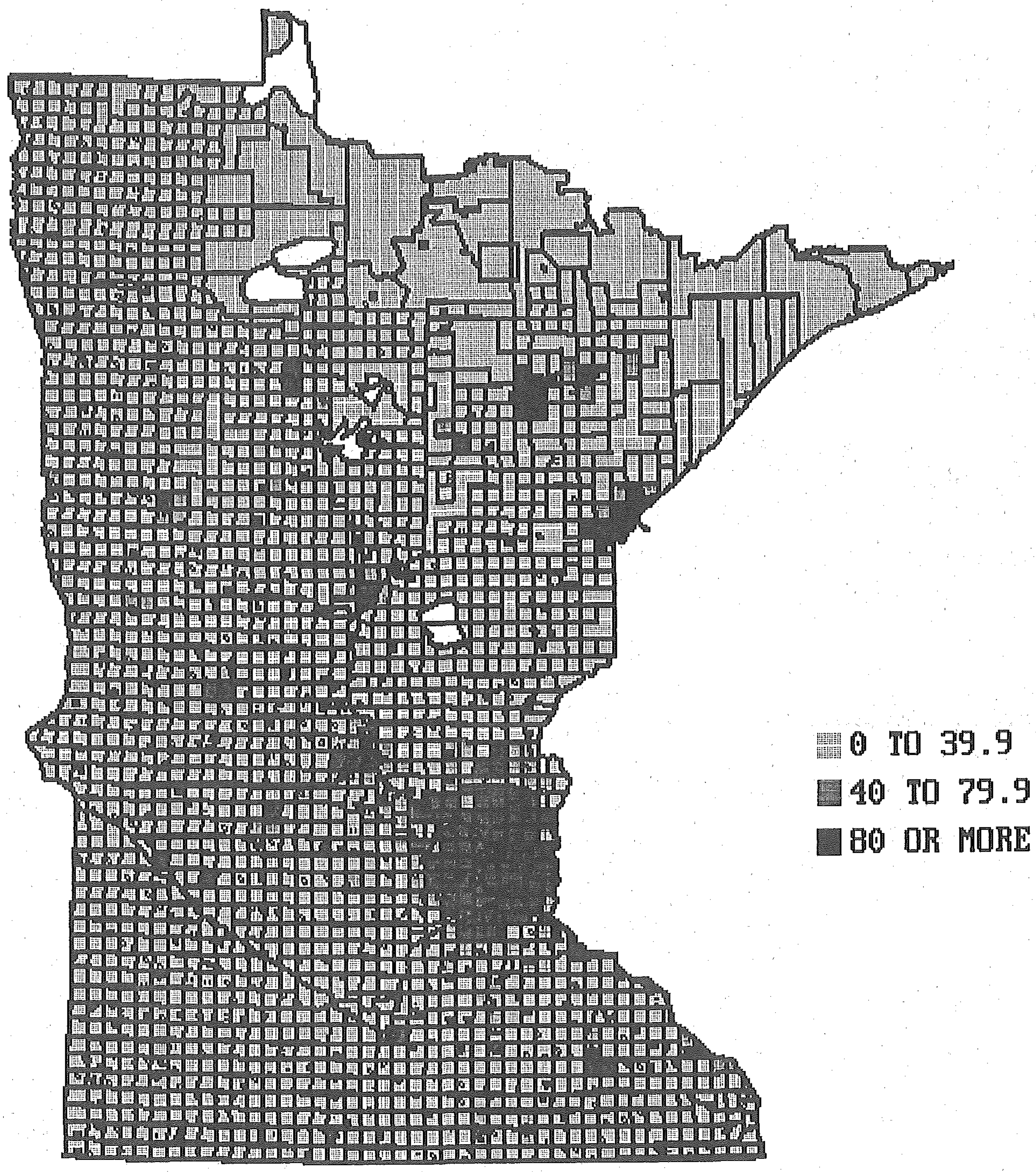
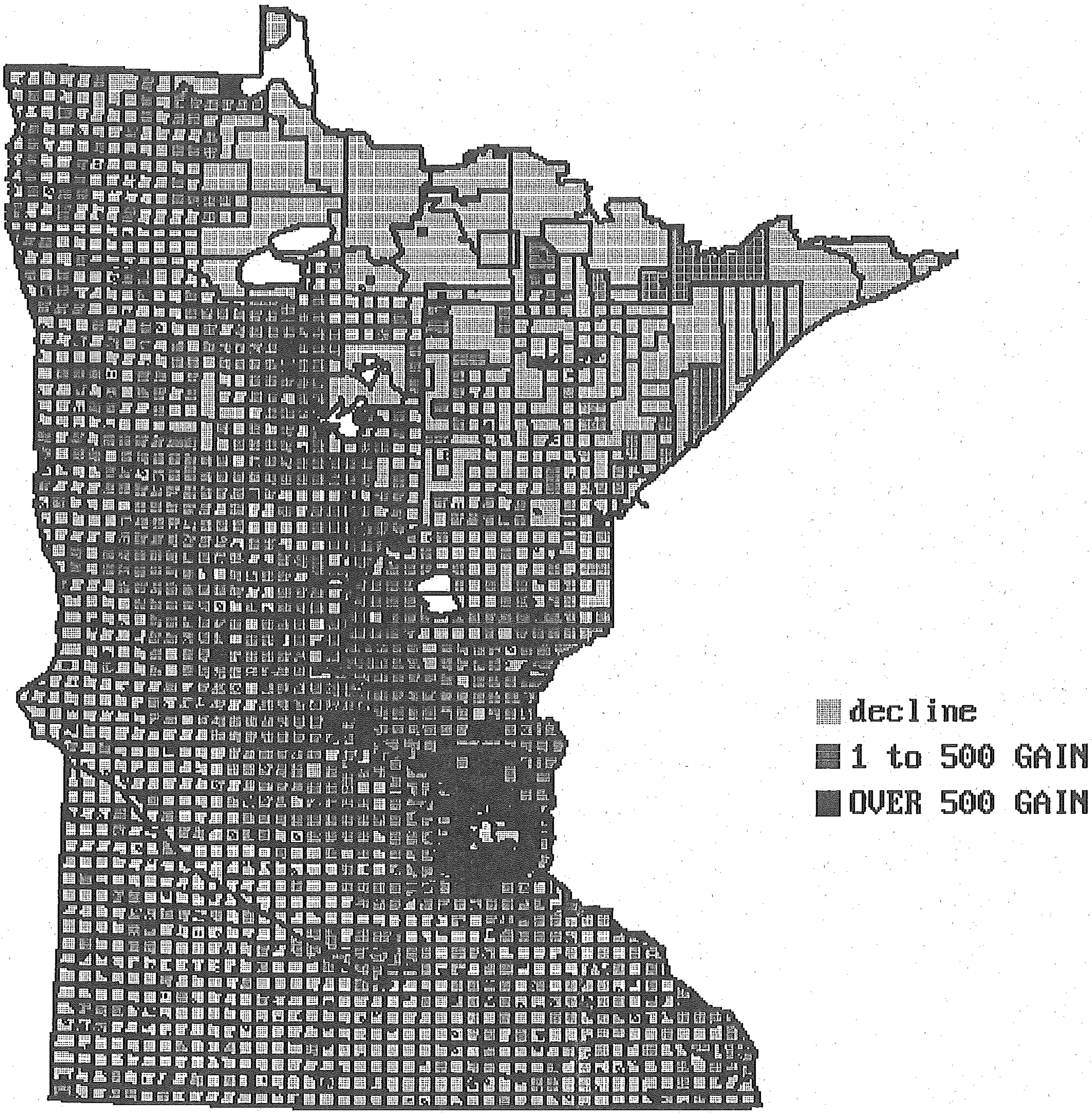


Figure 17 **Population Change 1980 - 1988**



bia Heights and Fridley, and Dakota County included only because it contains West St. Paul and South St. Paul. By 1970 Washington County had been added to the metropolitan area. By 1980 the area consisted of 10 counties with the addition first of Carver and Scott and later Chisago, Wright, and St. Croix (Wisconsin). In 1982, Isanti County was added, enlarging the area from four counties to 11 over a 32 year period.

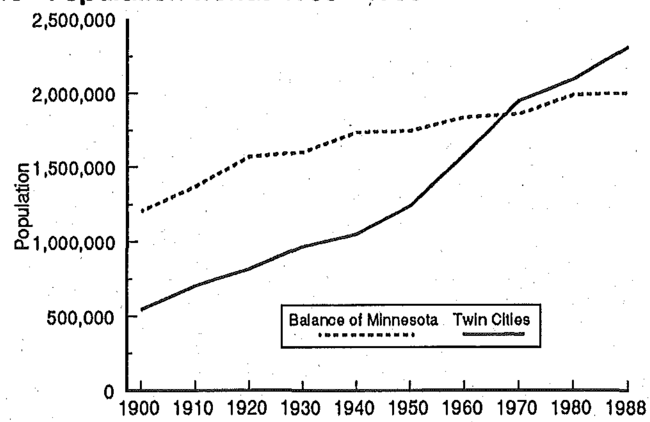
Some observers have suggested that the Twin Cities area extends even further. In particular, a St. Cloud-Twin Cities-Rochester "growth corridor" has been cited often enough that its existence is now part of the conventional wisdom. Population density (Figure 16) and growth (Figure 17) statistics dispute this view. There is a densely settled corridor between the Twin Cities and St. Cloud. In fact, the federal government may well designate a Minneapolis-St. Paul-St. Cloud "Consolidated Metropolitan Statistical Area" following the 1990 Census. No evidence exists, however, for a "growth corridor" between Rochester and the Twin Cities. Expansion of the Twin Cities area to the south is much stronger along an "I-35 corridor" toward Faribault than along a "Highway 52 corridor" to Rochester, even though Rochester is growing faster than most communities along I-35.

Population

The population of the Twin Cities area has grown more rapidly than that of the rest of Minnesota since at least the turn of the century (Figure 18).

Much of the concentration of people in the Twin Cities area, however, occurred from the end of World War II until about 1970. Since then, growth outside the Twin Cities area has been much more comparable to (though not yet equal to) that within.

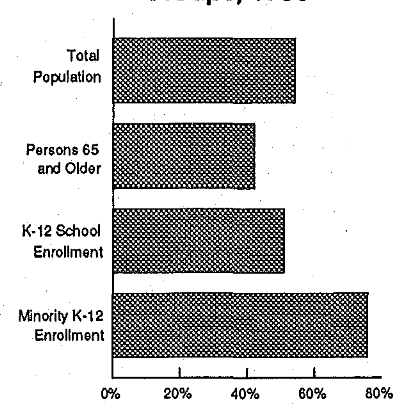
Figure 18 **Population Trends 1900 - 1988**



SPA Graphic. Data: U.S. Census Bureau
State Planning Agency

The rough 50-50 split between the populations of the Twin Cities area and Greater Minnesota does not extend to all population subgroups (Figure 19). The Twin Cities area has a disproportionately low share of the state's elderly population and a very high share of the state's minority children (and by implication a high share of the total state minority community).

Figure 19 **Twin Cities Area Share of State Population Groups, 1988**



SPA Graphic. Data: State Planning Agency
MN Dept. of Education

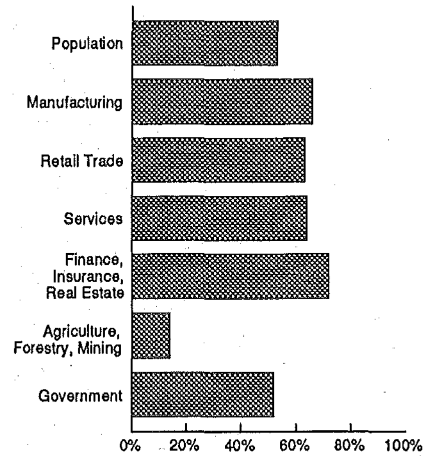
The Economy

Compared to population, economic activity is disproportionately concentrated in the Twin Cities (Figure 20). The 10-county Twin Cities area in 1987 accounted for about two-thirds of the state's employment and income and about 60 percent of the state's real estate market value and retail sales. Moreover, this concentration of economic activity is increasing at a faster rate than population growth alone would suggest. From 1972 to 1987 the Twin Cities area's share of Minnesota's population grew from 51 percent to 53 percent. At the same time, its share of employment grew from 64 percent to 68 percent and its share of income grew from 59 percent to 63 percent.

Figure 20 **Twin Cities Area Share of State**

SPA Graphic. Data: U.S. Census Bureau
U.S. Bureau of Economic Analysis

Figure 21 **Twin Cities Area Share of Minnesota Employment by Major Sector, 1987**



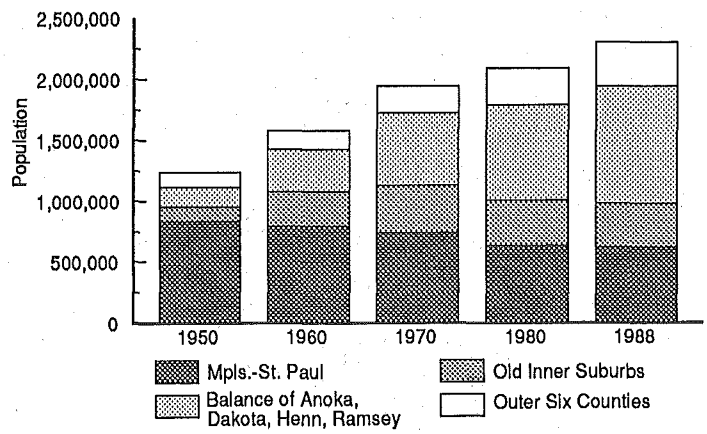
SPA Graphic. DATA: U.S. Bureau of Economic Analysis

The Twin Cities area has a disproportionate share of employment in almost every major industry (Figure 21). Sixty percent or more of Minnesota's manufacturing, retail and wholesale trade, and service industry employment is in the Twin Cities area, as are almost three-fourths of all financial sector jobs. Government employment is roughly proportional to population, while natural resources employment is overwhelmingly based in Greater Minnesota.

Within the Twin Cities Area: The New Versus the Old

Population growth has not been evenly distributed across the Twin Cities area (Figure 22). First to develop were the cities of Minneapolis and St. Paul. Minneapolis' population peaked around 1950, while St. Paul peaked with the 1960 census. Both then declined through at least the 1980 census. Preliminary 1990 census figures suggest that both central cities may have reached the end of this trend.

Figure 22 **Growth and Sprawl in the Twin Cities Area, 1950 - 1988**



SPA Graphic. Data: U.S. Census and SPA estimates

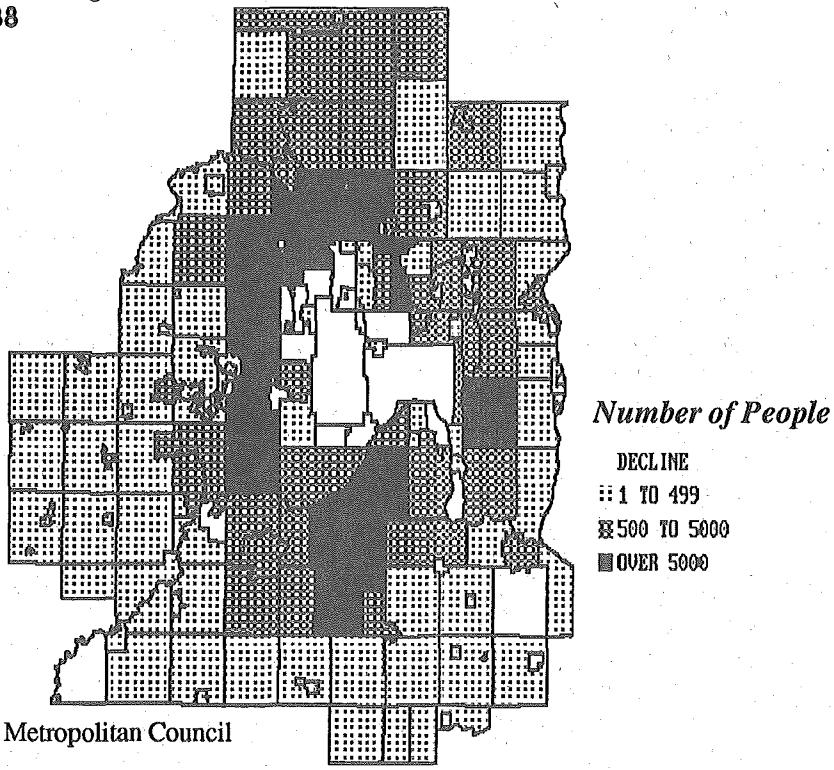
Their growing minority communities may well result in future growth.

Following World War II the first ring of suburbs, including communities such as Richfield, West St. Paul, Roseville, and St. Louis Park, began to develop. Their populations grew rapidly from 1950 to 1970 and have stabilized or declined since then. The 1960s and 1970s saw the growth of the next ring of suburbs as development first expanded to places like Bloomington and Maplewood, and then to more distant communities such as Eden Prairie, Eagan, and Woodbury. Much of this expansion coincided with the building of the interstate highway system through the Twin Cities.

During the 1980s the populations of Minneapolis and St. Paul continued to decline, though at a slower rate than during the 1960s and 1970s. They were joined by most of the inner ring of suburbs (Figure 23), with the remainder of the inner ring showing at best slow growth. Substantial growth has continued in the second ring of suburbs. The population of Eagan, for example, more than doubled from 1980 to 1988.

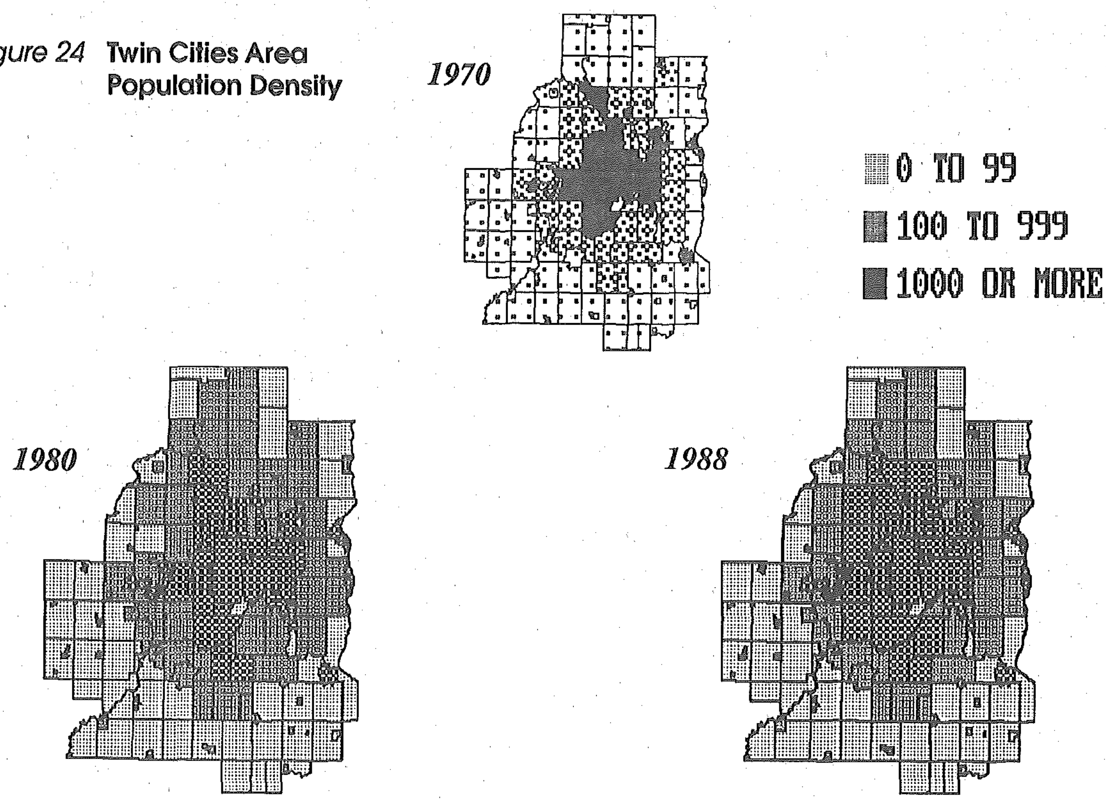
Lower density development continues in "fringe" areas such as Carver,

Figure 23 **Population Change 1980 - 1988**



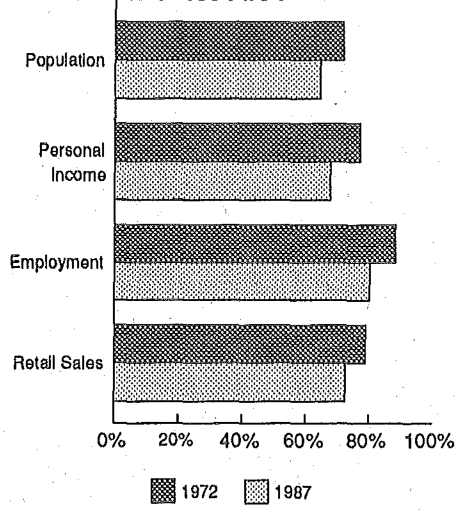
SPA Graphic. Data: Metropolitan Council

Figure 24 **Twin Cities Area Population Density**



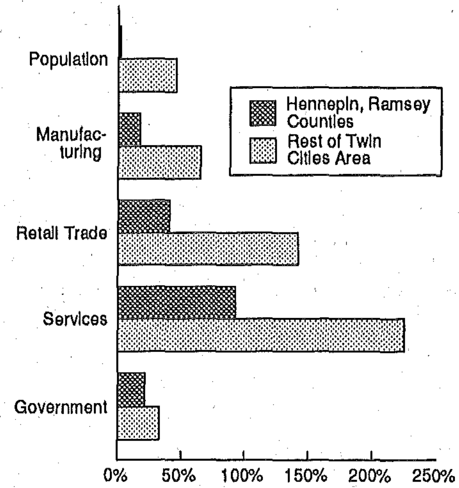
SPA Graphic. Data: Metropolitan Council

Figure 25 **Hennepin and Ramsey County Share of Twin Cities Area**



SPA Graphic. Data: U.S. Census Bureau
U.S. Bureau of Economic Analysis

Figure 26 **Change in Twin Cities Area Employment 1972 - 1987**



Wright, and Chisago counties. Expansion of the densely settled urban area peaked in 1973 and then slowed substantially through the mid-1980s (Figure 24). The development of the urban fringe has apparently accelerated once again in the late 1980s, though it remains to be seen if this is a long-term trend. Since 1960, expansion of the urban fringe has been more rapid to the north and west than to the south, probably reflecting less expensive land to the north and the presence of lakes to the west.

As the population of the Twin Cities area expanded beyond the central cities, so did economic activity (Figure 25). In 1972, 85 percent of the metropolitan area's jobs were located in Hennepin and Ramsey counties. By 1987 the two counties' share dropped to 79 percent. The shift of jobs from central cities to the suburbs is likely greater than these figures indicate, as they do not reflect shifts within Hennepin and Ramsey counties. This shift has occurred in every major industry with the exception of government (Figure 26), and seems to be roughly proportional to the shift in population.

Figure 27 **Characteristics of Selected Twin Cities Communities**

	St. Paul	Columbia Heights	Blaine	Plymouth
Population Change 1980 - 1988	-2%	-4%	+26%	+51%
Median Age of Housing 1980	31 - 40 years	21 - 30 years	11 - 20 years	6 - 10 years
Median value of Housing 1980	$52,900	$57,800	$62,500	$86,700
Median Family Income 1984	$27,959	$29,734	$32,931	$42,630
% of Population Below Poverty 1979	10.9%	5.3%	4.6%	2.8%
% of Population 65 and Over 1980	15.0%	9.9%	1.9%	3.4%
% of Population 18 and Under 1980	24.1%	25.9%	38.4%	32.5%

Whether the jobs are following the people to the suburbs, or the people following the jobs, or both are pursuing some third factor is hard to determine.

A view of the suburbs as uniformly wealthy and growing at the expense of the central cities is incorrect (Figure 27). Older suburbs, such as Columbia Heights, in many ways resemble the core cities more closely than they do the newer suburbs. Many are faced with declining populations, a growing number of elderly, and an aging housing stock. Substantial differences exist even between the newer suburbs. Eighteen percent of Blaine's housing stock, for example, is mobile homes, which are almost unknown in Plymouth. Family incomes in Plymouth are 30 percent higher, on average, than those in Blaine, and the average home worth 40 percent more.

Implications

• As the Twin Cities area accounts for a greater share of the state's population and economy, its overall political influence will increase as well. However, the large differences that exist between the central cities and inner suburbs, the outer suburbs, and the urban fringe areas will work strongly against the establishment of a dominant Twin Cities area bloc. For some issues, such as housing, the core cities and inner suburbs will have more in common with parts of rural Minnesota than with the outer suburbs. For highways, the central cities share with many rural areas a need for improved maintenance of the existing system, while the outer suburbs and some regional centers share a need for system expansion. Programs directed towards minorities are of greater importance to Minneapolis, St. Paul, some regional centers, and some rural communities than to most suburbs. Shifting coalitions and alliances will likely continue to be the norm.

• The boundaries of the Metropolitan Council were established at a time when employment and commuting patterns led the federal government to define the Twin Cities as a five county area. Patterns have changed to the extent that the federal government now considers the area to include 11 counties (including one in Wisconsin). Parts of Chisago and Wright counties are probably more strongly linked to the Twin Cities than are the fringes of Carver, Scott, and even Dakota counties. At some point, the boundaries of the Metropolitan Council may have to be reexamined, expanded in some areas, and contracted in others. Should this reexamination take place, policy makers should consider whether county lines are the most effective or efficient way to delineate or subdivide the metropolitan area.

• The increasingly heavy concentration of the state's financial sector in the metropolitan area may mean that capital for investment in Greater Minnesota will come increasingly from Twin Cities sources. Will a lack of local capital stifle investment in rural areas? Or will Twin Cities investors be more willing to back speculative ventures than local investors who may have more limited resources?

• Recently membership in the Metropolitan Airports Commission was expanded beyond the seven county area. If the urban fringe continues to expand, organizations such as the Regional Transit Board and the Metropolitan Waste Control Commission may wish to follow suit.

• Suburban communities tend to have most of their housing built around the same time and have a population with very similar ages. During the 1970s many families in older suburbs such as Richfield reached the "empty nest" stage--their children left home. Most of these children were not able to settle in the same communities as their parents because of a lack of available and affordable housing. In Richfield, the result was a 20 percent population decline from 1970 to 1980. A similar process will occur within a new "ring" of suburbs in subsequent decades, though the greater land area of the outer suburbs suggests the changes will take place over a longer period of time. We have little experience, however, to predict what will happen in these communities as many residents reach retirement age. At what point will they begin to sell their homes and seek alternative living arrangements? When they do, will younger buyers be interested in this older housing stock or will they continue to seek new housing farther from the central cities? What will the effect on housing prices be? The next

decade should begin to tell the story.

- **The Twin Cities metropolitan area includes 166 cities, 93 townships, 64 school districts, and 74 special purpose districts. As the area continues to grow and become more economically integrated, is this fragmented system of governments still suitable? Ramsey County voters recently approved the state's first county home rule charter. This success has led some to raise the question of city-county consolidation. This has occurred in other metropolitan areas in the U.S. (notably Indianapolis). Discussions of this type of issue are likely to become more frequent in coming years.**

Notes:

1. Throughout this report, "Twin Cities area" means the 10 Minnesota counties currently included in the federally designated Twin Cities Metropolitan Statistical Area (see Figure 15). All statistics include these 10 counties unless otherwise specified.

PART V

Regional Trade and Service Centers

Summary

Population and economic growth outside the Twin Cities is increasingly concentrated in a series of regional trade and service centers.

Populations of almost all of these centers are growing more rapidly in their suburban or fringe areas than in the city proper.

The populations of small towns near the regional centers are growing.

The economies of the regional trade and service centers appear to be growing at the expense of other communities in the region.

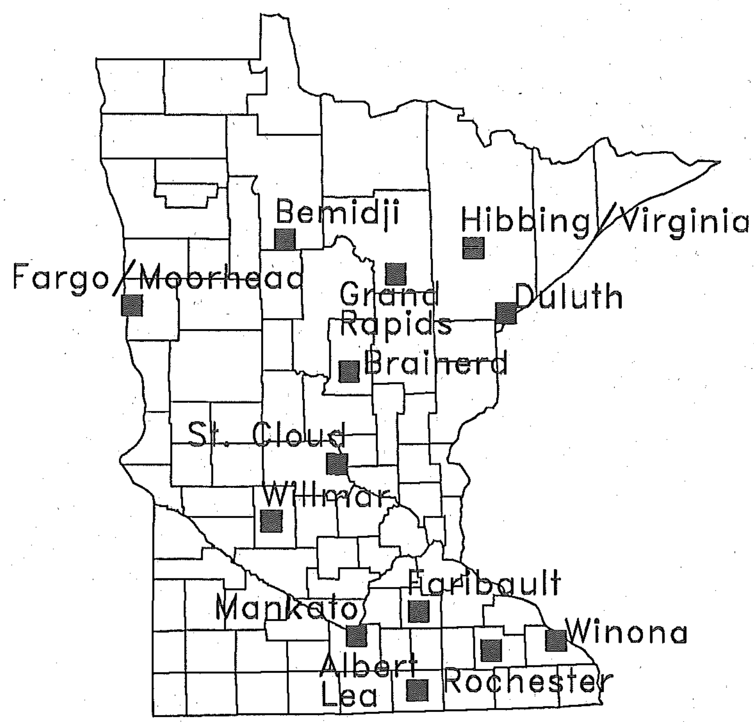
Prosperity and growth are not confined to the Twin Cities. They can be found throughout the state, most notably in a series of trade and service centers. These cities and their surrounding areas account for much of the population and economic growth found in Greater Minnesota and increasingly dominate the economies of their respective regions.

For analytic purposes, we define regional trade and service centers as cities with over $150 million in 1988 retail sales and with per capita retail sales higher than the state average. Thirteen cities meet these criteria (Figure 28). This definition is adopted in part because of the limited economic data available at the city level. Different definitions and a wider range of available data might well yield a slightly different list. We also do not mean to suggest that these are the only growing cities in Greater Minnesota. As will be seen in Part VI, growing cities are found throughout the state.

Growing populations, growing economies

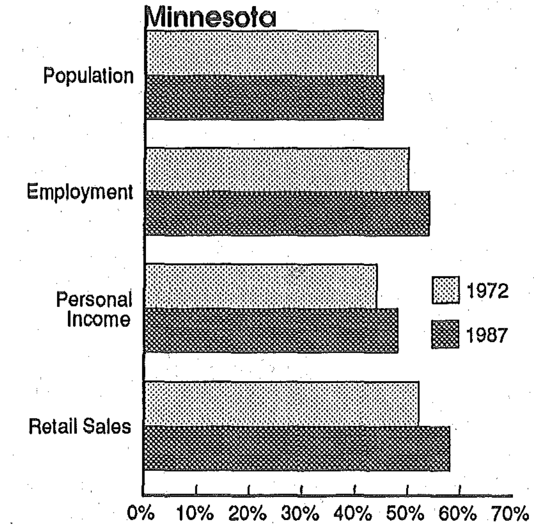
The regional centers[1] on the whole are growing less rapidly than the Twin Cities area but faster than the rest of Greater Minnesota. This trend applies

Figure 28 **Regional Trade and Service Centers**



SPA Graphic.

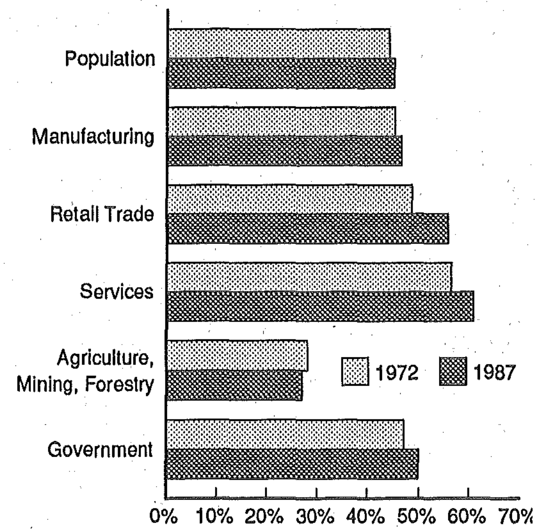
Figure 29 **Regional Centers Share of Greater Minnesota**



"Greater Minnesota" is those counties outside the 10 county Twin Cities MSA

SPA Graphic. Data: State Planning Agency, Bureau of Economic Analysis, Dept. of Revenue

Figure 30 **Regional Centers Share of Greater Minnesota**



"Greater Minnesota" is those counties outside the 10 county Twin Cities MSA

SPA Graphic. DATA: Bureau of Economic Analysis

both to population and to economic activity (Figures 6-9). These centers account for an increasing share of Greater Minnesota's people, jobs, and income (Figure 29)[2]. Employment in almost every sector of the economy is disproportionately concentrated in the regional centers, and this concentration is increasing more rapidly than population growth would suggest (Figure 30). Exceptions to this trend are manufacturing, which is growing at a level equal to population growth, and employment in natural resource industries.

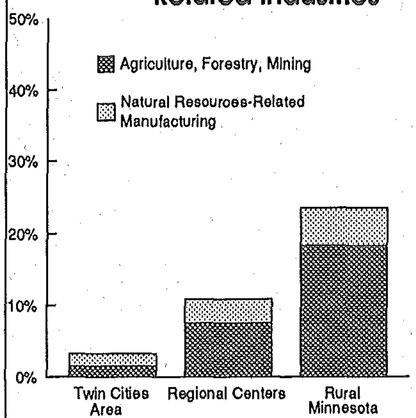
The direct ties to the land in these areas are increasingly remote (Figure 31). Only 8 percent of the workforce in regional center counties works in farming, mining, or forestry, compared to 18 percent in the rest of Greater Minnesota. In addition, 26 percent of regional center manufacturing jobs involve the processing of farm or wood products, compared to 37 percent of rural Minnesota manufacturing jobs.

Some regional centers are, of course, growing more rapidly than others. At one extreme, the population of Rochester grew 12 percent from 1980 to 1988. At the other extreme, Duluth lost 11 percent of its population over the same period.

Emerging suburbs

But population growth of the cities themselves does not tell the whole story. Over the last 20 years significant suburban or fringe development has taken place in at least 10 of the 13 regional trade and service centers (Figure 32). (The tabulation displayed in Figure 32 cannot be performed for Albert Lea, Faribault, or Hibbing/Virginia. However, it appears that fringe development is occurring in the townships surrounding Faribault, while the fringe areas of Albert Lea and Hibbing/Virginia are losing population, though at a less rapid rate than the cities proper.) Even in Duluth, growth has

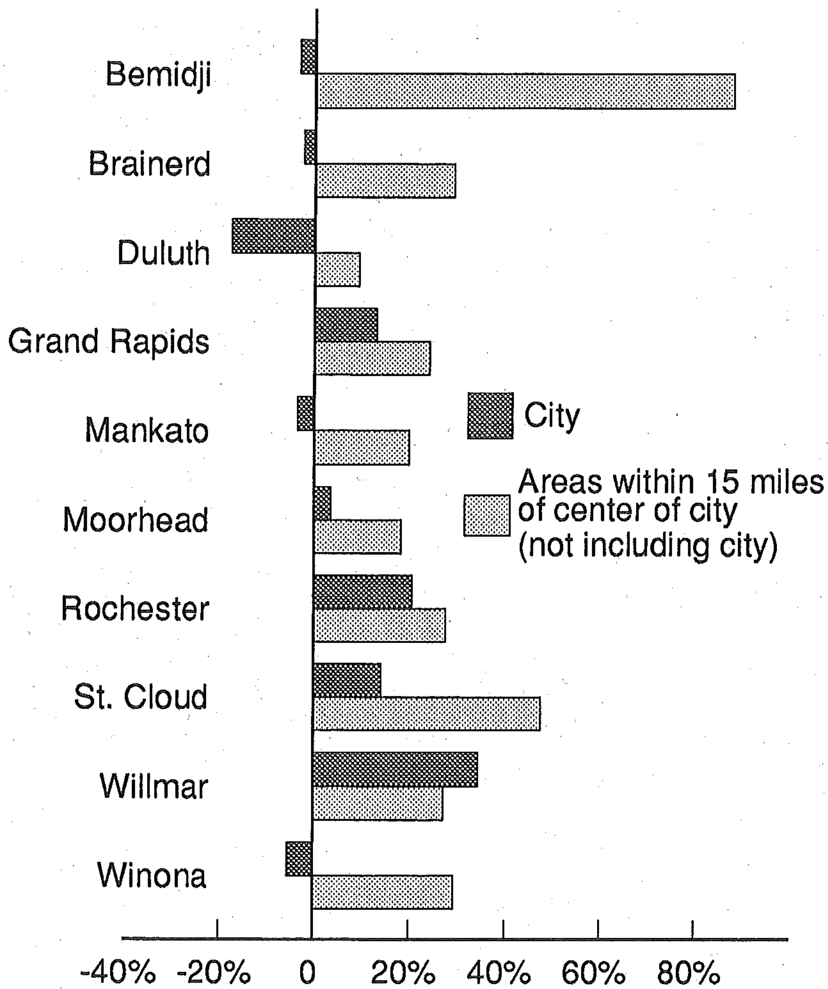
Figure 31 **% of Workforce in Natural Resource Related Industries**



"Natural Resources-Related Manufacturing" includes food processing, wood products, and paper industries.

SPA Graphic. Data: Bureau of Economic Analysis
State Planning Agency estimates

Figure 32 **"Suburban" Population Growth Near Regional Centers 1970 - 1988**



Tabulation does not include people residing in bordering states.

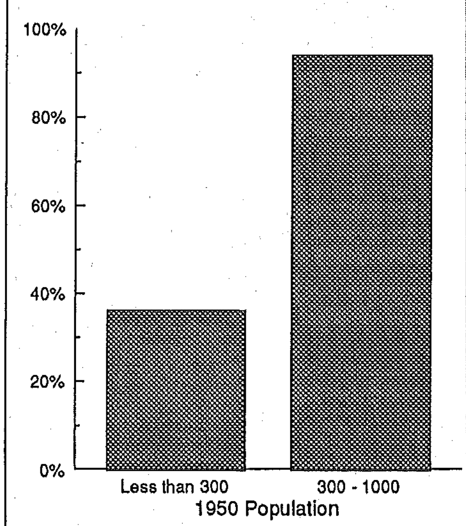
SPA Graphic. DATA: State Planning Agency U.S. Census Bureau

occurred in suburban areas such as Hermantown and Rice Lake Township. In every case but Willmar, fringe growth has been greater than the growth of the city proper, and in Willmar, city growth results in part from annexation of surrounding fringe areas.

Small cities near regional centers have grown faster than more remote small cities (Figure 33). Near regional centers, cities with fewer than 300 residents in 1950 grew by almost 40 percent between 1950 and 1988. Cities with 300 to 1000 people in 1950 nearly doubled in population over this period.

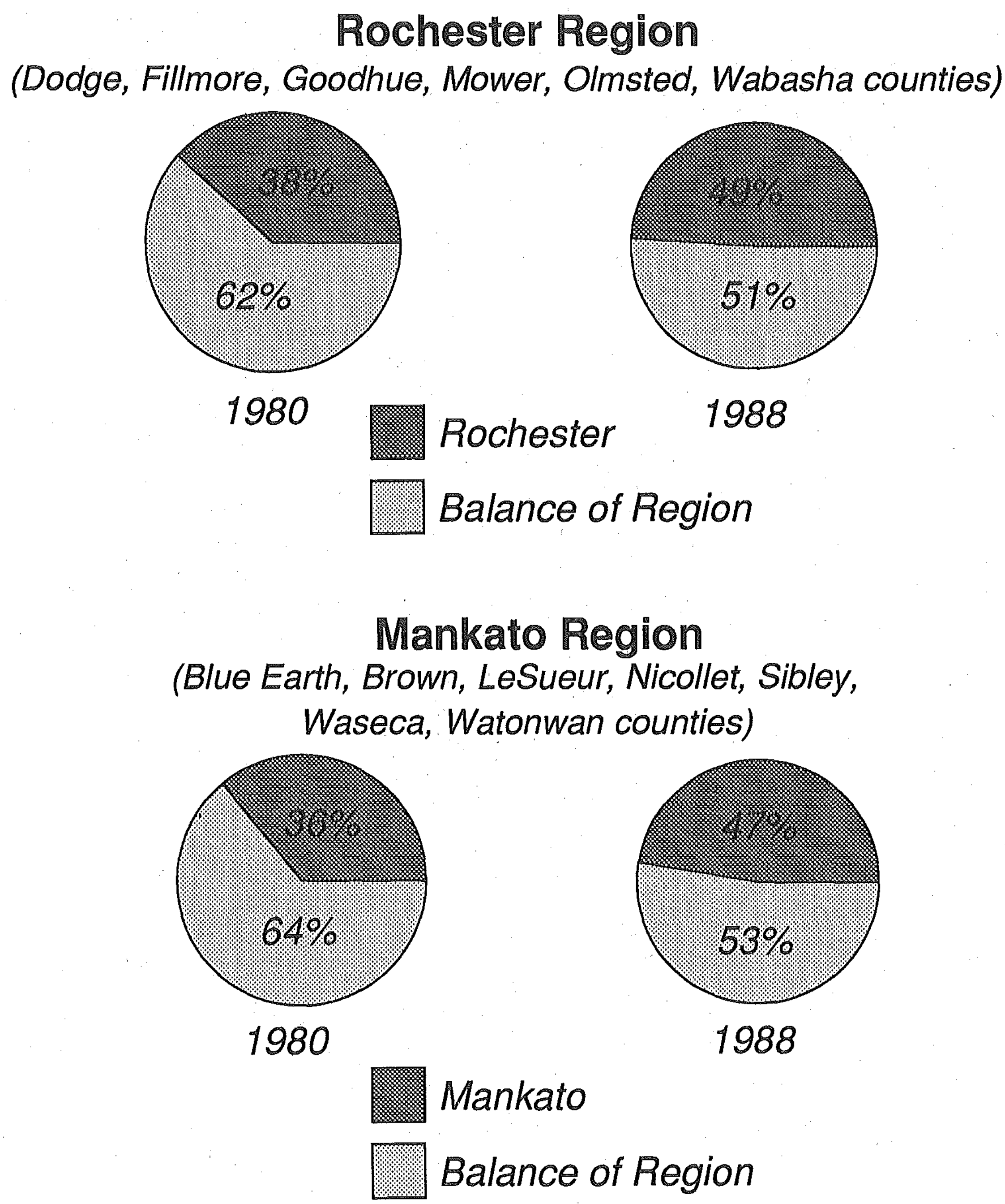
The nature of these small cities is changing. Many originated as free-standing trade centers for surrounding farms. Today they increasingly func-

Figure 33 **Population Change in Small Cities in Counties Containing Regional Centers, 1950 - 1988**



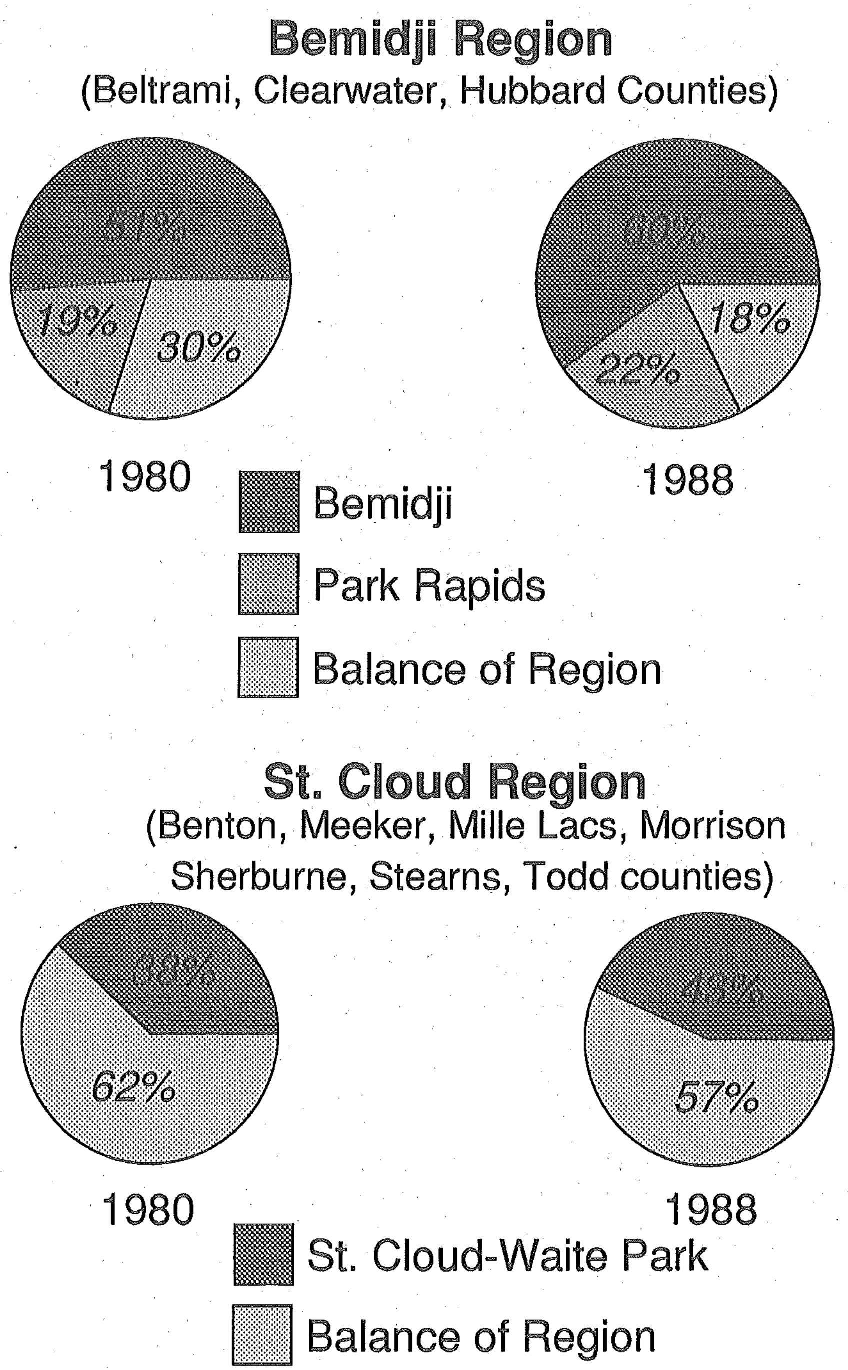
SPA Graphic. Data: State Planning Agency U.S. Census Bureau

Figure 34 **Concentration of Retail Sales 1980 - 1988**



SPA Graphic. Data: MN Department of Revenue

Figure 35 **Concentration of Retail Sales**
1980 - 1988



SPA Graphic. Data: MN Department of Revenue tion as residential communities, while more and more of the economic activity takes place in the nearby regional center. The City of Byron, for example, lies about 10 miles west of Rochester. From 1980 to 1988, Byron's population grew 30 percent from 1,715 to 2,224. Yet retail sales fell 23 percent over the same period, after adjusting for inflation. Retail sales in Rochester, on the other hand, grew by an inflation-adjusted 30 percent, much more than would be expected from the city's 12 percent population growth.

Other examples may not be so extreme, but in recent years there has been a major concentration of retail activity in regional trade and service centers. In 1980, Mankato claimed 36 percent of the retail sales occurring in a seven-county area surrounding the city. By 1988 Mankato's share grew to 47 percent (Figure 34). Examples of similar increases can be found in Rochester, and to a lesser extent Bemidji and St. Cloud (Figure 35).

Implications

- **Many regional centers have benefited from centralization of retail and service consumption from surrounding rural areas. Migration statistics suggest that the population growth of at least some of the regional centers is largely due to movement from elsewhere in Minnesota, while the Twin Cities area is the main beneficiary of migration from other states. The continued growth of the regional centers, therefore, may depend on continued centralization. But centralization has its limits. Obviously not everyone will live in regional centers and no one in rural Minnesota. What are the limits? To what extent can population and economic concentration continue? To what extent is it desirable, both for rural areas and for the regional centers themselves? The best prospects for growth would appear to be those regional centers which can broaden their appeal beyond the boundaries of Minnesota.**
- **As the Twin Cities area grew, it experienced (and continues to experience) central city-suburban conflicts. Recent disputes over issues such as sewage treatment in Bemidji or annexation in St. Cloud suggest that urban-suburban conflicts will occur throughout the state.**
- **Many regional centers are showing signs of the pattern of strip development at the expense of downtown areas which has affected many larger cities throughout the United States. This is particularly troublesome in areas where the strip development is taking place outside the city limits, such as in Brainerd. Do local officials possess the needed authority and leadership skills to plan for or control this type of development?**
- **The potential for urban-suburban conflict and the strong growth in townships and small towns near regional centers are very similar to the conditions that existed in the Twin Cities at the time of the establishment of the Metropolitan Council in 1967. New regional planning and governance bodies may be needed for at least some of the regional centers, particularly those whose sphere of influence crosses county lines (as in St. Cloud and Mankato). Areas that cross state lines (such as Fargo-Moorhead, Duluth-Superior, and possibly Winona-La Crosse) face the same issues but even more complicated questions of governance. Programs designed for the Twin Cities metropolitan area, such as fiscal disparities, regional review of local land use plans, and regional taxing and bonding authorities, may be adopted in other parts of Minnesota.**
- **Much of the growth near regional centers has taken place in unincorporated areas. These areas usually lack municipal water and sewer systems, raising questions about preserving the quality of both ground and surface water. Expansion of these services has traditionally been done through annexation. Are alternative mechanisms needed to expand urban services to growing unincorporated areas?**

Notes:

1. The terms "regional trade and service centers" and "regional centers" are used interchangeably.
2. Unless otherwise specified, economic statistics are collected and presented by county. Figures 24 and 25 include all people, income, and employment in the counties in which the regional trade and service centers are found. Nicollet County is included as part of the Mankato area, while the St. Cloud area includes Benton, Sherburne, and Stearns counties.

PART VI

RURAL MINNESOTA: GROWTH, STABILITY, AND DECLINE

Summary

Over the long run, the population and economy of rural Minnesota have grown.

Growth in rural Minnesota has not been as great as in either the Twin Cities or the regional centers.

Rural Minnesota contains areas of strong growth, areas of stability, and areas of long-term decline. In general, growth is strongest in the large communities and in areas near lakes, while decline is greatest in areas most dependent on agriculture.

Small cities in rural Minnesota, on the whole, are losing population. The loss is most pronounced in the smallest communities.

Much of rural Minnesota faces the dual challenges of a declining labor force and a growing number of elderly.

Unlike the rest of Minnesota, manufacturing employment has not declined in importance in rural Minnesota.

The use of the term "rural Minnesota" to describe the state outside the Twin Cities area and regional centers is inadequate. For this report, it includes much of the north woods and most of the state's best farmland. It also, for this report, includes small cities, rural to some, urban to others. (In the eyes of the Census Bureau, any place with 2,500 people or more is urban.) This area also includes cities as large as 20,000 people, "rural" probably only to those who have spent their entire lives on the isle of Manhattan.

Despite these shortcomings, we use the term "rural Minnesota" here to describe a region which excludes the Twin Cities area, the regional centers, and their urban fringe. Because of data limitations, rural Minnesota is defined in the accompanying graphics as the 62 counties remaining after the Twin Cities and regional center counties are excluded. However, as with the Twin Cities and regional centers, county lines do not adequately delineate the region.

Rural Minnesota, as a whole, has grown (Figure 6). Its employment has risen (Figure 7). Incomes, even after adjusting for inflation, are up (Figure 8). In the short run, it has suffered from the cyclical nature of natural resource-based industries, but in the long run shows a surprising degree of economic vitality.

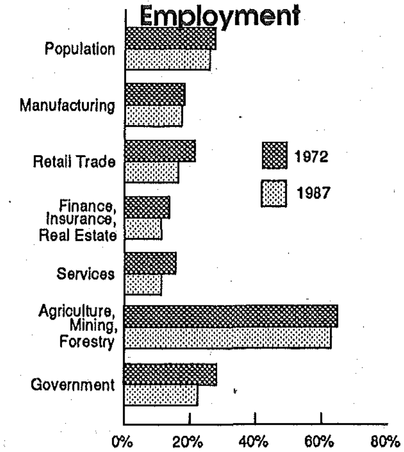
Yet the growth has not been as great, nor the absolute levels of income as high, as either the Twin Cities area or the regional centers. As a result, rural Minnesota now has a smaller share of Minnesota's population and economy than it did 15 years ago (Figure 36). Moreover, this trend extends to every major sector of the economy (Figure 37).

Figure 36 Rural Minnesota's Share of State

"Rural Minnesota" includes all counties outside the 10 county Twin Cities area that do not contain regional centers.

SPA Graphic. DATA: State Planning Agency, Bureau of Economic Analysis, Census of Retail Trade

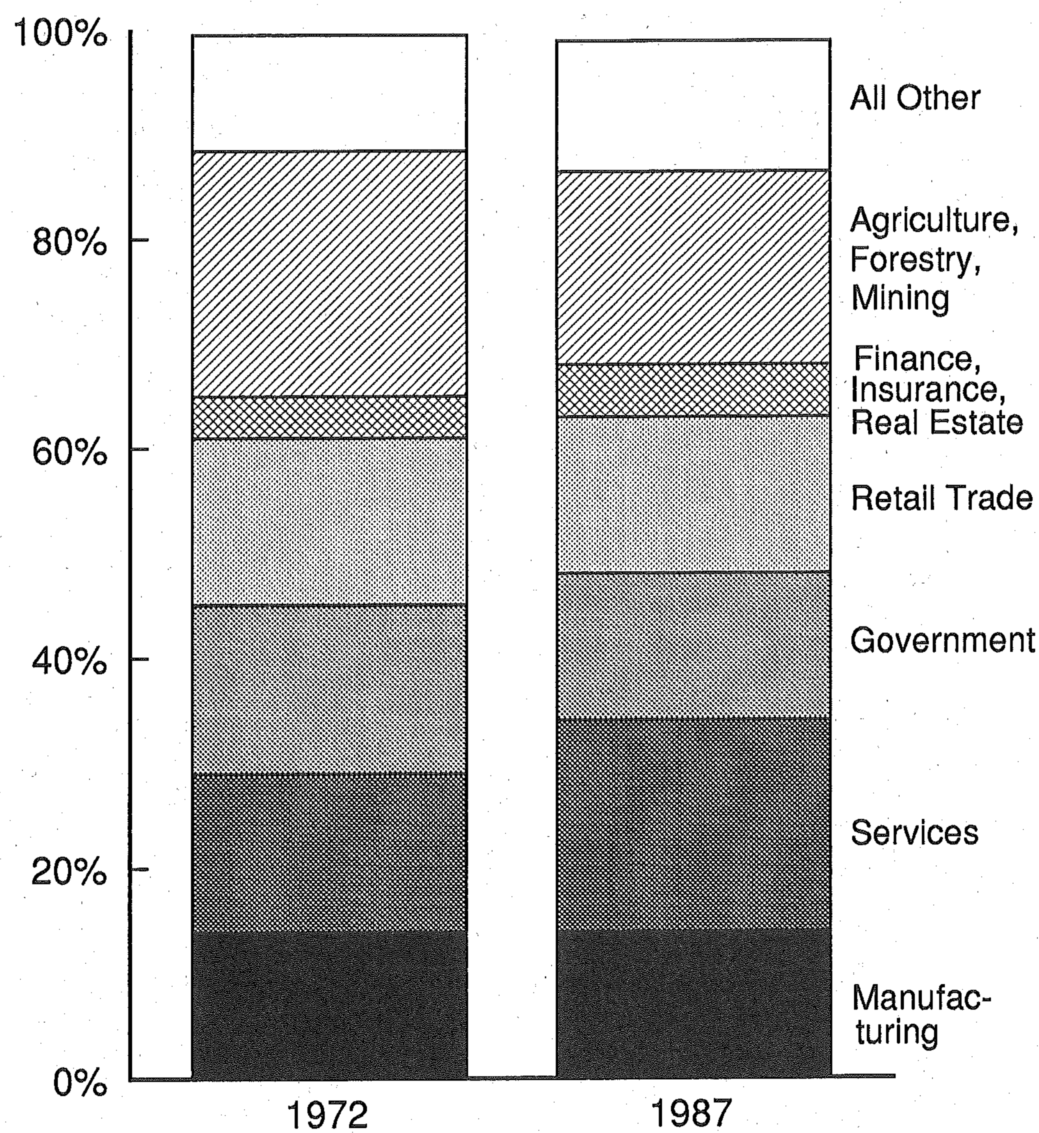
Figure 37 Rural Minnesota's Share of Employment



SPA Graphic. DATA: Bureau of Economic Analysis

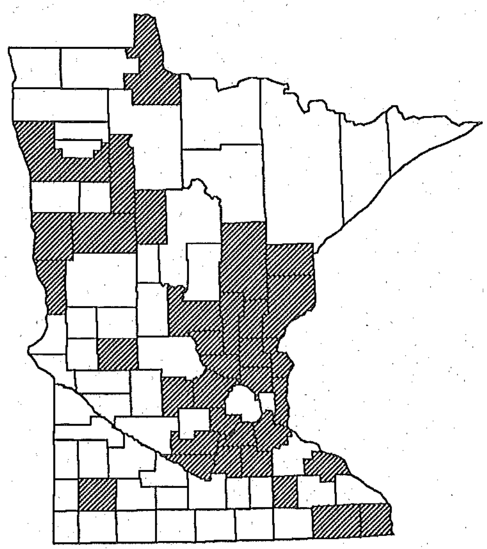
As in the rest of Minnesota, natural resource-based employment, such as jobs in agriculture, forestry and mining are now a smaller part of the employment base of rural Minnesota than 15

Figure 38 **Employment by Industry in Rural Minnesota**



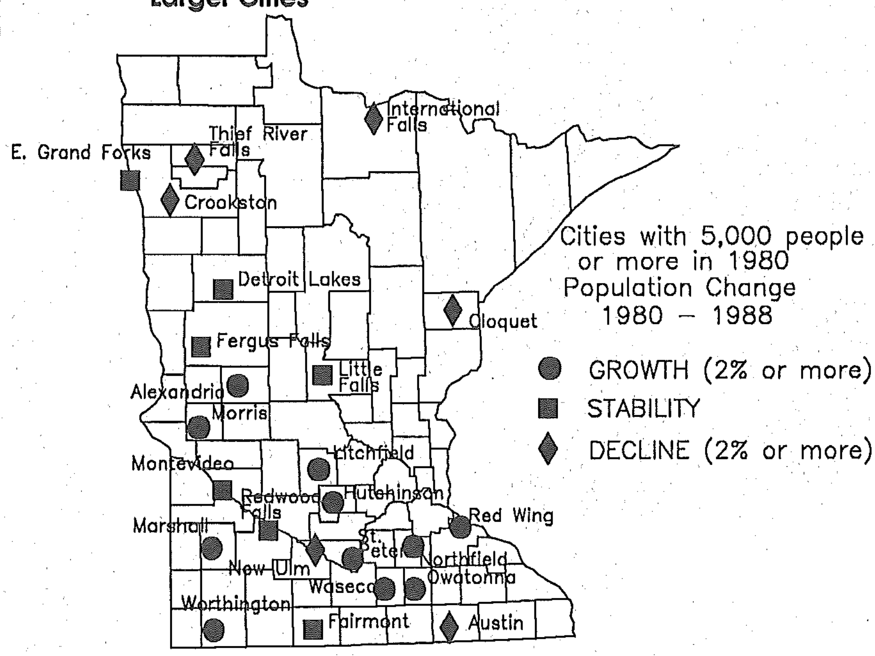
SPA Graphic. DATA: Bureau of Economic Analysis

Figure 39 **Counties with 10% or More of Income Earned Elsewhere**



SPA Graphic. Data: U.S. Bureau of Economic Analysis

Figure 40 **Growth, Stability, and Decline in Rural Minnesota's Larger Cities**



SPA Graphic. Data: State Planning Agency

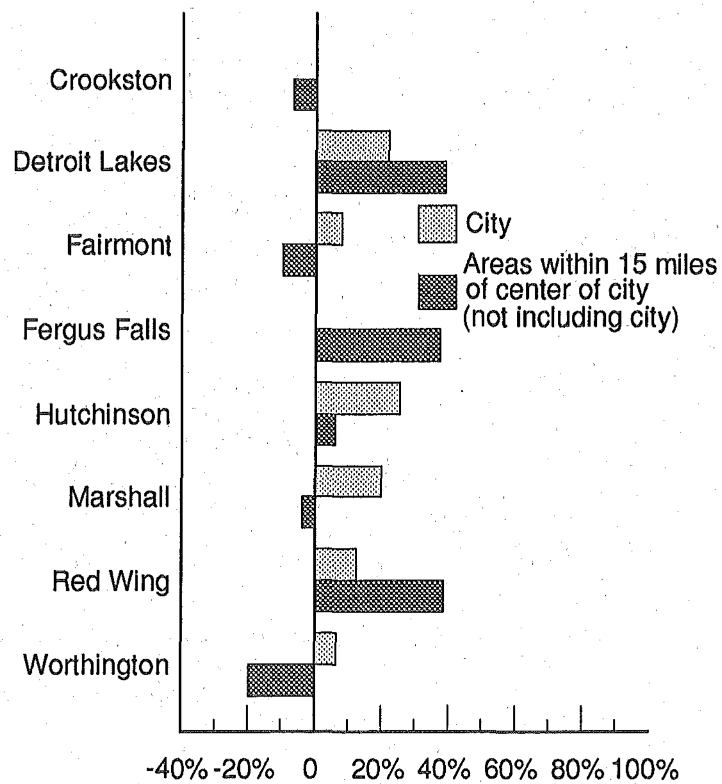
years ago (Figure 38). As in the rest of Minnesota, services have become more important. Unlike the rest of Minnesota, retail trade has become less important to the rural economy, reflecting the growing dominance of the Twin Cities and regional centers. But while the proportion of Twin Cities and regional center workforces employed in manufacturing has declined, manufacturing employment has not declined in importance in rural Minnesota.

Commuting to the Twin Cities or the regional centers appears to be a major component of the economy of many rural counties (Figure 39). In 22 rural counties more than 10 percent of residents' wage, salary, and self-employment income was earned outside the county in 1987, a trend also found in Twin Cities and regional center suburban areas. This suggests that the economic futures of these areas are heavily dependent on decisions made outside their borders.

Rural Minnesota contains 23 cities which in 1980 had populations of 5,000 or more. Of these, 13 have grown in population since that time (Figure 40). All 13 are in the southern half of the state. Growth rates from 1980 to 1988 range from 12 percent in Northfield to 1 percent in Fairmont and Redwood Falls. Of the 10 cities with population declines, the most rapid loss was in Thief River Falls (12 percent).

This range of growth and decline is very similar to that seen in the regional centers. Where population trends differ, however, is in surrounding areas. Most of the larger rural cities have not experienced suburban and fringe area growth as have the regional centers (Figure 41). Most exceptions to this rule are found in lake and resort areas

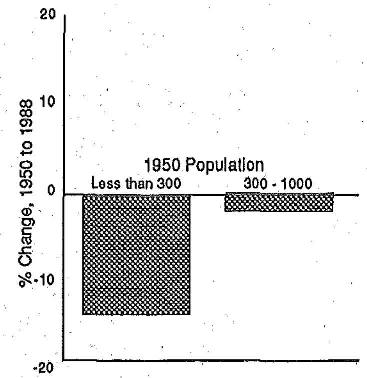
Figure 41 **"Suburban" Growth Near Rural Minnesota Cities 1970 - 1988**



Tabulation does not include people residing in bordering states.

SPA Graphic. DATA: State Planning Agency

Figure 42 **Population Change in Small Cities in Rural Counties, 1950 - 1988**



SPA Graphic. Data: Census Bureau, State Planning Agency

Figure 43 **Population Change in Selected Redwood County Cities 1950 - 1988**

City	1950	1988	Pct. Change
Belview	381	414	+9%
Milroy	268	282	+5%
Wabasso	693	709	+2%
Clements	239	175	-27%
Revere	198	129	-35%
Vesta	340	319	-6%
Walnut Grove	890	705	-21%

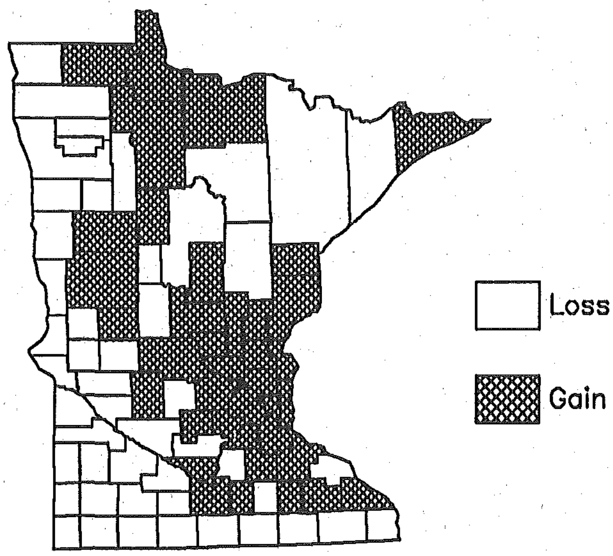
Data: U.S. Census Bureau, State Planning Agency

where the fringe development is probably less "suburban" in nature than in other regions.

Small cities in rural Minnesota have not grown like small cities near regional centers. Over the last 40 years small cities in rural Minnesota have, on the whole, lost population (Figure 42). These declines are most severe in the smallest communities, but have occurred more often than not in cities as large as 1,000 people. We must emphasize, however, that there are many exceptions to all of these rules. For example, since 1950 the population of Redwood County has declined by 18 percent. Yet several small cities in the county have managed to grow or hold their populations nearly constant (Figure 43).

Several trends in the nature of the rural population will significantly affect rural Minnesota's future. The first is the labor force. Since 1980, the size of the workforce has declined in much of rural Minnesota (Figure 44), the most notable exceptions being in north central Min-

Figure 44 **Change in Labor Force, 1980 - 1988**



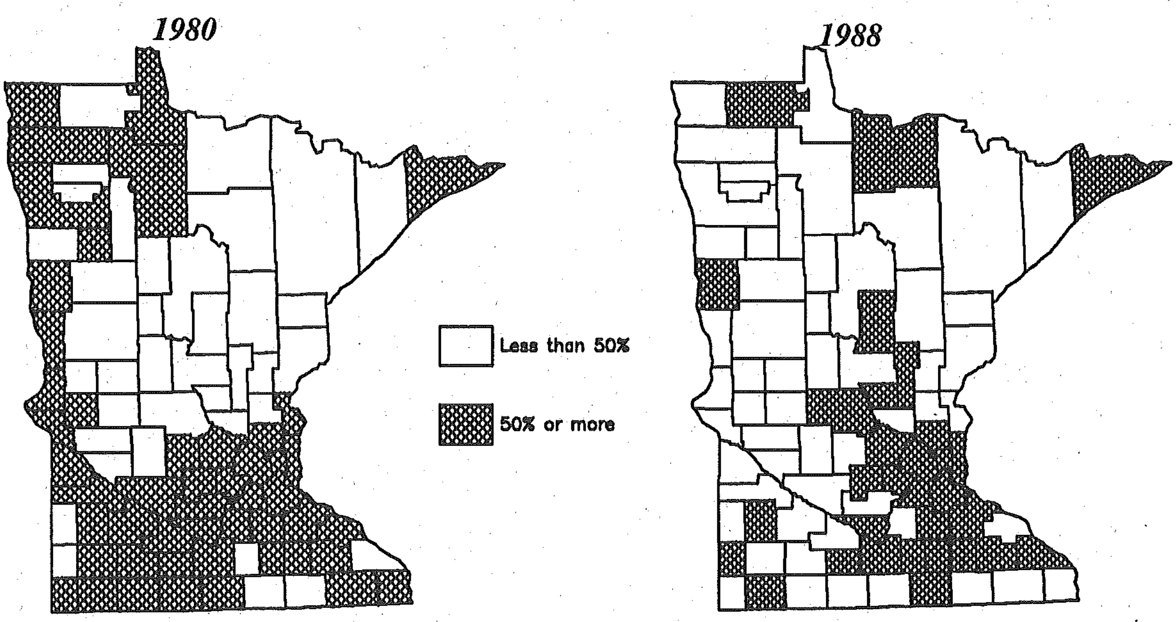
SPA Graphic. Data: Dept. of Jobs & Training

nesota. This suggests that availability of workers may be an issue for future economic development efforts.

Of equal importance, most of the rural labor force is declining as a percentage of the total population (Figure 45). In 1980 the labor force made up more than half the population in 34 of the 62 rural counties. By 1988 only 13 rural counties met this standard. By contrast nine of the 15 regional center counties and eight of the 10 Twin Cities area counties had a work force in excess of half their population.

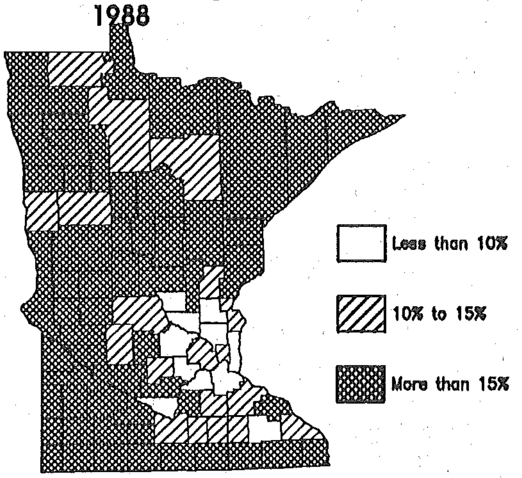
In addition, the elderly are a much larger part of the rural population than in the regional centers or Twin Cities area (Figure 46). In 1988, people 65 and older made up more than 15 percent of the population in 54 of 62 rural counties. No Twin Cities counties and only three

Figure 45 **Labor Force as Percentage of Population**



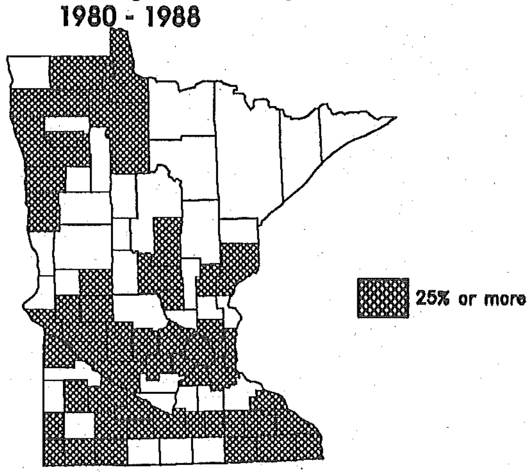
SPA Graphic. Data: Dept. of Jobs & Training

Figure 46 **Percentage of Population 65 or Over, 1988**



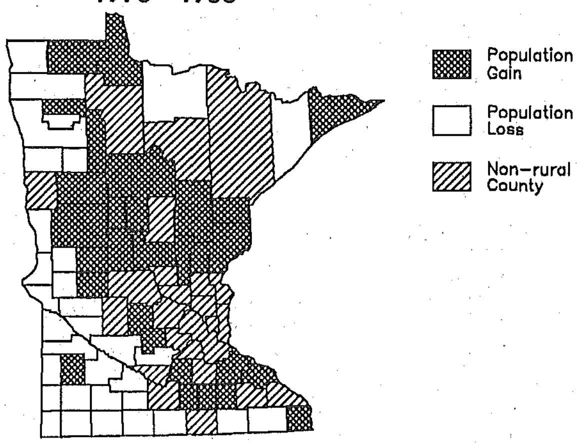
SPA Graphic. Data: Estimated from Medicare enrollments

Figure 47 **Change in MinoritySchool Enrollment, 1980 - 1988**



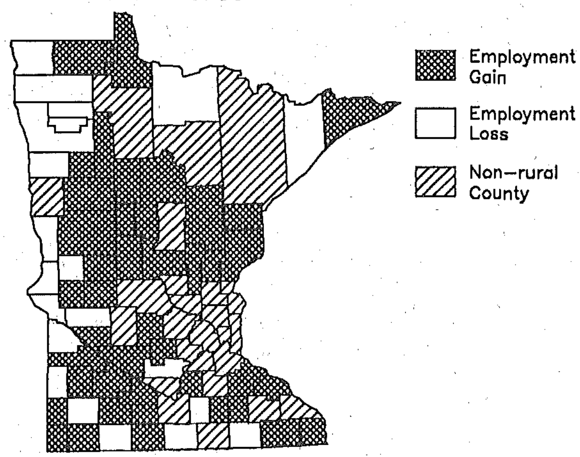
SPA Graphic. Data: MN Dept. of Education

Figure 48 **Population Change in Rural Minnesota 1970 - 1988**



SPA Graphic. Data: U.S. Census Bureau State Planning Agency

Figure 49 **Employment Change in Rural Minnesota 1977 - 1988**



SPA Graphic. DATA: Bureau of Economic Analysis

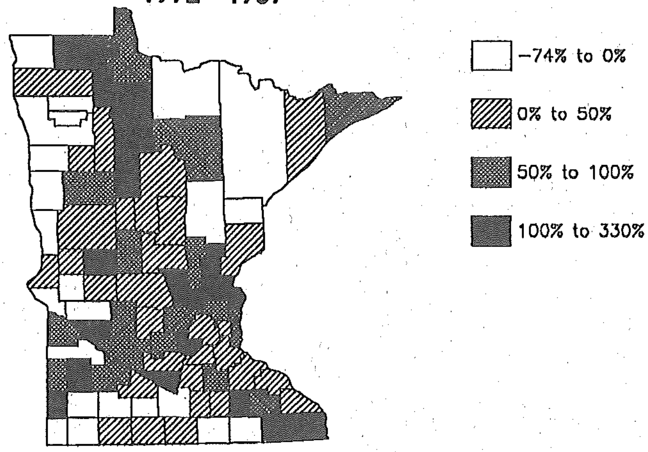
regional center counties have this high a percentage of seniors.

Minority populations (as measured by school enrollment) are growing rapidly in much of rural Minnesota (Figure 47) and usually at a far greater rate than the white population. While in many cases the absolute size of the minority population is still small, minority school enrollments in 34 rural counties have grown by more than 25 percent since 1980, though overall minority growth is greater in the Twin Cities and regional centers. Dominant minority groups appear to include Hispanics in northwestern Minnesota, Native Americans in north central and northeastern Minnesota, and Hispanics and Asians in the southern part of the state. Expansion of the black population beyond the Twin Cities appears to be slight.

Rural Growth, Stability, and Decline

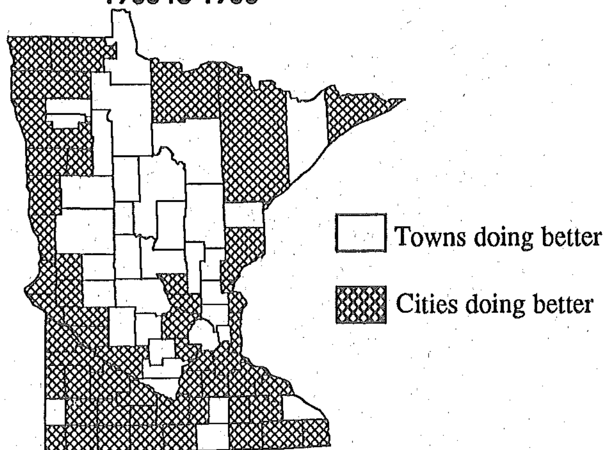
Rural Minnesota, on the whole, has grown. Yet not all parts of rural Minnesota have shared in this growth. For example, the population of Hubbard County grew 47 percent from 1970 to

Figure 50 **Percentage Change in Manufacturing Employment 1972 - 1987**



SPA Graphic. Data: U.S. Bureau of Economic Analysis

Figure 51 **Comparison of City andTownship Growth 1980 to 1988**



SPA Graphic. Data: Census Bureau, State Planning Agen-

1988. At the same time, Traverse County lost 21 percent of its population. From 1977 to 1988 employment in Roseau County rose by 45 percent, while in Red Lake County it fell by 18 percent.

In general, rural population growth is strongest in the state's lakes regions and weakest near the southern and western borders (Figure 48). Particularly strong population growth is occurring in north central Minnesota's forested lakes region, but growth is also occurring in agricultural areas with large numbers of lakes farther to the west and south. The lake areas also support a sizeable seasonal population. From 1967 to 1984 the number of cabins and other homes around Minnesota lakes grew by 74 percent.

Patterns of employment growth generally follow those of population growth, although there are fewer areas of actual employment decline (Figure 49). This pattern does not apply, however, to manufacturing jobs (Figure 50). Some of the strongest manufacturing growth has taken place in areas of population decline (for example, Pipestone and Chippewa counties), while manufacturing growth in some rapidly growing lakes counties (such as Otter Tail and Cass counties) has been relatively weak.

Population growth in the lakes region and the farm region differ in another important aspect. Lakes region growth has been concentrated in unincorporated areas, meaning townships or unorganized territories (Figure 51). This should come as no surprise. People who move to the lakes region want to be by the lakes. More often than not, these are not found within city limits. In agricultural regions, however, population growth has been greater, or decline less, in cities than in townships. In agricultural Minnesota a major force has been the long-term trend to fewer, larger farms. This limits the opportunity for population growth in unincorporated areas.

Implications

- **Policies designed to affect or aid rural Minnesota must acknowledge the tremendous diversity that exists within this area. A policy based on an assumption that all rural areas are declining will aid some areas without the same needs. Policies designed to aid non-English speaking people will miss the mark if aimed only at large cities. Questions of growth management affect some rural areas in addition to Twin Cities suburbs.**
- **Economic development in much of rural Minnesota will be severely restricted by labor shortages. Labor force expansion in rural Minnesota has been driven by high school graduates from the baby boom generation, by an increase in the number of working women, and growth in the number of farm family members working off-farm jobs. A declining number of high school graduates in much of the area and the high number of women and farm family members already working means that significant expansion of the work force from these sources is unlikely.**
- **In addition to the size of the workforce, maintaining the quality of the labor force is of critical impor-**

tance to rural communities. Can rural communities be made attractive to the young high school or college graduate seeking economic opportunity? At recent public meetings convened by the State Planning Agency in Duluth and Fergus Falls, participants cited the increased difficulties in retaining young people as one of the greatest challenges facing small cities, and other anecdotal evidence suggests that an increasing number of youth leave smaller communities following high school graduation never to return. Training opportunities are certainly more plentiful in the Twin Cities and the regional centers. Economic success may depend on finding ways to make education and training available outside the traditional college campus.

Transportation is also important to economic success. Rural communities cannot succeed without viable road, rail, and air systems. Federal deregulation has reduced air, rail, and bus service to some communities, and maintaining our current highway system is very expensive. Our current transportation system in rural Minnesota largely reflects early 20th century settlement patterns. Can we design a transportation system which is flexible enough to adapt as our needs and settlement patterns change?

- Small communities face unique leadership challenges. A small city will almost certainly have a small staff; many cities with fewer than 1,000 people have three or fewer full-time employees. Competing with larger cities with larger and more specialized staffs for public programs and private investment thus becomes extremely difficult. Leadership training in small communities might help overcome this gap, as might increased cooperative efforts between neighboring cities.
- Rapidly growing rural areas face unique problems. Much rural growth is taking place in environmentally sensitive areas. Rapid lakeshore and riverfront development can result in surface and groundwater quality problems from malfunctioning septic systems and lawn fertilization, loss of fish and wildlife habitat from destruction of aquatic and terrestrial vegetation and potential recreational conflicts from overcrowding. Excessive rural growth can also destroy much of the ambiance which made the area attractive in the first place. Much of this growth is taking place in counties with little zoning or land use regulation and at best small planning staffs.
- The growing number of elderly throughout rural Minnesota will result in a larger number of people who are "asset-rich", (i.e. property owners) and "cash-poor" (i.e. limited disposable income). The property tax is based on assets but is paid in cash. Alternative means of financing local governments which better reflect ability to pay may be necessary.
- Small rural communities may benefit more from new job creation in regional centers than from their own economic development efforts. While commuting does help retain income in rural areas it does little for an area's commercial/industrial tax base. Pressures may arise to de-emphasize the importance of commercial and industrial property taxes in financing local governments in rural areas.
- The growing number of minorities in much of rural Minnesota presents both problems and opportunities for areas which in the past have had little or no ethnic diversity. Racial tensions and problems of discrimination will certainly increase. Questions of racial balance in schools may well expand beyond the Twin Cities area. More training in cross-cultural issues will certainly be needed for government and private officials. Yet minorities may offer the best hope of maintaining a viable labor force in some areas, and increased diversity in the classroom can enhance everybody's educational experience.
- A recent study by the University of Minnesota's Center for Urban and Regional Affairs raises numerous provocative questions about the future viability of small rural communities. Among them:

"How many smaller trade centers will eventually lose their economic viability, even as places to reside, given their diminishing number of functions and services and the increasing maintenance costs of the existing infrastructure?

"Is it possible and desirable to develop policies aimed directly at offsetting these trends in order to slow future change in the region, thereby preserving and enhancing to some degree the older settlement patterns?

"Or, should policies be developed to minimize the impact of the larger trend or in other ways ease the transition for communities undergoing change, thereby facilitating an easier,

more orderly transition for the people living there?

"Given the potency of the larger trend, what are the appropriate roles for public policies--in economic development, agriculture, transportation, and intergovernmental finance--either to accommodate or slow the transition currently underway?

Notes:

1. Anding, Thomas L., John S. Adams, William Casey, Sandra de Montille, and Miriam Goldfein. Trade Centers of the Upper Midwest: Changes from 1960 to 1989. Center for Urban and Regional Affairs, University of Minnesota. 1990.

PART VII

Summary and Conclusions

We have shown that use of a different way of looking at Minnesota reveals important factors which are obscured by the traditional Twin Cities - Greater Minnesota typology. As one alternative, we have proposed replacing the "two Minnesotas" model with one that recognizes at least three distinct areas within the state. The first is the Twin Cities area, the second regional trade and service centers and their surrounding communities, and the third rural Minnesota. We further suggest that in many cases policy makers will need to recognize the diversity found within each of these groups. In the Twin Cities area the needs of the central cities and inner suburbs are very different from those of the outer suburbs and fringe areas. This conflict is also increasingly played out between the regional centers and their fringe areas. Rural Minnesota includes cities that are behaving much like the regional centers, large cities that are not thriving to the same degree, declining small towns, a growing lakes area, and declining agricultural areas. For each of these generalizations, notable exceptions can be cited.

Much of this analysis calls into question the utility of political boundaries based on settlement patterns which no longer apply. During the 19th century county boundaries changed frequently as settlement patterns changed. But in the 20th century only two changes have been made to Minnesota county boundaries, the last taking place in the 1920s. When fixed at the turn of the century, counties were much more uniform in population than they are today. In 1910 the tenth largest county (Wright) had 3.5 times the population of the tenth smallest (Sherburne). By 1980 the tenth largest county (Blue Earth) had 6.2 times the population of the tenth smallest (Wilkin), and all indications are that this disparity will continue to grow. This suggests that the ability of the different county governments to administer programs is much more variable than when the counties were created. Can a human services program be administered as efficiently in a county of 5,000 as a county of 50,000, especially when the county of 50,000 may well have more than 10 times the tax base and less than 10 times the need of the county of 5,000?

City and town boundaries have some ability to change through annexation. County boundaries, and those of many regional organizations and special districts, do not. If the boundaries themselves are not to be reexamined, we would do well to explore more ways to encourage cooperation and sharing of services between local governments. There is currently one example of three counties sharing responsibilities for welfare administration, while seven groups ranging in size from four to 15 counties exist to develop local water plans. Other models can also be explored. Might a small county contract administrative responsibilities out to an adjoining larger county? Might cooperative arrangements also be reached in areas such as solid waste disposal or corrections?

Many of the same questions can also be asked of municipal governments. School districts have increasing options for sharing or contracting with each other for services. Do these same opportunities exist for cities? What legal obstacles exist towards cooperative provision of city services? Can the state take action to make methods such as joint powers agreements easier. Three cities which share fire protection services recently found that there is no provision in the law for a levy referendum which succeeds in two of the cities and fails in one. Do other similar obstacles exist?

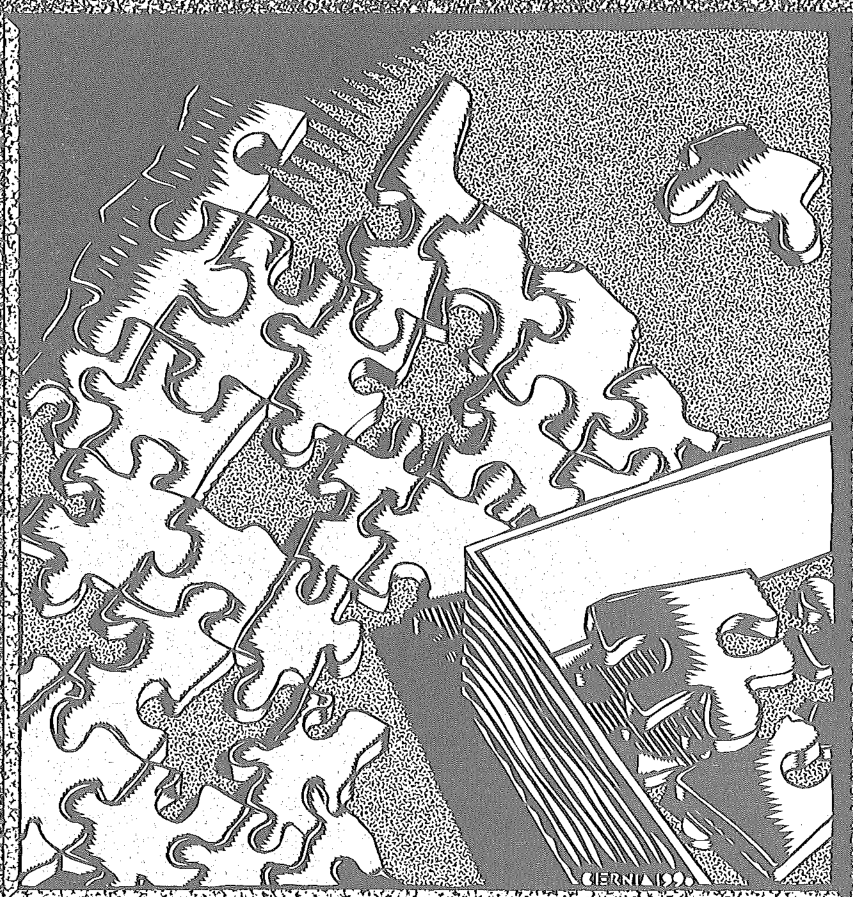
We recognize that some public issues do not lend themselves to statewide solutions. Yet we cannot ask each of our 856 cities and over 1,500 townships to each develop their own solutions to problems such as solid waste, economic development, and telecommunications systems. And the fixed nature of county boundaries, along with their diverse population sizes and land areas, means that they are not always the most appropriate administrative unit either.

Minnesota will need to attack more issues using a flexible regional approach. Planning for mass transit in a regional center may, for example, involve a city and five or six surrounding townships, while a regional approach to solid waste disposal and recycling might involve three or four counties (or parts of counties) and might even cross state lines.

Once established, regions should also be able to change as settlement and economic patterns change. Boundaries of the Metropolitan Council, for example, were established over 20 years ago. Expansion of the Twin Cities area suggests that in some ways these boundaries may be less appropriate today. Twenty years from now they may be even less appropriate if urban expansion continues, or they may be more appropriate if energy prices force an end to expansion or even contraction. Similar examples are not rare.

We must change with the times.

POLICY PERSPECTIVES



Regional Diversity: Re-examining the Urban–rural Dichotomy

Section 3

Regional Diversity: Dimensions for Policy

ACKNOWLEDGMENT

Steve Nelson and Deb Pile were the principal researchers and authors of this section. Arnie Anderson, Patty Burke, George Durfee, Kathy Haubrich, Lee Hill, John Hynes, Mark Larson, Marilyn Lundberg, Dorothy Petsch, Jim Ramstrom, and Randy Young all assisted with background material, research and preparation of maps and charts. The authors thank numerous individuals who contributed time and skills and reviewed and commented on drafts of this section.

This is a section of an overall report, which is the first in a *Policy Perspectives* series. The title of this report is "**Regional Diversity: Reexamining the Urban-Rural Dichotomy**." For more information, contact the State Planning Agency at 612-296-3985, or write: State Planning Agency/ Policy Perspectives/ 300 Centennial Building/ 658 Cedar Street/ St. Paul, Minnesota 55155.

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ABSTRACT

This section of the *Policy Perspectives* report, "**Regional Diversity: Reexamining the Urban–Rural Dichotomy**," identifies five dimensions of regional diversity and suggests that policy development will be improved by their use. These dimensions are underlying and fundamental measures of the differences between different parts of the state and places of different sizes that are relevant to public policy. The dimensions include: remoteness, scale, socio-economic conditions, administrative capacity and fiscal capacity. The effect of the dimensions on policy is analyzed by reviewing eight selected policy areas and identifying the use and importance of the dimensions in each. The selected policy areas include: recycling, wastewater treatment, local water planning, dislocated workers, hospitals, underground petroleum storage tanks, tax increment finance and information access.

A three-step approach is suggested to improve policy-making in the state:

1. Account for Minnesota's diversity when developing and implementing policies;
2. Measure the dimensions and incorporate strategies to address them;
3. Select divisions of the state and its population that best serve the policy.

Through this stepwise approach, policies for Minnesota are not based on a preconceived division or notion of rural or urban. Instead, policy-makers would concentrate on the differences in Minnesota most critical to the policy issue at hand and the divisions or classifications that best address or serve those differences.

PART 1

INTRODUCTION

> *"Don't split the state into geographic areas as the first step in developing policy."*

The Metro–Greater Minnesota dichotomy has become a frequently used division in policy development. Part of this is explained by policy-makers' attempts to address underlying differences. Part is explained by the presence of the Metropolitan Council with its policy and oversight role in the Seven-County Metropolitan Area*. But a significant part of its frequent use can be explained only because it has been the historic approach. Many policies can be made more effective, equitable or efficient by using a framework which is less dependent on the geographic grouping implicit in the Metro–Greater Minnesota dichotomy.

Another section of this *Policy Perspectives* report, **Regional Diversity: Patterns of Minnesota's Growth**, identified one alternate conceptual division of the state: not two parts, but three. This division, which would split the 77 counties (less Chisago, Isanti and Wright) of Greater Minnesota into two parts — regional centers and rural — better represents the diversity in Greater Minnesota. By representing that diversity more adequately, the tri-part division can improve policy-making and make policy decisions deal more consciously with the geographic grouping. This section takes that argument one step further advising, **"don't split the state into geographic areas as the first step in developing policy."** Policy developers need first to attempt to deal with the underlying and fundamental dimensions of regional diversity and then allow some geographic grouping if it makes sense for that policy.

If an outside observer were to examine the usefulness of the present Metro-Greater Minnesota dichotomy, he or she would be left with a sense that, many times, the 7 county versus 80 county distinction is largely one of convenience rather than one that is fundamentally supported by underlying conditions and policy needs. The principal thesis of this report is that there are fundamental **dimensions** of diversity that define how a given policy will work when applied to different parts of the state. Those dimensions — **Remoteness, Scale, Socio-Economic Conditions, Administrative Capacity** and **Fiscal Capacity** — represent underlying, fundamental and, to a great extent, predictable differences between different parts of the state and places of different sizes. Policy-makers and individuals at all levels of the policy development and implementation process need to take these dimensions into account. By being aware of these dimensions of diversity, policies can be developed that are more regionally neutral and better serve the interests of all the citizens of Minnesota.

The use of the term "regionally neutral" is meant to emphasize the point that many times policies can be fashioned in ways that better accommodate the relative advantages or disadvantages of certain places in Minnesota. Those advantages may be based on size, location and other diverse factors. In many, but not all instances, the underlying advantages favor the larger, more urban areas. Policies need not be constructed in ways that amplify these advantages. On the other hand, some problems facing more urbanized areas — congestion or crime, for example — can be as difficult to overcome as travel distances in rural areas. In discussing these underlying dimensions, actual policy strategies that Minnesota policy-makers have used to accommodate regional diversity are highlighted. Part 2 introduces the five dimensions and describes other approaches that can be used to reflect the diversity of Minnesota as it affects policy-making.

Eight specific policy areas are reviewed to identify and better understand the dimensions. Part 3 of this report profiles those policy areas. Part 4 of the report discusses, in separate sub-sections, the five dimensions in their Minnesota context and also provides specific examples from the eight policy areas. Each sub-section includes a discussion of strategies that policy makers can use to minimize the advantages or disadvantages of the particular dimension. Part 5 of the report reviews the importance of the dimensions and recommends some general and specific guidelines for policy-making.

* In this section "Twin Cities Metropolitan Area" refers to the seven counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington.

PART 2

Policy-Making Approaches that Acknowledge Minnesota's Diversity

Five dimensions of diversity should be taken into account if policy–makers want to fashion programs which are more regionally neutral. These dimensions are five measurements of diversity and provide a framework for understanding and capturing much of the state's diversity. This part briefly reviews the dimensions and other approaches for accommodating diversity that have been used in the development of statewide policy.

The five policy dimensions capture a lot of the diversity inherent in different places. State programs and services are either delivered by state level agencies and institutions such as the Department of Transportation or by the State University System. Many programs and services are delivered by local governments — cities, counties, school districts, townships and a variety of special purpose districts. The five dimensions, **Remoteness, Scale, Socio-Economic Conditions, Administrative Capacity,** and **Fiscal Capacity** address the diversity in these types of service delivery approaches. Figure 1 provides examples of the types of diversity captured by the five dimensions.

The dimensions **Remoteness, Scale** and **Socio-Economic Conditions** reflect the underlying conditions of the various places of the state. Examples of geographically varying needs that are reflected in these dimensions are many. State government has an interest in addressing businesses of different sizes (Scale), encouraging telecommunications access (Remoteness), and providing support to disadvantaged people (Socio-Economic Conditions). The underlying diversity represented by these dimensions needs to be accommodated whether the state or the local units of government deliver the service.

The dimensions **Administrative Capacity** and **Fiscal Capacity** relate primarily to programs delivered by local governments. Examples of geographically varying needs that are reflected in these dimensions would be the varying expertise of local governments (Administrative Capacity) and the varying ability counties have to fund state–mandated services (Fiscal Capacity). These dimensions affect how each local government will deliver services.

Accommodating Diversity — Current Approaches

There are some practical difficulties in fashioning policy to reflect diversity. One important problem is the difficulty in specifying which grouping or groupings of places should be treated in a different way. As a result, three basic approaches are used: uniform statewide policy, policy differences by size of governmental unit, and policy differences by regional grouping.

Figure 1. **Examples of Factors Reflected in Dimensions of Regional Diversity.**

	Administrative Capacity • Staff expertise • Level of specialization • Access to purchased technical servicesy	
Scale • Size of businesses • Functions of urban areas • Economies and diseconomies of scale	**Remoteness** • Distance to markets • Distance to services • Transportation access • Telecommunications access	**Socio-Economic Conditions** • Population Characteristics Age Income Minority • Age of housing stock
	Fiscal Capacity • Revenue raising capacity • Revenue diversification • Wage rates • Costs of service responsibilities	

Uniformity is an approach where services or programs are to be made available statewide at uniform levels. This approach is usually associated with policies whose premise is that citizens of the state are entitled to the service regardless of where they live in the state. In some areas, like education, uniformity may be guaranteed in the state constitution.

The population-based approach uses population size to differentiate between places. This approach is usually found where local governments are providing the service. A more populous city or county may be required to meet higher standards than their less populous counterpart. For example, cities under 5,000 in population are allowed slightly broader use of tax increment financing than cities larger than 5,000. Many statewide policies use a population breakpoint to differentiate between places of different sizes. A computerized search of the statutes done for this study revealed 16 different breakpoints for counties, ranging from 6,500 to 650,000. City breakpoints were more numerous with 19, ranging from 500 to 300,000. There is a great variety of cities and counties of various populations in the state *(figure 2)*. Using population size to set policy can account for some of the relevant diversity in the state but population size alone may be insufficient for policy use.

Geographic grouping is another approach. The use of the Metro-Greater Minnesota dichotomy is the best example of this. Several of the policy areas reviewed in this section use this distinction.

Other policy areas have different groupings of places. Policy differences can be applied to one county or all cities within specific counties. Policies can be applied to regional groupings developed by administrative agencies such as the Department of Transportation or the Department of Natural Resources. Groupings can include watersheds, Regional Development Commission areas or "Border Cities." The geographic approach can capture some of the diversity in the state but is unlikely to capture all of the relevant diversity.

Figure 2. **Cities and Counties by Population Size.** 1988.

Population Range	Cities	Counties
Less than 2,500	675	-
2,500 to 4,999	70	4
5,000 to 9,999	39	9
10,000 to 14,999	24	18
15,000 to 24,999	22	18
25,000 to 49,999	19	26
50,000 to 199,999	4	7
200,000 or More	2	5
TOTAL	855	87

Boundaries

The geographic approach has a further disadvantage in that geographic divisions are more likely to be inter-related with the geographic areas that legislators serve. Legislators are rightfully concerned with how their districts are faring in the provision of state government services versus other places in the state. A geographic approach may over-emphasize the "winners versus losers" aspect of policy development by clearly identifying the areas affected or benefitted by the policy.

In addition, geographic boundaries can create discontinuities in the treatment of similar individuals or situations. Electric service boundaries define the service territories of all electric utilities — municipals, cooperatives and investor-owned. One of the consequences of suburban growth has been the in-filling of formerly rural areas with homes and businesses. These recently suburbanized areas may now be served by two different utilities that charge widely different rates. Neighbors who live across the street from each other can pay rates that differ by 30 percent or more.

Hospital reimbursement is another issue where boundaries create discontinuities. Reimbursement rates for Medicare and Medical Assistance are higher in counties in Metropolitan Statistical Areas (MSAs) than in rural areas. Small town hospitals on opposite sides of an MSA's borders can face widely different prospects as the result of this discontinuity.

Geographic groupings that are jurisdictional may have boundaries that are harder to change than groupings that are conceptual such as population size. The suburban growth in townships around the Metro Area and regional centers has resulted in an increase in boundary disputes between electric utilities. Many times these service territory disputes are between a municipal utility and a rural power cooperative. Municipal utilities are allowed to serve all customers within their municipal boundaries. When they annex surrounding areas served by other utilities, they can expand their service area but must compensate the other utility. These service territory disputes can be difficult to resolve and may end up before the Public Utilities Commission or in District Court.

PART 3

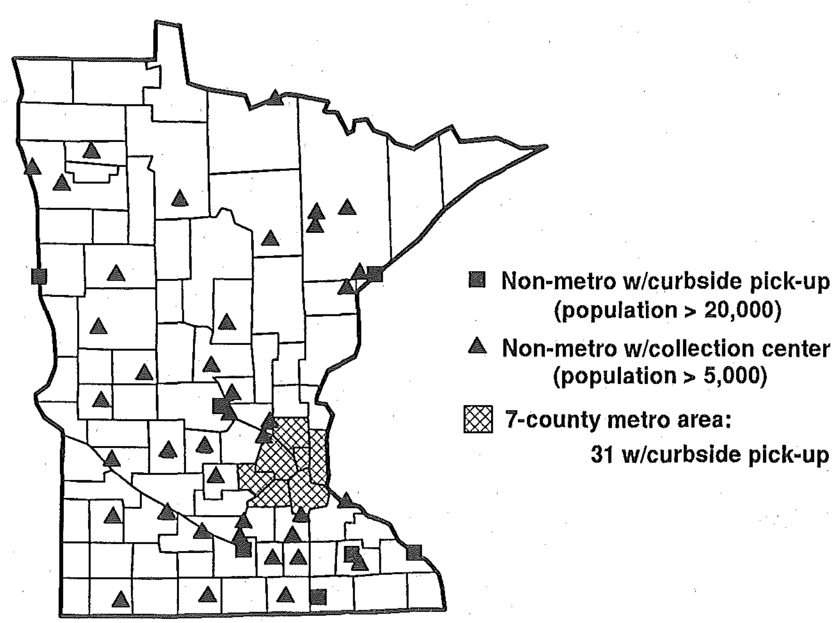
DESCRIPTION OF SELECTED STATE POLICY AREAS

A major theme of this **Policy Perspectives Report** is that policy expectations are better served in all parts of the state if attention is paid to five underlying **Dimensions** when the policy is crafted. It is hoped that policy development can consciously move away from choosing the timeworn Metro-Greater Minnesota dichotomy too early in the policy development process. We need to be cautious in setting up hard geographic boundaries that eventually need to be changed. (The difficulty of changing boundaries was shown in the context of the electric utility boundary issue in the last section.) In the next part, those five dimensions will be discussed in more detail. This part will describe eight policy areas, of statewide scope, which are used as examples to better describe the rural–urban dimension. These policy areas were chosen for several reasons. They are of recent legislative interest or action; they have a definite rural–urban character; State Planning Agency staff has expertise in the policy area; and, they represent a diverse set of policies.

The diversity aspect was important in selection of the policy areas in order to ensure that the dimensions discussed later would have some applicability to a broad set of policies. The policy areas that are covered here include environmental areas — policies on **recycling, wastewater treatment** and **local water management.** Policies in the human service area include **displaced workers, hospitals** and the social problems related to **underground petroleum storage tank regulations.** Economic development and information equity issues are reviewed related to **tax increment financing** and **information access.**

The eight subsections that follow contain brief descriptions of each of these policy areas. The descriptions are background necessary to understanding how policies are affected by the five rural urban dimensions. The descriptions focus on the need for the policy, federal and state response to that need and briefly an identification of underlying features important for understanding the impact of the five dimensions.

Figure 3. **Opportunity to Recycle:**
Recycling Facilities in Greater Minnesota.



Based on 1988 population estimates.

Recycling

Safe management of solid waste increasingly has become a concern in Minnesota. In the past, open-dumps were replaced with landfills to address problems of rodents, litter and odors. Environmental problems resulting from burying solid waste, however, have now led to the closing of many of the state's landfills. There are currently 52 landfills in the state with an estimated life of four years. Waste-to-energy facilities have partially offset the need for landfills, but incineration also poses environmental and human health concerns.

Recycling of solid waste has become a major strategy in Minnesota to reduce the volume of wastes which otherwise would end up in landfills or incinerators. The state's policy toward recycling was articulated in 1980 in the Waste Management Act and refined with passage of the SCORE Act in

1989. The approach to recycling attempted to deal with the urban and rural portions of the state differently and embraced the existing state subdivision of the Seven-County Metropolitan Area and Greater Minnesota.

The program is administered by the Metropolitan Council, for the Seven-County Metropolitan Area, and by the Office of Waste Management for the remaining 80 counties. The recycling goal for the Metro Area is higher, at 35 percent of the solid waste generated, than the goal in the rest of the state, which was set at 25 percent.

Collection requirements, and, therefore, opportunities to recycle also differ *(figure 3)*. The law requires at least monthly curbside pickup of recyclables for cities with over 5,000 population in the Metro Area. The same requirement in the remaining 80 counties applies to cities with over 20,000 population. In addition, all counties must have at least one collection center. Funds for the program are generated by a 6 percent sales tax on garbage collection. A basic level of funding is provided to each county, with additional funding based on population.

The underlying features important to this policy area include the variation across the state in existing recycling efforts and the problems associated with recycling in less densely populated areas. These variations and problems are only partially taken into account in the state's goals and funding allocations.

Wastewater Treatment

Construction of municipal wastewater treatment facilities over the past twenty years has led to significant improvements in the quality of Minnesota's streams and lakes. These improvements have largely been a result of state and federal requirements for treatment, coupled with financial assistance to communities for the planning, design and construction of treatment facilities.

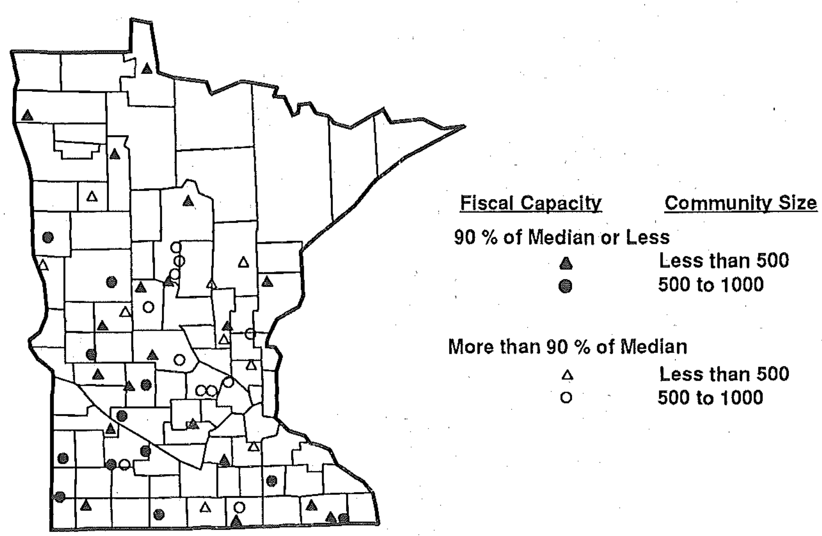
From the early 1970s through the mid 1980s communities were able to receive grants to cover 90 percent of planning, design and construction costs. Then the federal government began to decrease its grant support and refocus resources toward establishing state revolving loan programs. Federal grant monies ended in 1990, and funds to capitalize the loan programs will end in 1994.

Today, state financial assistance is provided for approximately 80 percent of the eligible project costs for communities with populations under 25,000, and 50 percent for those with larger populations. Assistance comes from a combination of grants and low-interest loans, with grants limited to 35 percent or, if the population is under 25,000, 65 percent of costs. At the same time, costs for facilities have greatly increased.

The state's priority system for financial assistance addresses the worst water quality problems first, and includes points for population served. Thus, larger communities tended to be funded first.

The 1990 priority list of needs contains 105 projects. Of these projects, only 14 serve populations over 25,000, while 51 serve populations under 1,000. These communities not only vary in size, but also in financial capability *(figure 4)*. They include urban, suburban, resort, and small farming communities.

Figure 4. **Municipal Wastewater Needs.**
Communities on the 1990 needs list with populations under 1000.



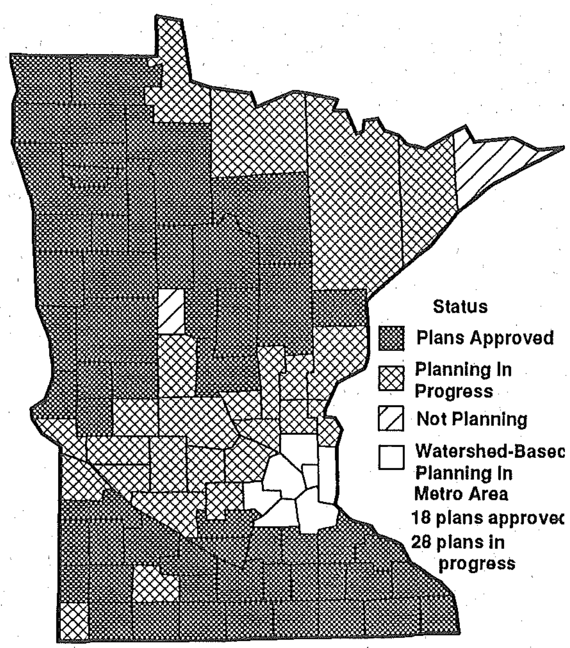
Underlying features of this policy area include the preponderance of small communities remaining on the priorities list, the decreased level of financial assistance coupled with the increased costs of facilities, and the varying ability to pay. Neither the system of assigning priorities nor the percentages for assistance consider the financial capacity of the communities.

Local Water Planning

The abundance and quality of Minnesota's water resources is threatened by droughts and floods. It is also threatened by pollutants discharged into waters and onto the land by man. Everyday activities, from landscaping to farming to recreation can lead to pollution. These threats can be cumulative and interactive. Past efforts to address problems individually often led to new problems.

The state began to promote managing water locally and comprehensively in 1982 with passage of the Metropolitan Surface Water Management Act. It required local water plans for natural watersheds in the Seven-County Metropolitan Area. Plans were to be prepared by existing watershed districts, by joint powers boards where no districts existed or by counties. No funding was provided, but local governments were allowed to exceed their levy limits. Plan content was not set in rules, and only limited technical assistance was provided by the state.

Figure 5. **Status of Local Water Planning.**



Source: Board of Water and Soil Resources.

The Comprehensive Local Water Management Act was passed in 1985 to covered planning in the rest of the state. It called for counties to voluntarily develop plans. It included a special levy exemption and required rules for plan content. Later, the state provided small grants for plan development and funding for data acquisition. Most counties formed multi-county regions to optimize available resources.

The status of local water planning varies across the state *(figure 5)*. In the Seven-County Metropolitan Area where 46 separate organizations are responsible for planning by watershed, 18 plans have been approved. Outside this area where 80 counties are responsible for county-level plans, 53 plans have been approved.

Recent legislative changes in both programs have nullified levy limit exemptions. Other changes have addressed financial and technical resource needs. Plan content rules will now govern revisions to the Metropolitan Area plans, acknowledging the need for guidance, and grants were made available for voluntary preparation of Metropolitan Area ground water plans. Grants were also made available for implementing plans throughout the state. Eligible grant amounts are calculated and equalized through a tax capacity based formula in an effort to recognize the varying financial capability of counties.

The underlying features important to local water planning include the variation in financial and technical resources across the state and the need to coordinate planning throughout entire watersheds and ground water systems.

Dislocated Workers

The Minnesota Department of Jobs and Training estimates that a minimum of 25,000 Minnesota employees are dislocated each year by plant closings, mass layoffs, small business failures, technological change, job obsolescence, mergers or takeovers. The impacts of plant closings and mass layoffs are typically concentrated. Especially in smaller communities, they can severely affect local retail trade, housing values, health care providers and governmental revenues. In fiscal year 1990, 5,900 persons were enrolled in dislocated worker and dislocated farmer projects. Approximately 20 of these projects were funded for the Twin Cities Metropolitan Area and 16 in Greater Minnesota. Dislocated workers need counseling services, training and retraining services and other placement services in order to return to employment in fields that will offer jobs at sufficient wages.

Over the last 10 years, a time of several notable and many smaller dislocations, both the federal government and the state government have developed programs targeting dislocated workers. These employment and job training services are delivered primarily through a regionalized job training system established under the federal Job Training Partnership Act and a variety of other agencies.

Most dislocated worker services are delivered by local agencies (both governmental and non-profit) on a plant or industry specific basis. The services are funded through the State Job Training Council by time-limited grants to local public or non-profit employment and training agencies, labor unions, employers or a combination of entities. These projects are customized to fit the needs of the client, capitalize on peer group support and have delivered placement results better than programs in many other states. Some additional services are available to individuals not targeted by a plant specific project.

The underlying features that are important to this policy area are the ability of the local job market to absorb dislocated workers and provide adequate or comparable jobs. The other feature is the ability of the broader community to respond to situations where workers need survival assistance and actions are required to retain or replace jobs.

Hospitals

The most significant factor affecting the current environment for health care is cost. The reasons hospital costs have skyrocketed in the last 30 years are many, but two are especially significant: 1) until recently health care providers, including hospitals, were reimbursed by private health insurance and government for essentially all costs incurred in providing care, serving to discourage spending constraints; and 2) advances in medical technology created a demand for more complex, and more expensive hospital equipment and treatment methodologies. Hospitals have evolved from being the accepted place to go to have even minor surgery to being seen primarily as vendors of advanced technological care for acute illness or injury. Few stay overnight in the hospital for minor surgery today, with recuperation now taking place at home or in a nursing home.

For many without jobs or working for employers that do not provide health insurance benefits, health care, both preventive and acute, is getting much harder to come by. Individual insurance plans either no longer exist or are highly priced. And many cannot pay directly out of pocket for health care. The federal and state roles in hospitals are directly related to 1) reimbursement rates and policies for federal-state programs such as Medicare and Medicaid and, 2) state and federal policies regarding health insurance.

This changing environment for health care is affecting hospitals of all sizes. All hospitals face the necessity of filling beds to provide sufficient revenue. In urban areas, hospitals must compete head-to-head with other hospitals providing similar services. Smaller hospitals in rural areas face difficulties both with competition and some inherent problems of their location.

Underground Petroleum Storage Tank Regulations

Nationwide, leaking underground petroleum storage tanks (USTs) are recognized as a very large problem. Addressing the problem requires removing both the leaking tanks and contaminated soil. Preventing future problems requires use of better tanks and monitoring systems and the ability to respond quickly when new problems arise.

The federal Environmental Protection Agency (EPA) has recently finalized rules which require that all USTs must meet with stringent technical requirements and must be monitored. UST owners must also have insurance in the event of a spill.

Figure 6. **Recipients of Petrofund Dollars by Location.**

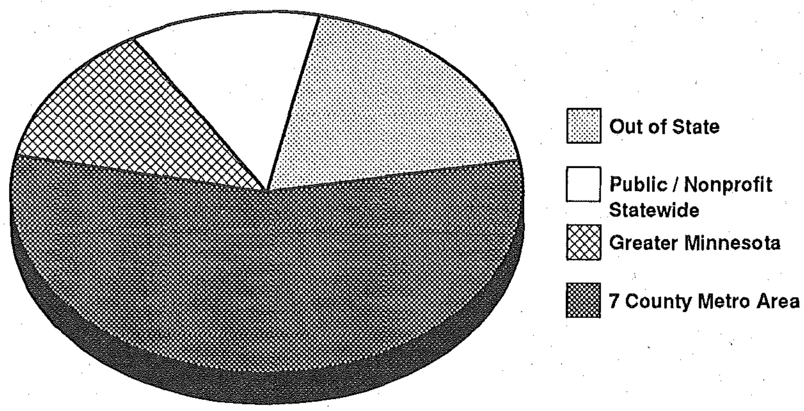
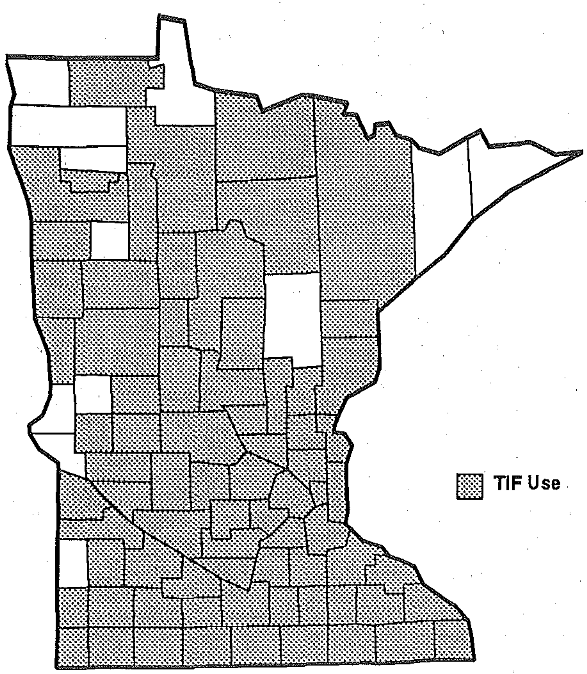


Figure 7. **Counties Where Tax Increment Financing is Being Used.** 1989



The Minnesota Pollution Control Agency enforces the federal regulations in Minnesota. The Legislature has created a funding mechanism called the Petrofund to help pay to clean up petroleum leaks and spills. Through the program, UST owners are insured and are provided subsidies for replacing leaking tanks. The cleanup costs are shared on a 90 percent state, 10 percent owner basis. Clean-ups are reimbursed on a first-come-first-served basis. UST owners are diverse. Gas stations have received a majority of the Petrofund dollars. Other Petrofund participants include school districts, cooperatives, redevelopment authorities, cooperatives, car dealers and fleet operators. Figure 6 shows the distribution to date of the funds from the Petrofund to various types of owners across the state.

An important underlying feature for this policy area is the size of the organization affected and the capacity of its owners or managers to make use of the existing programs. For example, smaller, more rural service stations without sufficient technical and administrative assistance are probably the most seriously affected by the regulations as the deadlines for technical upgrading and monitoring are reached.

Tax Increment Finance

Cities of all sizes throughout Minnesota have a need for an effective economic development and community development strategy. During the last decade, cities made extensive use of Tax Increment Finance (TIF) for funding development. With TIF, a city is able to use all of the property tax revenue from a development project —

including the revenue that would normally go to the county and school district — to help pay for development subsidies and other related expenses. Tax increment financing is by far the largest local development program, with over $186 million having been spent for allowed development purposes in 1989 alone. Tax increment revenues can be spent for several broad purposes including removal of blight, low income housing and to increase employment opportunities and tax base. The revenues can be spent in many ways including acquisition and assembly of developable land, writing-down interest costs to the developers, investing in public infrastructure which enhances the value of the new construction and investing in the administrative expenses of developing the project. These incentives can be funded through the sale of bonds which will be retired with increment payments, through the community front-ending costs (to be reimbursed later with increments) or through a pay-as-you-go approach.

Tax increment financing is widely used by cities of all sizes in Minnesota *(Figure 7)*. TIF districts are found in 75 of Minnesota's 87 counties and in all cities exceeding 10,000 inhabitants. Over 70 percent of the cities with populations over 1,000 have TIF districts.

The Legislature, which authorized TIF for all cities in 1979, has become more concerned with the fiscal consequences of TIF on both the state and local budgets. In 1990, reforms were passed which will significantly inhibit a TIF growth trend. An important underlying feature that will need to be considered as the Legislature looks to other alternatives for development is the need to create a policy with broad applicability that can be used by cities of all sizes and locations.

Information Access

The 1980s was a decade marked by a virtual information explosion. The capability to access information and its easy transfer became increasingly critical for economic development, education and competition among communities. Access to information, however, has not been equal.

The Twin Cities Area has a distinct advantage over the rest of the state in information access, due to the size of its toll-free telephone area *(figure 8)*. This area, which is the largest in the U.S., allows businesses, schools, libraries and communities within the area to access huge amounts of information and communicate with each other without long-distance charges. These telecommunications charges become even more critical as computerized information becomes a more integral part of our lives.

DATANET is a case in point. This on-line information system, developed in the early 1980s by the State Planning Agency, forms an "electronic library" of economic, demograghic, social and natural resources data about Minnesota. The information is transmitted from computer to computer over telephone lines. Users pay an annual fee, plus telephone charges. Thus, the farther a user is from the Metro Area, the greater the cost. For a two-year period, this disparity was eliminated

Figure 8. **Minneapolis–St. Paul Toll-Free Calling Area.**

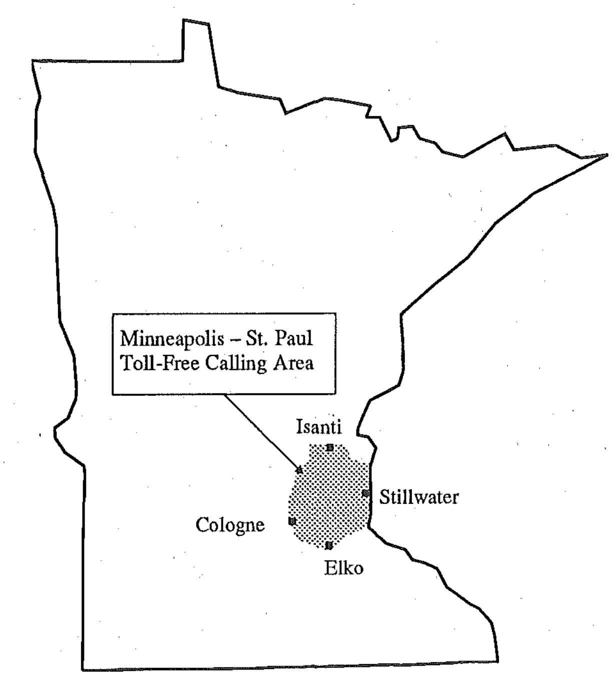


Figure 9. **Policy Approaches Used in Selected Policy Areas.**

POLICY AREA	POLICY APPROACH		
	Uniformity	**Population-based**	**Geographic Grouping**
Recycling	Recycling goals and administration are different. Some areas of the state have higher goals or requirements depending on location or population size.	For Greater Minnesota cities of more than **20,000**, curbside pickup is required. Metro Cities of more than **5,000** must have curbside pickup. State funding is distributed to counties proportionate to population. However, a county is guaranteed at least $55,000.	Greater Minnesota and Metro Area are separately administered by the Office of Waste Management and the Metropolitan Council, respectively. Goals are higher in the Metro Area (35%) than in Greater Minnesota (25%). Collection of household hazardous waste is required only in the Metro Area.
Wastewater Treatment	Regulatory treatment and discharge provisions are uniform throughout the state.	State grant and loan fund limits are higher for communities under **25,000** than for larger communities. Ranking of projects for funding has a factor which provides more points to projects which serve larger populations.	Not applicable.
Local Water Planning	Non-uniform. Planning is mandatory in the Metro Area and voluntary in Greater Minnesota.	Not applicable.	Two different statutes govern water planning — one for the Metro Area and one for Greater Minnesota. These statutes provide two different approaches — minor watershed based in the Metro Area and county based in Greater Minnesota.
Dislocated Workers	Services are delivered on a project basis uniformly across the state through a regional delivery system.	Not applicable.	The state is divided into eleven regions ranging in size from single cities to 27 counties.
Hospitals	Not applicable.	Not applicable.	Federal reimbursement rates are higher in counties in Metropolitan Statistical Areas which include Twin Cities, St. Cloud, Duluth, Rochester and Moorhead. State aid is given to special hospitals that are geographically isolated.
Underground Petroleum Storage Tanks	Uniform statewide policy.	Not applicable.	Not applicable.
Tax Increment Finance	Mostly uniform statewide policy.	Cities under **5,000** are allowed slightly broader powers for small commercial projects.	Greater Minnesota cities are allowed to use TIF for tourism projects.
Information Access	Not applicable.	Not applicable.	State policy-makers have encouraged development of the extensive Twin Cities toll-free calling area.

through a toll-free WATS line. In this period there was a significant increase in the number of rural school districts subscribing to DATANET.

The Twin Cities Metropolitan Area also has a greater wealth of information available to users. For example, over 70 percent of the state's professional librarians are in the Metro Area, where local government support for libraries is $23.19 per capita. In the majority of the rest of the state, less than $11 per capita is spent.

Underlying features to consider in this policy area include variations across the state in access to information due to technology differences, distance from the information source and costs. Telecommunications technology improvements can serve to equalize access to information. However, advanced technologies, such as electronic switches for connecting calls and fiber optic cables, are more readily available in the Metro Area. Such public sector systems as STARS (a statewide telecommunications network for government and educational users) and private sector systems as MEANS (Minnesota Equal Access Network Services) will help to make information more accessible. However, costs associated with distance from information sources and technology gaps will continue to reenforce the advantages of the Twin Cities Area.

Policy Approaches Used in the Above Examples

Policy makers have used various approaches to deal with diversity in the policy areas described above. Population breakpoints are used in a three of the areas to differentiate between places with different capabilities and needs *(figure 9)*. The Metro-Greater Minnesota grouping is used in three of policy areas to differentiate administration and policy goals. Three of the policy areas are mostly or totally uniform throughout the state. The next section of this report discusses using **5 dimensions** when making statewide policy. These **dimensions** can provide policy makers with five ways of measuring diversity which can be helpful in crafting policies that acknowledge the diversity of Minnesota.

PART 4

Five Dimensions for Policy

This section is a detailed look at each of the five dimensions that are relevant to crafting state policy. The dimensions are **Remoteness, Scale, Socio-economic Conditions, Administrative Capacity** and **Fiscal Capacity.** These dimensions, discussed in Part 2, represent five important measurements of regional diversity that should be reviewed when developing statewide policy. These particular dimensions, along with others, were identified early in this study. As the research progressed through the analysis of the example policy areas, the usefulness of these five dimensions was reinforced, while other less useful potential dimensions were dropped.

The subsections that follow will first describe the particular dimension. The dimension will then be put into a Minnesota context. Examples will be provided on how the dimension applies to the eight policy areas discussed in Part 3. Finally, we will discuss strategies policy makers can use to minimize the advantages or disadvantages of each dimension as it applies to rural or urban areas.

Remoteness

Remoteness or isolation can influence the ease with which a policy is implemented. Communities, businesses and individuals benefit from the exchange and pooling of information, resources, ideas and markets. Remoteness can decrease these opportunities and benefits.

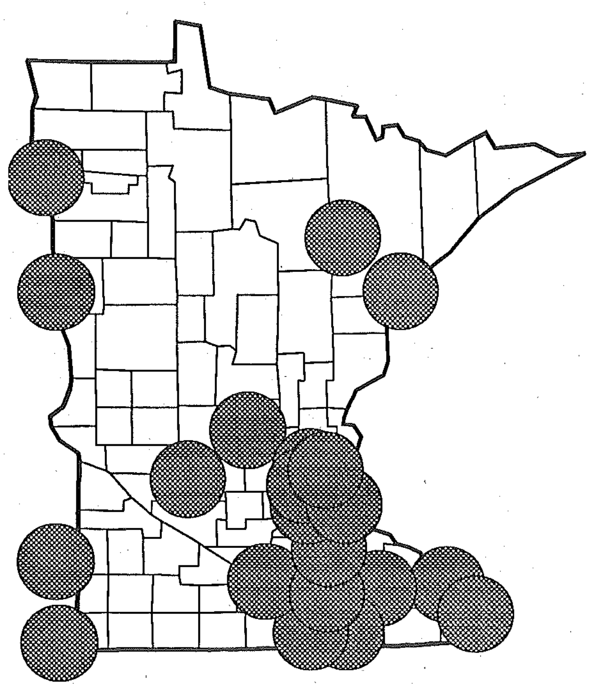
Remoteness does not just mean location in a sparsely populated part of the state. Communities or individuals can be remote or isolated due to such factors as location, technology, transportation systems, or socio-economic conditions. By the same token, location in a sparsely populated area does not guarantee either isolation or lack of isolation.

The Minnesota Context

Small communities or sparsely populated areas located near larger communities can benefit from the larger communities. Thus, distance from the Twin Cities Metropolitan Area, regional centers and larger cities is one measure of remoteness. Proximity to a city with over 15,000 population, for example, is one measure of ease of access to services, including technical, retail, and educational services *(figure 10)*. Distance from such places is not uniform across the state, with populations in the Twin Cities Metropolitan Area and southeastern portion of the state having the best access. In 1988, 38.2 percent of Minnesotans lived more than 25 miles from a 4-year college. Access to 2-year community colleges and technical institutes was better, with just 27.1 and 16.8 percent, respectively, living more than 25 miles away.

Minnesota's transportation systems can compensate for problems of location, however, the greater costs of travel with distance remain a factor. Easy access to the interstate highway system or other express highways can tie remote areas to larger communities. Commercial airport facilities can likewise compensate for remoteness.

Figure 10. **Places within 25 Miles of Cities with Over 15,000 Population.**



These services, along with those of buses and commercial trucking are not uniformly available across Minnesota.

In general, air and bus routes provide links between Greater Minnesota communities and the Twin Cities *(figure 11)*. Links among communities in Greater Minnesota are often lacking and parts of the state are distant from both services. Bus service from Albert Lee to Sioux Falls or Marshall to Grand Forks, for example, connects through the Twin Cities. Bus service to some cities has been dropped (including Morris and Madison, Mn.), primarily due to low ridership, and most Greater Minnesota airports are now served by small aircraft.

Technology can also compensate for remoteness. Telecommunications can compensate for remoteness by directly linking communities and individuals with services and information throughout the state, nation and world. However, electronic telephone switching equipment and fiber optic transmission facilities are necessary to fully utilize today's telecommunications advances. This technology tends to be concentrated in the more populated areas.

About 85 percent of the telephone switching equipment in the Twin Cities Metropolitan Area is electronic. In the rest of the state, only 50 percent of this equipment is electronic. Also, many of the communities outside the Twin Cities Metropolitan Area are served by only one switch. If this switch is not state-of-the-art, businesses can not obtain the modern telecommunications services necessary to compete. Twin Cities Metropolitan Area state-of-the-art switches tend to be located in areas serving businesses, thus providing an additional business advantage to the area.

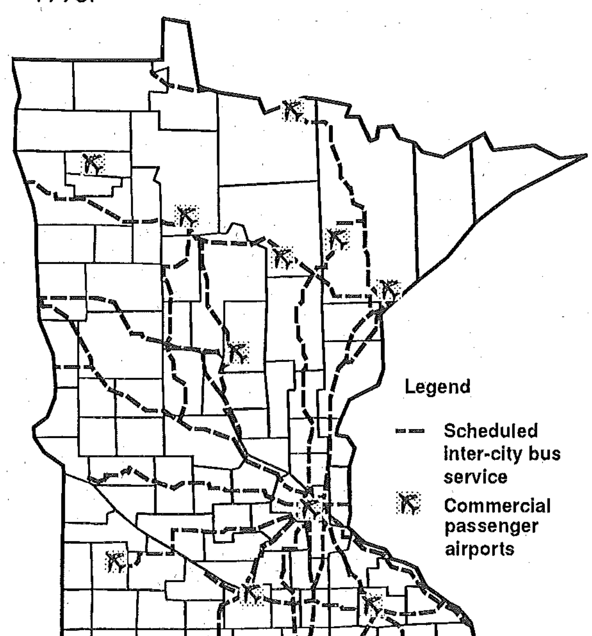
Further, being able to access computerized information by telephone can compensate for distance from the source of the information. However, with many data bases located in the Twin Cities Metropolitan Area, long-distance telephone rates can become a barrier to places outside the metro toll-free area.

Finally, communities and individuals can suffer from isolation due to the barriers created by socio-economic differences. Differences that can create barriers include English proficiency, literacy, ethnic and racial differences, physical and mental disabilities, and age. Non-English speaking communities, for example, can suffer from the effects of isolation whether they are in rural or urban areas. Examples include the Southeast Asian community in St. Paul and the Mexican/American community in Willmar. Effects in rural areas may be more profound, however, due to smaller constituencies of any one effected group. These groups generally lack the resources, organization, leadership, and public and private support systems that exist in larger cities.

Examples of the Impact of Remoteness on Policy

Recycling opportunities and adoption of recycling, for example, are much more difficult in sparsely populated areas. Curbside pickup is a convenient form of recycling, but is not financially feasible in more rural areas due to

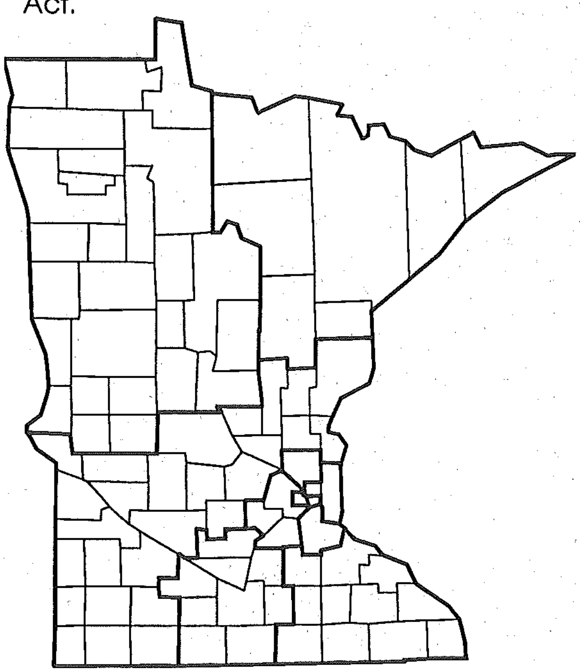
Figure 11. **Commercial Air and Bus Service.** 1990.



higher transportation costs and the lack of volume necessary to support recycling markets and reclamation industries. Lack of curbside pickup places more emphasis on the initiative of individuals to store materials and transport them to a recycling center. In addition, individuals in rural areas were initially less exposed to information and positive reinforcement about recycling. Minnesota's recycling statutes attempted to recognize these remoteness differences by setting higher recycling goals in the Twin Cities Metropolitan Area than in the rest of the state. However, not all areas outside the Twin Cities are equally remote. Remoteness is not a factor in Rochester and St. Cloud, for example.

The state's job training system for **dislocated workers** is organized around regions or delivery areas *(figure 12)*. Further, the delivery of services is flexible, with programs tailored to specific clients' needs. However, even in this situation where services or opportunities are widespread, remote areas and individuals in them can be at a disadvantage. A combination of limited capacity and remoteness means that services are probably not reaching many workers hit by very small layoffs (ten or less workers) in some areas. While some of the most advanced technology training programs are at Greater Minnesota technical colleges, distance from these facilities and access to specialized counseling and training services can still be an issue in remote areas. In addition, state-funded services to those affected by plant-closings or layoffs are limited to places of business with 50 or more employees.

Figure 12. **Sub-State Service Delivery Areas.**
Economic Dislocation and Worker Adjustment Assistance Act.



When the state develops its list of communities to receive **wastewater treatment** grants and loans, extra priority points are given to communities that develop joint treatment facilities. Remote communities are less able to benefit from these added priority points and the economies of scale that come with consolidating with neighboring communities. On the other hand, land for treatment facilities may in some cases be more easily and cheaply obtained in remote areas.

Most Minnesotans live near a **hospital**. A 1989 survey found that 89 percent of Minnesotans lived within twenty miles of a hospital. However, 25 percent of those surveyed use a hospital other than the one closest to them for specialized care and elective medical procedures. Not all people are equally able to travel, particularly where public transportation is lacking. The elderly may be unable to travel, and the poor may lack the means. This can contribute to the financial difficulties of small town hospitals, because it can leave them with those patients without the means to travel or to pay.

In addition, rural counties with populations less than 10,000 have one-third the national county-average of available physicians per capita. Maintenance of staff skill levels can also be an issue in more remote areas, due to the greater distances needed to travel to educational centers. Figure 13 summarizes some of the key remoteness issues in the eight policy areas.

Figure 13. **Examples of How Remoteness Affects Selected Policy Areas**	
Recycling	Because of higher transportation costs per unit of volume, curbside pickup of solid waste is not financially feasible in all areas, placing more emphasis on individual initiatives to store the materials and transport them to a recycling center. This will impact rural areas more than urban areas.
Wastewater Treatment	Remoteness can be an advantage or a disadvantage with respect to meeting wastewater treatment needs. Remote areas cannot benefit from added priority points (used for allocation of grants and loans) or economies of scale that come with joint proposals with neighboring communities as, for example, communities comprising the Metropolitan Waste Control Commission have. On the other hand, land for treatment facilities may in some cases be more cheaply and easily obtained.
Local Water Planning	Water quality, runoff and drainage problems, and droughts in the remote or headwaters portions of a watershed can and will have an effect in all parts of the state. Planning for the entire watershed is helpful in understanding and dealing with these challenges. Implementing the plans in remote areas of the watershed can be difficult since benefits are often "downstream."
Dislocated Worker	While the state job training system is regionalized and tends to have flexible delivery capacity, a combination of limited local capacity and remoteness means that services are probably not reaching workers hit by very small layoffs (ten or fewer workers) in some areas.
Hospitals	Maintenance of skill levels is an issue in recruiting physicians and maintaining quality care. The greater distances of travel to educational centers is a disadvantage for hospitals serving more rural places.
Underground Petroleum Storage Tanks	The cost of meeting Underground Storage Tank regulations will force some smaller operators out of business. In many rural areas displaced service station personnel, many of whom were self-employed, will have difficulty in finding new jobs or other businesses to run within a realistic commuting distance of their homes.
Tax Increment Finance	Remote areas have difficulty encouraging economic and community redevelopment. Cities using tax increment financing are not likely to be disadvantaged by virtue of their remoteness. Development in remote areas will be most likely tailored to fulfilling specific local needs of the community. These needs will be of a scale that fits with the local market rather than a larger market. Since the subsidy available from TIF is proportionate to size of the project, smaller places can provide the necessary incentive.
Information Access	Telecommunication charges are a critical factor in access to information. Telephone charges can range up to $25 an hour in communities 150 miles from the Twin Cities.

Minimizing the Advantages and Disadvantages of Remoteness

Several techniques can be used to address remoteness. **Varying expectations** was the technique used in recycling. The lower recycling goals set for Greater Minnesota, however, also apply to areas not affected by remoteness.

Financial assistance was successfully used to address hospital care in remote areas. This includes the emergency medical services system for emergency transportation and state aid to special hospitals in geographically isolated areas.

Technology improvements are already serving to offset potential disadvantages of remoteness. The Department of Administration and the Higher Education Advisory Council, for example, are developing a statewide telecommunications network for government and educational users (STARS). Small, rural independent telephone companies have banded together to create the Minnesota Equal Access Network Services to provide state-of-the-art telecommunications technology to rural communities. Private efforts also include the Cellular 2000 partnership, which will combine almost all of greater Minnesota into one cellular telephone service area. In addition, telephone service also can include enhancements for the hearing impaired and instantaneous translations for non-English speaking customers.

Remoteness can also be addressed through **program design and flexibility.** One example is the establishment of statewide networks for delivering services, like the network of Community Health Service Clinics and

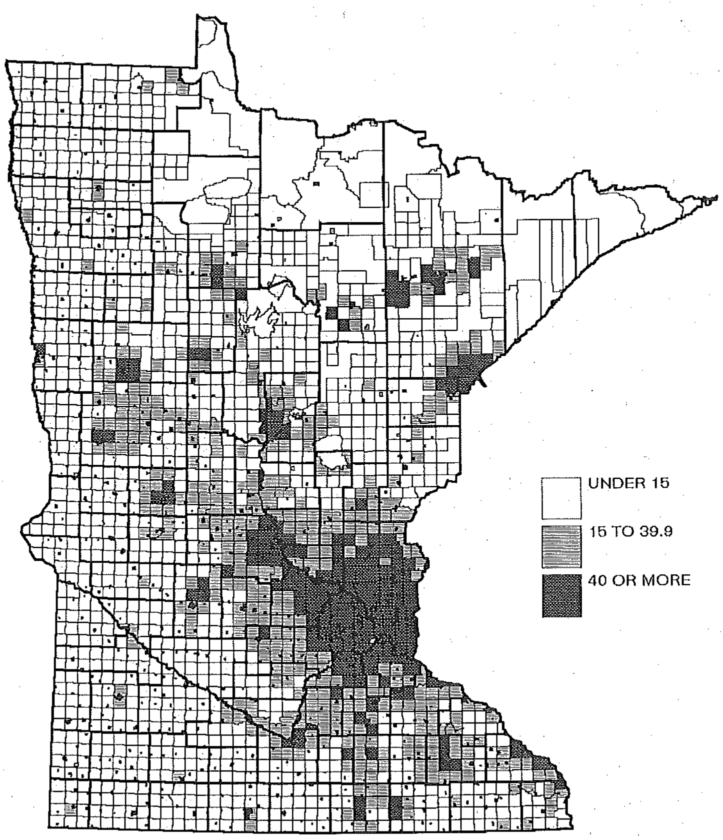
Job-Training Service Delivery Areas. Flexibility in program design should not unduly penalize rural areas, as the extra points for joint facilities did in the wastewater grant program priority system, and should account for any added cost of implementation in remote areas.

Scale

Scale is a fundamental dimension characterizing the diversity in rural and urban areas. Scale refers to the size of businesses or government providing goods or services. Economies of scale refer to the cost savings available as the business firms or government expand their production of goods and services and can spread fixed costs over a larger service volume or over more units produced. For example, the introduction and success of huge grocery stores reflects the advantages of the larger scale. So do large feedlots which produce beef much more cheaply than a single farmer could produce the beef with a small herd.

Diseconomies arise as the size of an operation reduces the flexibility of production, inefficiencies occur or as the market will not support the volume of production necessary to cover the operation's fixed costs. An example of diseconomies of scale would be the decline of the large steel mill which produced for the large national and international markets. In the early to mid-1980s these mills suffered while smaller geographically dispersed mini-mills thrived because they served a more specialized market. Diseconomies of scale may occur in government when the size and specialization of tasks prevent effective coordination. Small scale operations may sometimes provide more responsive services and be more entrepreneurial. Traffic congestion problems in urban and suburban areas can be considered symptoms of diseconomies of size.

Figure 14. **1988 Estimated Population Per Square Mile.**



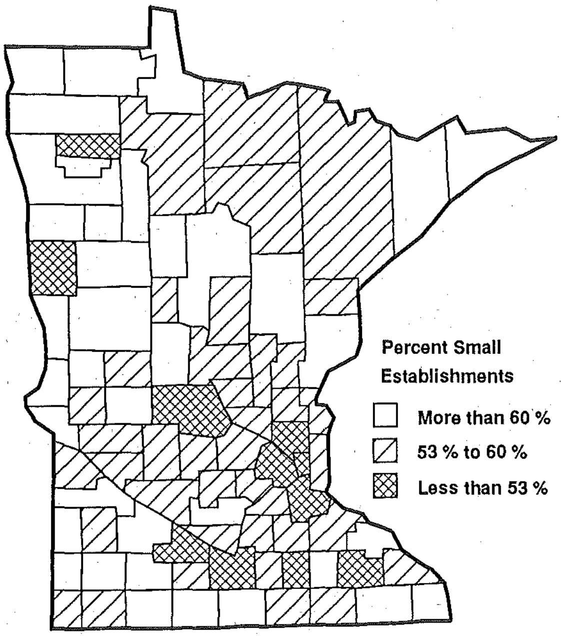
The Minnesota Context

In many policy areas, scale is fundamentally driven by population density and technology. Population density helps define the market area for particular public or private producers. As shown in figure 14, population density decreases the further one gets from the core cities of Minneapolis and St. Paul. Higher densities cluster around the regional centers and several county seats. Township population density declines as one moves out from the Metro Area. Further, there are higher densities found in resort and recreation areas (attributable in-migration by retirees). Density is lowest along the western and northern periphery of the state.

The functions of cities reflect this scale dimension and vary with these population concentrations. Smaller cities many times support a very localized agricultural, forestry, or tourism based economy. Larger regional centers support the small places through wholesale distribution networks, through larger more specialized retail facilities and through legal, accounting and financial services. The centers also provide regional health care facilities and higher education facilities. The core cities provide what is known as a "command and control" functions having corporate headquarters, major transportation links and financial and legal services, as well as having major government, higher education and medical centers.

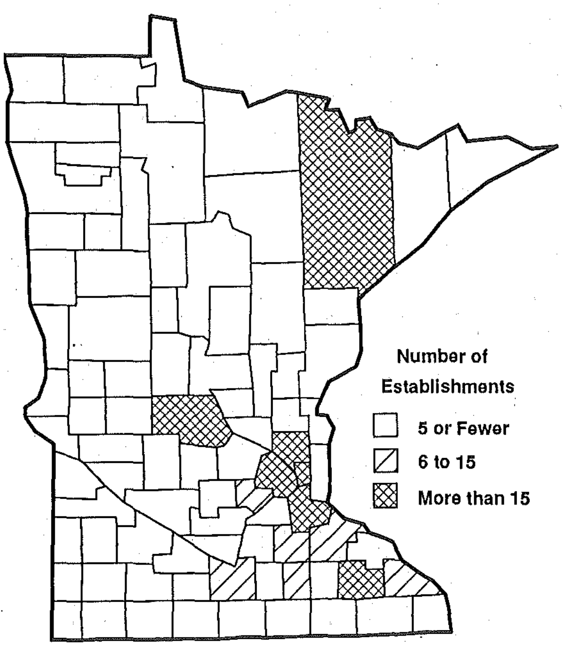
Another aspect of scale is reflected in the size of business establishments in areas across the state. Employment statistics that group non-governmental establishments by the number of employees show that the rural parts of Minnesota have much smaller firms. Figure 15 shows the proportion of firms with 1 to 4 employees to all firms by county. Figure 16 shows a complimentary map of the number of large establishments by county. It documents the dominance of the Metro Area, and especially Hennepin and Ramsey counties. Also, the higher number of large places of employment in the other Metropolitan Statistical Areas (MSAs) is shown with concentrations in Olmsted (Rochester), Stearns (St. Cloud) and St. Louis (Duluth) counties. These concentrations are orders of magnitude less than in the two core counties, however. Many times, in the more rural counties, the larger places of employment may not be businesses, but hospitals, technical schools or colleges.

Figure 15. **Establishments with 1 to 4 Employees as a Percent of Total Number of Establishments.**
By county 1988.



Source: U.S. Department of Commerce.

Figure 16. **Number of Establishments with 250 or More Employees.**
By county 1988.



Source: U.S. Department of Commerce.

Examples of the Impact of Scale on Policy

Information exchange and access among governments and businesses across the state is affected by the scale advantages implicit in the extensive telephone system serving the Twin Cities area. A telephone user within the Metropolitan Area pays an average monthly rate that, while somewhat more than rates paid in smaller service areas, provides access to over 2,000,000 other people and numerous businesses. Access to information can be key to providing better government services or maintaining competitive position in business.

Economies of scale are a very important factor in financing construction, maintenance and operation of **wastewater treatment** facilities, with larger facilities being at a distinct advantage. Figure 17 shows consumer rates for cities of different sizes. Smaller cities with smaller volumes of waste and smaller plants must charge higher sewer rates in order to recover their costs.

The size of a firm can also affect the fate of the **dislocated worker**. Workers employed by larger firms may benefit from certain trends in treatment of laid-off workers. Some larger corporations with sophisticated human resources departments and union contracts have begun to offer out-placement, severance, and/or retraining benefits to dislocated employees. Figure 18 summarizes some of the key scale issues in each of the eight policy areas.

Minimizing the Advantages and Disadvantages of Scale

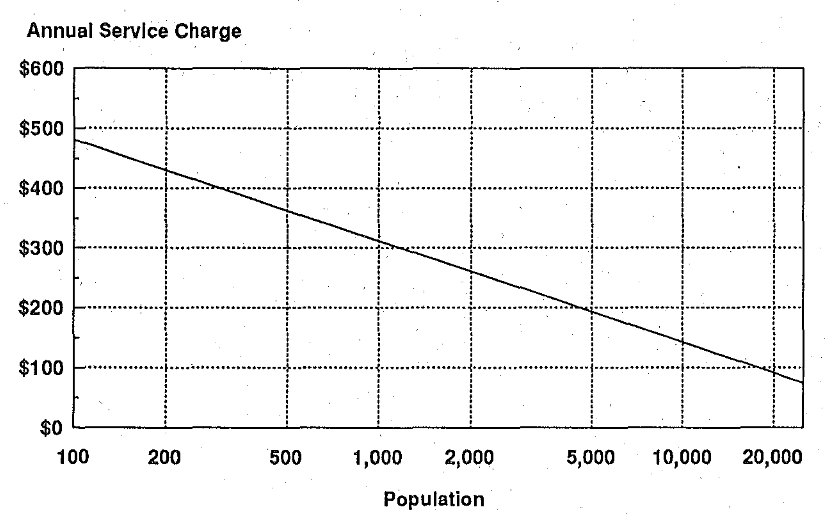
Smaller places often have disadvantages of scale when compared to larger places. In cases where policy makers are concerned about these relative disadvantages, they can moderate them through various policy devices. One way is to encourage **cooperation** between units of government in less densely populated areas. For example, the Legislative Commission on Minnesota's Resources funded county water planning projects based on multi-county units. This allowed smaller counties to band together and share both personnel and costs. In Greater Minnesota, 51 counties organized into five clusters ranging from six to 15 counties with this funding, and 9 more counties have subsequently organized into two additional groups. However, in the metropolitan area, 46 units are doing the required water planning with little coordination.

Strategic planning can also be a tool organizations can use to best take advantage of their scale relative to others. The recently passed Rural Health Act provides planning grants to small hospitals that will allow them to better position themselves in their rural health market through careful planning.

Funding mechanisms can be used to moderate the economies and diseconomies of scale. The Petrofund program provides an insurance fund for all underground storage tank owners, relieving a major disadvantage of smaller operations owning tanks. The high costs of urban redevelopment (an urban diseconomy) have been addressed through tax increment financing (TIF.) The TIF mechanism is dependent on the size and value of the project and allows for the use of general obligation bonds.

Policy makers can deal with scale differences by **varying expectations** for program participants. The recycling requirements enacted in SCORE address a scale difference between places in Minnesota. Smaller cities in the Metro Area can provide curbside pick-

Figure 17 **Average Annual Sewer Charges vs. City Population.**



Source: MN Pollution Control Agency

Figure 18. **Examples of the How Scale Affects Selected Policy Areas**

Recycling	Recycling collection costs are cheaper in larger communities because of the volume of materials available and greater concentrations of waste producers. These communities also have the volumes necessary to support recycling and reclamation industries.
Wastewater Treatment	Economies of scale are an important factor in financing the construction, operation and maintenance of wastewater treatment plants.
Local Water Planning	Many of the planning issues that need solution are more concentrated and more difficult to resolve in densely populated areas. More players need to be involved. For example, there are 46 units planning in the metro area while 60 of the 80 outstate counties have joined in seven planning groups.
Dislocated Worker	Smaller communities are more likely to be devastated by a major layoff as the smaller labor market cannot absorb the unemployed worker quickly or at all.
Hospitals	A large hospital is better able to afford a piece of expensive equipment because it is more likely to use it often enough to spread the costs over many patient charges. Providing the service which that bit of technology allows may improve that hospital's competitive position.
Underground Petroleum Storage Tanks	Larger UST owners can deal with the EPA insurance by self-insuring. Smaller operations must buy it. (The 1990 Legislature enacted an innovative approach to rectify the insurance problem. See below)
Tax Increment Finance	Development projects in small places are usually of a "homegrown" scale. That is, the projects are of a scale that fits with the local economy rather than a larger multi-county service area. TIF incentives to larger businesses like manufacturers are more difficult for the smaller community to provide.
Information Access	The large toll-free phone network in the Metro Area provides customers access to more than 2 million other persons and numerous businesses for an average monthly charge not much more than that paid in smaller service areas for access to many fewer people. (An $18 average compared with a $12 Greater Minnesota average.)

up more easily than Greater Minnesota cities. This is reflected in the differing requirements. Metro Area cities with populations of 5,000 and above are required to provide curbside pickup. In Greater Minnesota, only cities above 20,000 population are required to provide the service.

Socio-Economic Conditions

The socio-economic conditions or character of a population can vary greatly among and within communities. Factors that define socio-economic conditions include age distribution of the population, educational attainment and job skills, literacy, economic diversity, income distribution, employment status, ethnicity, and number of minorities.

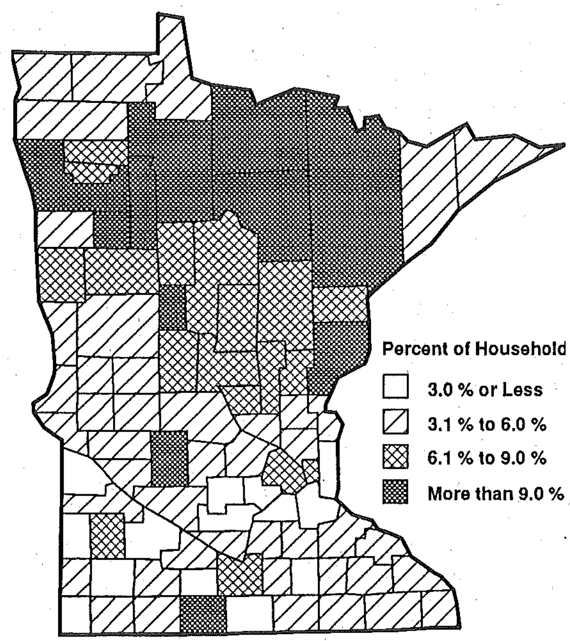
The Minnesota Context

Socio-economic conditions vary widely between and within rural and urban parts of Minnesota. The ***Patterns of Minnesota Growth*** section of this Policy Perspectives report details many of these differences. For example, it was noted that rural areas have a greater percentage of people over age 65 and a smaller percentage of people in the labor force. Per capita income, retail sales and changes in both have been greater in the Twin Cities Metropolitan Area and regional trade and service centers than in the rest of the state.

Numbers of households and individuals receiving public assistance are higher in urban areas. However, the percent of the population receiving assistance is higher outside these areas. For example, the percent of households receiving food stamps is higher in northern Minnesota and, in general, increases from south to north *(figure 19)*. Counties with the highest rates of aid to families with dependent children are also in northern Minnesota.

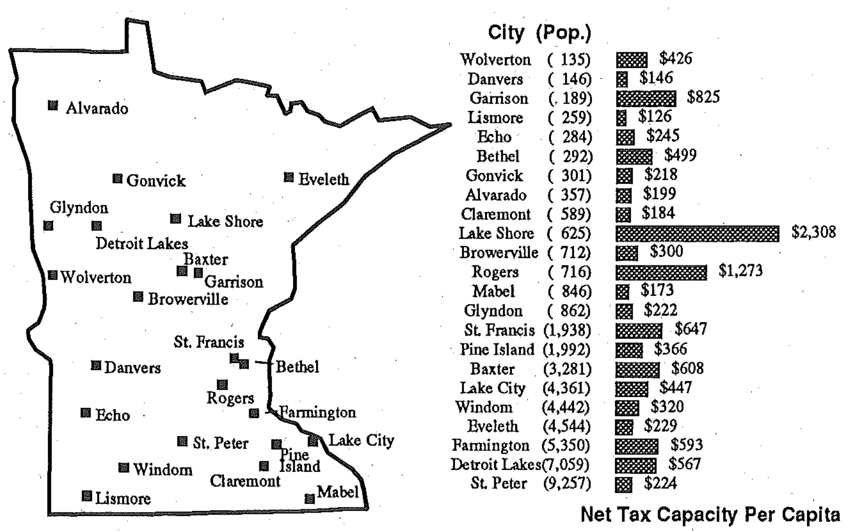
Significant variations are also found within rural and urban areas. Rural areas include communities within commuting distance of the Twin Cities Metropolitan Area and regional centers, resort communities of the northern forest and lake regions, mining areas and agricultural areas. Each has its dis-

Figure 19. **Percent of Households Receiving Food Stamps.**
By county, fiscal year 1989.



Source: Minnesota Deparment of Human Services.

Figure 20. **Fiscal Capacity of 23 Selected Cities on the 1990 Municipal Wastewater Needs List.**



tinct socio-economic characteristics.

Variations within urban areas also abound. Many older suburbs and inner-city areas are faced with declining populations, growing numbers of elderly, and deteriorating housing. Other areas are prospering and growing. Crime rates and drug problems are examples of problems that are generally more significant in urban than rural areas, but that also vary greatly within urban areas. In addition, urban areas have larger and more diverse minority populations requiring special services.

Examples of the Impact of Socio-Economic Conditions on Policy

Poverty rates are higher in rural than urban areas, with Minnesota's ten poorest counties being rural. However, the rural poor can be less likely to receive public assistance. Rural poor are more likely to be working, older, childless, and in families headed by a married couple. Current welfare programs tend to focused on needs of families with children and on remedial training and job placement for the unemployed. In addition, many rural farm poor do not qualify for public assistance because they often have considerable assets, even when they have very low or negative incomes.

The needs and character of **dislocated workers** vary from place to place. The lack of well-paying new jobs in many rural regions is a major obstacle for dislocated workers. Self-employed persons, including farmers, make up a greater share of the rural workforce. In the early 1980s, they were excluded from eligibility for dislocated worker programs and some other human service programs. Now,

Figure 21. **Examples of How Socio-Economic Conditions Affect Selected Policy Areas**	
Recycling	No apparent socio-economic dimension.
Wastewater Treatment	Communities vary greatly in their ability to afford wastewater treatment facilities due to such factors as the economic base of the community and the proportion of households on fixed incomes.
Local Water Planning	Changes in pesticides and fertilizer practices can cause inconvenience in urban areas but can affect the livelihood of rural area farmers. Implementation of water plans is influenced by the landowner's ability to pay for the required management practices of which well abandonment is a potentially expensive example in both urban and rural areas.
Dislocated Worker	In rural areas, self-employed persons make up a greater share of the workforce and businesses with smaller numbers of employees are more common. Well-paying new jobs are harder to come by.
Hospitals	More people are uninsured or underinsured in rural areas due to poorer economic conditions and greater levels of self-employment.
Underground Petroleum Storage Tanks	See dislocated worker example above.
Tax Increment Finance	TIF can be used for the provision of low income housing and neighborhood commercial redevelopment. In particular, housing projects do not provide sufficient increment to be successful without other outside subsidies.
Information Access	The ability to access information is influenced by the level of technical skills, literacy and disabilities.

dislocated self-employed persons are eligible for federally-funded services, but not state-funded services.

In addition, state scholarship and grant programs for post-secondary retraining are geared toward the needs of graduating high school seniors, not toward supporting the living expenses of a family. This poses greater problems for rural workers and farmers because adequate interim employment to support families during retraining is harder to find in rural areas.

Socio-economic conditions also have a significant effect on **hospitals.** Poor economic conditions and greater self-employment in rural areas have resulted in more people being uninsured or under-insured. This has led to decreased use of primary or preventive health care services (including immunizations, check-ups/testing, and pre- and post-natal care), and a greater use of charity care. In addition, medical assistance reimbursement rates are lower in rural areas. Hospitals in more rural areas are faced with a higher proportion of elderly and low-income patients, combined with lower Medicare and state medical assistance rates.

This is compounded by the fact that Medicare reimburses hospitals based on the average cost of individual diagnoses. The reimbursement amount is often lower than the actual cost, and hospitals must make up the difference. This is typically done by charging private patients more. Where there is a greater proportion of elderly and poor patients, the hospital has less ability to spread the costs.

Socio-economic conditions in a community influence the affordability of **wastewater treatment**. Rural and urban communities vary greatly in their ability to pay for treatment facilities. This ability is directly related to such factors as the percent of population on fixed incomes, employment levels and economic base. For example, the small resort community, with substantial revenues, is in a far better position to pay its portion of treatment construction, operation and maintenance costs than the small town in a depressed farming area *(figure 20)*. Figure 21 contains a summary of how socio-economic conditions affect each policy area.

Minimizing the Advantages and Disadvantages of Socio-Economic Conditions

Socio-economic differences can be addressed through **program design and flexibility.** Services for dislocated workers are customized to fit the needs of a specific plant closing or job-loss situation, and are primarily delivered through local grants. For example, the dislocation of Hispanic migrant farmworkers has been addressed by directing funds to the Minnesota

Migrant Council, a Hispanic community-based organization.

Financial assistance through compensation or sharing costs with affected parties can also be useful. Implementation of local water plans, for example, may involve adopting erosion, fertilizer and pesticide control practices. Such practices may cause inconvenience for the urban homeowner, but can affect the farmers' livelihood. State and federal financial assistance programs have been successfully used to assist farmers in changing practices. Local water plans also call for sealing abandoned wells. This has been addressed through a limited cost-share program. Neither program, however, addresses variations in the affected parties' ability to pay.

Administrative Capacity

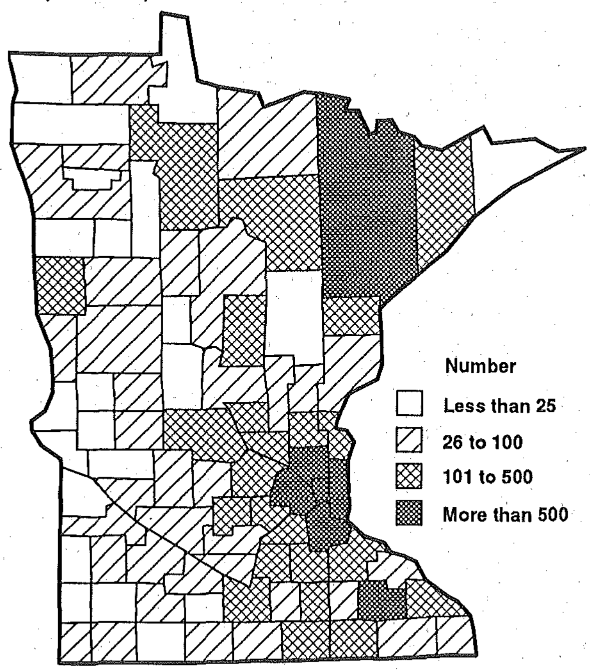
Administrative capacity refers to the resources available to government or business. Resources may include availability of specialized in-house staff, technical experts (including engineers, hydrologists, lawyers and health care specialists), computerized access to data, and funding. The need for resources varies greatly from one policy to the next. In addition, the availability of resources also varies from one location to the next.

The Minnesota Context

In general, the availability of and access to administrative capacity is greater in the Twin Cities Metropolitan Area and other urban areas across the state. The number of government employees and the specialization of staff declines as one moves from urban to rural areas. Smaller communities also may rely on part-time staff, or staff with multiple assignments.

In addition, the number of technical experts available for hire, either as temporary staff or as consultants, and funds available for such hiring generally decrease from urban to rural areas. For example, the number of engineers and natural scientists is strongly concentrated around the Twin Cities, with Hennepin and Ramsey Counties having over 12,000 and 6,000 respectively *(figure 22)*. Lesser concentrations are associated with other centers of population, higher education and industry. Fiscal capacity, discussed in the next section, also decreases from rural to urban areas, clearly indicating the differences in available funds.

Figure 22. **Number of Engineers and Natural Scientists.** By county, 1980.



Source: 1980 Census of Population.

Examples of the Impact of Administrative Capacity on Policy

Variations in availability of and need for administrative capacity are evident across program and policy lines. At the time of passage of the state's **recycling** requirements, for example, some counties and cities already had staff dedicated to recycling and solid waste issues. Others were forced to add the new recycling responsibilities onto the jobs of existing staff, such as zoning officers.

Compliance with the **underground storage tank** requirements for monitoring and cleanup requires significant expertise in hydrology and engineering. Regardless of location, the operator of a small service station is unlikely to have this expertise, unlikely to

Figure 23. **Examples of How Administrative Capacity Affects Selected Policy Areas**	
Recycling	Larger counties and cities have had an advantage in that many had appointed a "recycling coordinator" prior to the passage of the SCORE act. Smaller places have fewer staff positions and many times the recycling program is run by a staff person having other duties such as the zoning officer, public works engineer or county planning administrator.
Wastewater Treatment	Larger communities have the staff and the resources to understand the state and federal funding process and the engineering concepts of wastewater treatment, and can undertake the work themselves (both planning and construction) for later reimbursement.
Local Water Planning	The state encouraged inter-county cooperation in water planning in Greater Minnesota. Counties banded together to develop the plans. Thus, each county did not need to hire the same specialists and could hire a specific type of expertise shared among all counties. (Such cooperation has not been the case in the Twin Cities Metropolitan Area where 46 separate water management organizations are developing plans.)
Dislocated Worker	At the community level, many mayors and public officials have not been prepared for the responsibilities of trying to save jobs, help distraught unemployed middle class citizens and create new jobs. Small communities, generally have fewer technical resources to deal effectively with these challenges, but may have higher levels of cooperation between the agencies providing services to dislocated workers.
Hospitals	Many new management tools have been developed for hospitals. Some of these require fairly sophisticated computer systems. Larger, more urban hospitals are better able to take advantage of and afford these.
Underground Petroleum Storage Tanks	Smaller businesses will not have consultants or administrators on staff that can deal with the nuances of these programs. For some tasks, consultants must be hired. For decision-making support, the small operator has many fewer resources to call upon than larger, metro-based operators.
Tax Increment Finance	Differences in administrative resources among cities of different sizes are somewhat moderated by the availability of consultants to deal with the technicalities of developing the TIF plan and negotiating with developers. These administrative costs can be paid out of the increments generated by the project. Small places are still at a disadvantage in that selecting the right consultant and reviewing the consultant's recommendations requires skill and experience that may be unavailable locally.
Information Access	Local information sources in smaller, more remote parts of Minnesota are limited or non-existent and lack of expert staff can hinder participation in state data-sharing networks. Over 70 percent of the state's professional librarians are in the Metropolitan Area.

be connected with a corporate structure that can fill the need, and unlikely to have the resources to purchase technical assistance. Even given funds, the availability of expert staff to fill needs in more rural areas would be in question.

Administrative capacity is not uniform across the state, across programs or within rural or urban areas. It is also not always related with size. The specialization that comes with larger numbers of employees can hinder cooperation across disciplines. Cooperation among business, labor, and public sector agencies to save jobs and assist **dislocated workers** can sometimes be accomplished more rapidly in smaller communities. In addition, Minnesota has a sound regional administrative infrastructure to provide counseling, retraining, and placement for dislocated workers. Strong state criteria and a competitive selection process have tended to improve the quality of projects across the state. The key administrative capacity issues for each of the policy areas is summarized in figure 23.

Minimizing the Advantages and Disadvantages of Administrative Capacity

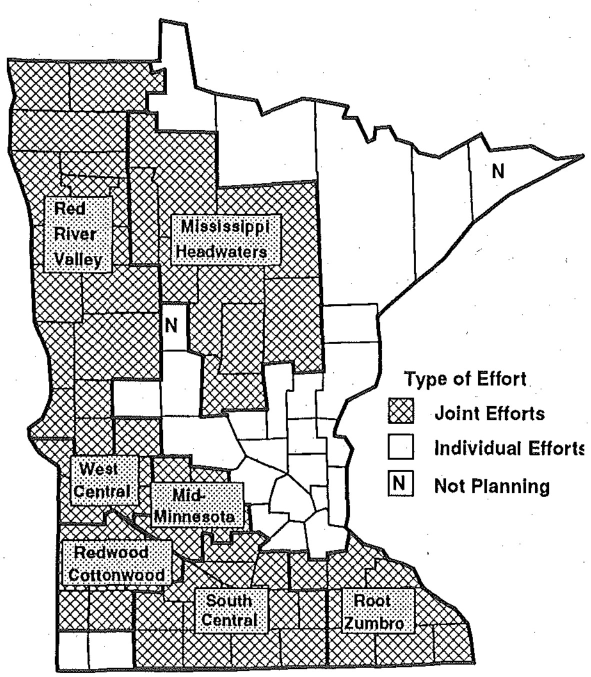
Variations in availability of and need for administrative capacity can be addressed in several ways. Availability of **consultants** can moderate the differences in administrative capacity between rural and urban areas. This is particularly the case for tax increment financing, where economic development and financial consultant costs can be paid out of increments generated. In other cases, such as small businesses with underground storage tanks, where consultants are needed for the design of ground water monitoring systems, financial assistance likely would be necessary for consultants to be an affordable option.

Cooperation offers the opportunity for groups of communities or multiple agencies within communities to band together to share limited resources. This approach can be encouraged by policy makers, and was successful in local water planning. Here clusters of counties were able to pool funds to hire experts and share technical resources and information *(figure 24)*. Faribault and Martin counties also have used this technique to jointly operate the state's first mixed-compost facility.

Variations in administrative capacity can also be addressed through **technical assistance**. Assistance could be provided directly by the state, or by other units of government, such as Regional Development Commissions or Soil and Water Conservation Districts. Newsletters and one-on-one briefings have been used throughout the wastewater treatment grant program, to better inform communities of requirements and procedures. Technical assistance from various state agencies helped to ensure that counties had and understood information necessary for local water planning. The costs of such assistance, however, must be adequately accounted for and provided.

Finally, **varying expectations**, including time-frames for compliance, can be used to address differences in administrative capacity. This approach was used in the recycling legislation, which set higher recycling goals for the Metropolitan Area than for the rest of the state, and required larger communities to institute curbside pickup. Variations, however, should reflect true differences in administrative capacity. For example, the rationale for lower recycling goals in Rochester than Elko is unclear.

Figure 24. **Joint Water Planning Efforts.**



Source: Board of Water And Soil Resources.

Fiscal Capacity

The concept of fiscal capacity is usually applied to governmental jurisdictions. It contains two related fiscal elements. First, fiscal capacity refers to a jurisdiction's revenue raising capacity. A standard, but not wholly satisfactory, index of revenue raising capacity is the per capita income of the jurisdiction. This measures the potential ability of local residents to pay for government goods or services.

Fiscal capacity also refers to the costs implicit in a jurisdiction's service responsibilities. Service responsibilities are those services such as police, fire or various social services that the jurisdiction must provide by law or tradition. Tied up with this cost element of the fiscal capacity concept are the cost of living in the community and wage rates. Also important is a jurisdiction's population composition. Certain concentrations of population sub-groups such as a high proportion of school age children may raise a jurisdiction's costs. Both the revenue and service cost elements of fiscal capacity can also be applied to private firms. In the private context, fiscal capacity can be seen as the revenue raising capacity of the firm and the potential of its market area.

The Minnesota Context

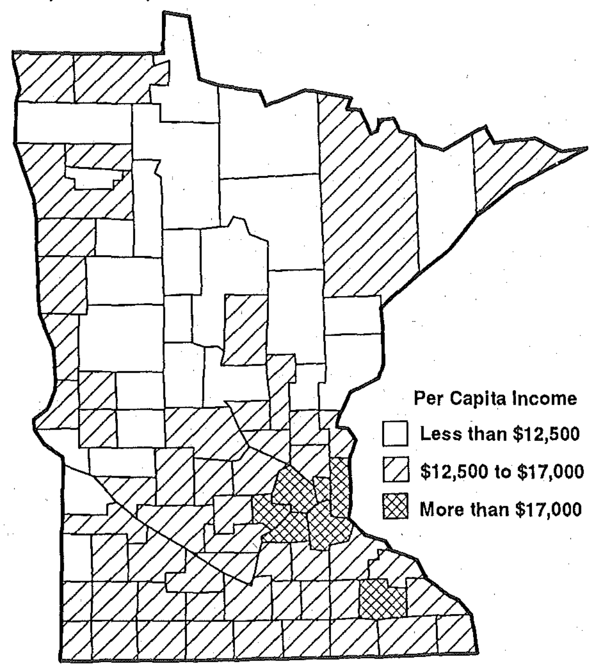
Per capita income is a measure of revenue raising capacity. Excluding Anoka county, county per capita income is highest in the Metropolitan Area counties and in a few of the regional centers *(figure 25)*. Among the more sparsely populated counties, per capita income declines from the south to the north. Per capita income in northern rural counties can be half as much as Metro Area county per capita income.

Per capita income is a widely available statistic but has some drawbacks as a measure of fiscal capacity. A principal drawback results from the fact that state law restricts local revenue raising capacity by limiting the tax bases that local jurisdictions may draw upon, limiting spending and prescribing the fees and charges local governments may levy. In Minnesota, local government own source revenue is limited to the property tax, fees, charges and special assessments. With the exception of a few cities, local sales taxes are not widely used in Minnesota as in other states and must be authorized by the Legislature.

The use of the local property tax is constrained by levy limits and by a narrow property tax base which does not include personal property and provides generous partial exemptions of several types of property, most notably homes and farms. This exemption is accomplished through the state's classification of property. The property tax base varies greatly throughout Minnesota. The highest tax bases are in areas that have a lot of commercial, resort, industrial or electric utility property. Areas that are typically dominated by single-family homes and farms have comparatively low taxing capacity. One perspective of the differences in tax bases of cities across the state is shown in figure 26 which compares the tax bases (adjusted net tax capacities) of the largest city in each county. This map shows the differences within the Metro Area, the differences between regional centers and the disparity of the non-urban counties with the urban counties.

The costs of meeting service responsibilities vary widely among jurisdictions in Minnesota. Many costs are driven by socio-economic differences within the state. The section on the socio-economic dimension has discussed a few of them. In addition, the cost of living varies throughout the state. A study by the Legislative Auditor found "that the cost of living in outstate Minnesota [was] about 11 percent lower than in the [7 county] Twin Cities area." The Auditor's estimate of the cost of living index in Greater Minnesota varied from 82 in Lincoln County to 97 in Chisago County. In the Metropolitan Area, the cost of living index varied from 98 in Anoka County to 102 in Dakota County *(figure 27)*. The Auditor found that the principal cost advantage of Greater Minnesota was in lower housing costs. The cost of living statistics show somewhat lower costs in the southern and western parts of Greater Minnesota as compared to the northern parts. The northern parts also showed the lowest per capita incomes.

Figure 25. **Per Capita Income.**
By county, 1988.



Source: U.S. Department of Commerce.

Figure 26. **Per Capita Adjusted Net Tax Capacity of Largest City in Each County.**
1988.

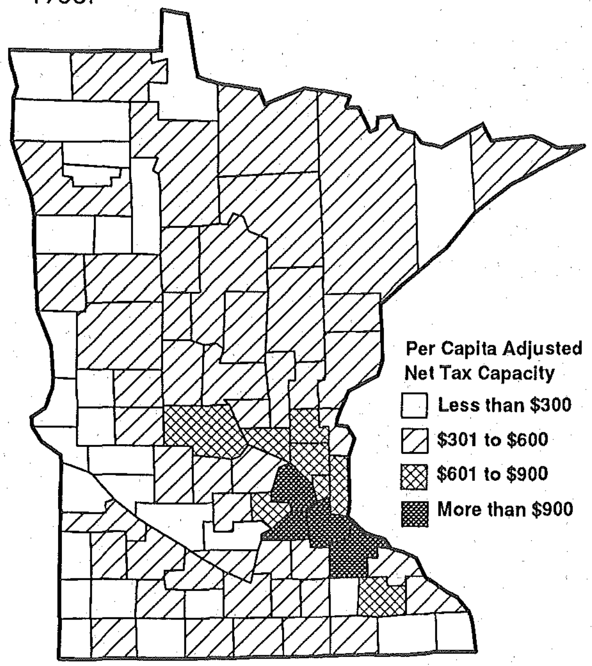
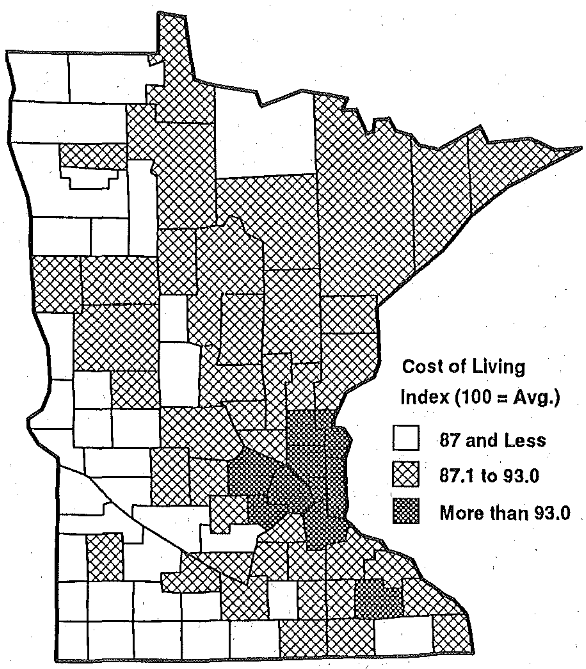


Figure 27. **County Variation in Cost of Living.**



Source: Office of the Legislative Auditor.

There are various formula in law which address differences in fiscal capacity. Relative fiscal capacity differences can be moderated by general state aid programs and accommodated in other programs through specific provisions. Other programs exist to minimize disparities — in the Metro Area there is the fiscal disparities act. This has the effect of transferring tax base from areas of growing commercial and industrial tax base to areas with lower levels of commercial and industrial tax base. The disparities between counties and cities can also be aggravated by levy limits, especially where the state mandates uniform service responsibilities.

Examples of the Impact of Fiscal Capacity on Policy

An example of the fiscal capacity dimension is found in the development and funding of the SCORE program. SCORE recycling duties were assigned to counties which were given recycling goals to meet. There was some recognition that the transportation and marketing costs of recycling would cost more per capita in rural areas because of the lower population densities, lesser economies of scale and also differences in administrative capacity. On the revenue raising side, there was an understanding of the limited capacity of counties to fund these programs and a basic level of funding was guaranteed ($55,000 to each county). However, full equalization was not achieved as the predominant part of the funding formula was based on a per capita allocation. (County property tax wealth does not vary directly with population.)

The fiscal capacity dimension also has implications for setting policy to

Figure 28 **Examples of How Fiscal Capacity Affects Selected Policy Areas**

Recycling	SCORE funds are distributed to counties based on population with a $55,000 minimum guaranteed to each county. While the formula is mildly re-distributive to poorer parts of the state, the full differences in county revenue raising capacity are not accounted for.
Wastewater Treatment	Fiscal capacity to meet wastewater needs varies greatly across the state. These variations do not directly follow rural-urban lines, and are not directly related to community size. The formula that determines the size of the state construction grant to the community does not directly take revenue raising capacity into account.
Local Water Planning	In 1990, the legislature fully equalized local water plan implementation funding according to county property tax capacity.
Dislocated Worker	Many dislocated workers need to upgrade their math, reading, and writing skills to qualify for technical training and new jobs. Because of limited state funding, inadequate local tax base and small size, school districts and non-profits organizations in many areas of Greater Minnesota have very limited hours of adult education or none at all. In urban areas, more resources are available, but waiting lists are common.
Hospitals	There is a disparity in federal reimbursement rates for Medicare and Medical Assistance based on location. Rural hospitals are reimbursed at a lower rate than urban hospitals regardless of size or any factor other than location.
Underground Petroleum Storage Tanks	Small operations have a difficult time meeting the front end costs of a spill or leak, while waiting for Petrofund reimbursement.
Tax Increment Finance	Due to how the Tax Increment Finance mechanism works, development projects can be provided similar amounts of assistance wherever they are sited in the state — the small town's lack of fiscal capacity does not provide a disadvantage proportionate to the difference in that place's tax base as opposed to a larger, wealthier place. In larger scale projects, the fiscal disparity can come more into play because of the need to provide security to purchasers of city general obligation bonds.
Information Access	Many outstate communities do not have the fiscal capacity to build library collections or other databases to the level of the Metro Area's information resources.

deal with owners of smaller tanks that need to clean up leaks or spills under the Petrofund **underground petroleum storage tank** regulations. The cost of a clean-up is a fixed cost, based upon the volume and characteristics of the spill or leak, not the size of the business. The Petrofund requires the business to carry the cost of a clean-up until completion, from the identification stage through completion. Reimbursement only occurs after the clean-up is complete. For small operations, this cash flow burden can be a prohibitive expense.

Due to how the **tax increment finance** mechanism works, development projects can be provided similar amounts of assistance wherever they are sited in the state — the small town's lack of fiscal capacity does not provide a disadvantage proportionate to the difference in that place's tax base as opposed to a larger, wealthier place. In larger scale projects, the fiscal disparity can be more significant because of the need to provide security to purchasers of city general obligation bonds. Figure 28 lists each of the policy areas mentioned and summarizes a fiscal capacity dimension for each.

Minimizing the Advantages and Disadvantages of Fiscal Capacity

Where policy makers are concerned about fiscal capacity differences, there are several ways to minimize or moderate them. One approach is through a **funding formula** that equalizes, like the school aid formula. In the 1990 session, local water plan funding was equalized to provide for a mix of levy and state aid funding proportionate to the fiscal capacity of the county.

Another approach is to **vary policy expectations**, by avoiding uniform standards and tailoring standards to fiscal capacity. Under the SCORE recycling program, Metro Area and Greater Minnesota Area were given different recycling goals. These provisions did not fully recognize the diverse nature of the state but went in that direction. Sometimes consideration of fiscal capacity may require actions such as providing rule waivers to certain jurisdictions that meet specific criteria.

In addition, some services may be a candidate for a **state assumption of the program and/or the costs.** If uniform standards with little local discretion are required by policy-makers, a state funding takeover may relieve the pressure on the local units. The current job training program is state and federally funded. Because of this state funding, fewer of the local fiscal capacity issues arise.

PART 5

IMPLICATIONS FOR POLICY DEVELOPMENT

The preceding analysis of the five fundamental dimensions of diversity yielded several important results. First, the dimensions have implications for each of the eight policy areas, despite their great dissimilarity. Second, there are strategies that can be used to address the dimensions. And, third, the manner in which the state is divided or classified can greatly affect the success and fairness of a policy.

The Dimensions in Review

The **remoteness** dimension illustrated how a community's location and the technology available to it can be major factors in policy implementation. Neighboring communities are able to develop joint wastewater treatment facilities, leading to cost savings and added priority points on the state's funding list. Recycling efforts in rural areas, where curbside pickup is not financially feasible, are more reliant on local residents' initiative to store and transport materials.

The **scale** dimension emphasized how the size of business or government providing a good or service, and the cost savings associated with economies of scale can be significant factors. Larger communities can institute recycling more cheaply due to the volume of waste available and the greater concentration of waste producers. Twin Cities Area businesses and governments are able to cheaply access information within an extensive toll-free telephone system.

The **socio-economic** dimension showed how such factors as age distribution of the population, economic diversity and income vary across the state and interplay with policy. Rural hospitals face higher proportions of elderly and low-income patients, lower Medicare reimbursement rates and fewer private patients to absorb costs when reimbursements are lower than actual costs. Rural dislocated workers are more often self-employed and face more limited opportunities for well-paying new jobs.

Administrative capacity showed that the resources necessary to implement policies vary from one policy to the next, and the resources available vary from one location to the next. Operators of small service stations are less likely to have access to the expertise necessary to deal with the underground storage tank monitoring and cleanup requirements. Counties are not equal in their access to in-house specialized staff to deal with recycling or local water planning. Small cities can address the administrative complexities of TIF by purchasing administrative services which can be paid for from project funds.

Lastly, **fiscal capacity** showed that the variations between and within the Metro Area and Greater Minnesota in revenue raising capacity and costs of service responsibilities influences policy. The ability to pay for wastewater treatment facilities varies greatly across communities and is not dependent totally on population size. Small business operators who own underground storage tanks are unlikely to have the cash flow necessary to cover cleanup costs until reimbursement is received.

The analysis clearly demonstrated that all rural areas are not equal, and all urban areas are not equal. The dimensions are at times related to size and density, but not always. Similarities among communities, for example, may be more closely related to income base and proximity to other population centers. Thus the small resort community, the rural farming community, and the bedroom community near an urban center may all be of the same size, but be quite different due to the dimensions of fiscal capacity, remoteness and socio-economic conditions.

The dimensions are at times related to the Metro–Greater Minnesota dichotomy, but again not always. Scale can affect small businesses no matter where they are located. In addition, administrative and fiscal capacities of communities outside the Metro Area can greatly exceed that of those within.

Strategies for Addressing the Dimensions

The analysis further showed that there are strategies that can be used by policy makers to address the dimensions so that policies are more easily or fairly implemented and are more regionally neutral. These strategies for minimizing the advantages and disadvantages of the dimensions are listed in figure 29.

Technology improvements provide one example of a strategy. Technology can link businesses and governments in remote areas to statewide information sources, can provide telephone translation for the non-English speaking and telephone enhancement for the hearing impaired, and can bring educational services to dislocated workers regardless of location.

Consultants and technical assistance can compensate for a lack of in-house staff expertise and for other problems associated with the administrative capacity of a business or unit of government. Financial assistance and funding mechanisms based on need can also help in these areas, and may be necessary for consultants to be affordable. Varying expectations and designing programs to account for the differences between communities and within communities is also useful.

Using any of these strategies calls for an analysis of the policy issue and the population to be served or effected. It can not be assumed, for example, that all rural or all urban areas are alike, or that the characteristics and needs of all peoples in rural or urban areas are alike.

Figure 29. **Strategies for Addressing the Dimensions.**

Cooperation
Funding Mechanisms / Financial Assistance
Program Design and Flexibility
Variations in Expectations
Consultants and Technical Assistance
Strategic Planning
State Assumption of Program Service Delivery
Technology Improvements

An Approach for Policy Development

Three words, **Diversity, Dimensions** and **Divisions**, and a three-step approach describe what is necessary for developing policy sensitive to the complexity of places and people that are Minnesota.

1. Account for Minnesota's diversity when developing and implementing policies.

Minnesota is a diverse state, physically, socially and economically. There is great diversity within and among its urban areas, and there is great diversity outside these areas as well. The prairie farmlands of the southwest, the inner-cities of Minneapolis and St. Paul, the mining, forestry and recreational areas of the northeast represent only a small part of the state's diversity. Accounting for this diversity enhances the likelihood that policy goals will be achieved.

2. Measure the dimensions and incorporate strategies to address them.

One important way to account for diversity is to analyze policy issues relative to the five dimensions of diversity. Measuring the dimensions can offer insight into the selection of approaches and strategies so that policies better serve the affected population and goals are more readily achieved.

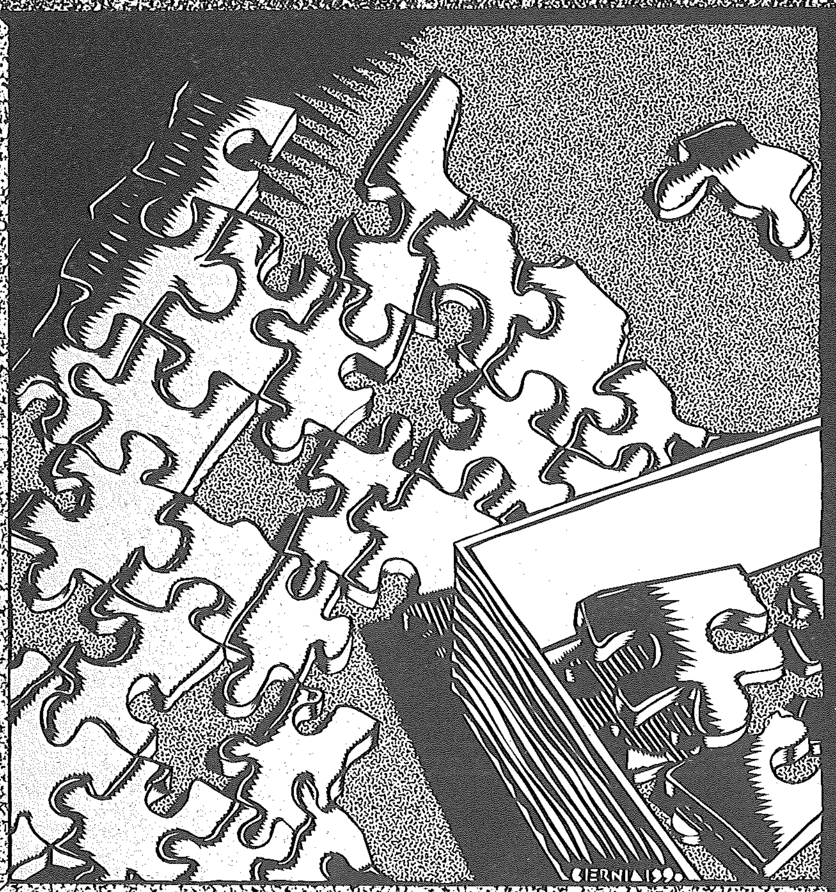
3. Select divisions of the state and its population that best suit the policy.

Finally, policy–makers should not begin with a preset notion of how the state and its population should be divided or classified for policy development. Divisions can be geographical, including divisions by political jurisdiction, watershed, population density, or utility service area. They can also be socio-economically based, including divisions of the state's population according to such factors as age, income or educational attainment. Regardless of the division or combination of divisions used, the appropriate divisions should emerge from knowledge of the state's diversity as it relates to the policy issue in question and measurement of the dimensions.

In using this three-step approach, policy–makers would not begin with a Metro Area-Greater Minnesota split, a rural-urban split, or any particular split. Instead, they would determine the policy goals that they wish to achieve. Then, they would measure the effect of the five dimensions on the ability to implement the policy or achieve the policy goal. Next, they would identify strategies that would best address the diversity while maximizing achievement of the goal. Finally, if through measuring the dimensions it is clear that goals or procedures must be different for different parts of the state or different populations, they would divide the state in the manner that makes the most sense for the issue.

Through this stepwise approach, policies in Minnesota are not based on a preconceived division or notion of rural or urban. Instead, policy-makers would concentrate on the differences in Minnesota most critical to the policy issue at hand and the divisions or classifications that best address or serve those differences.

POLICY PERSPECTIVES



Regional Diversity: Re-examining the Urban–Rural Dichotomy

Section 4

Background:

States Managing Growth

Growth Management Tools for Minnesota Local Governments

Bibliography

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This is a section of an overall report, which is the first in a *Policy Perspectives* series. The title of this report is **"Regional Diversity: Reexamining the Urban-Rural Dichotomy."** For more information, contact the State Planning Agency at 612-296-3985, or write: State Planning Agency/ Policy Perspectives/ 300 Centennial Building/ 658 Cedar Street/ St. Paul, Minnesota 55155.

CONTENTS

ABSTRACT

During the early 1970s, several states were forced to confront the problems inherent in rapidly increasing populations. The environmental impacts of unmanaged growth and urban sprawl into environmentally sensitive areas created significant public backlashes. Initial state ventures into comprehensive state planning for growth were generally the result of this public demand to protect the environment.

In the middle to late 1980s, a new emphasis on state growth management programs surfaced. While the environmental concern of the seventies is still a chief motivating issue, these new efforts are characterized by their economic focus. Along with the environmental issues, new state programs are addressing the issues of infrastructure, quality of life, and other growth related problems.

State growth management programs are not the first or only attempts to deal with these issues. Urban and specific area programs abound. However, the scope here is to review the example of state level programs. This phenomenon is a relatively recent one that is still being tested. The examples in this paper shed some light on the successes and failures in those states. The paper also will show that some of these ideas may be appropriate for states like Minnesota where the growth rate is not as rapid. Many of the same problems of environmental impacts and the need for economically sound growth planning exist in Minnesota just as clearly.

PART 1

STATES MANAGING GROWTH

Growth of populations in the United States over the last several decades has shown some very specific patterns. Recently, most growth has been in the South and especially the Southwest. However, two specific, long-term trends have encouraged some states to involve themselves in the process of managing growth: the concentration of the U.S. population in coastal shoreline areas and the general movement of the population from nonmetropolitan to metropolitan areas.

In 1980, 53 percent of the people in the U.S. lived in a county within 50 miles of the Atlantic Ocean, Pacific Ocean, Gulf of Mexico, or the Great Lakes (*Figure 1*). Well over half the people in the contiguous 48 states live within approximately one-third of the land area. The problems associated with this concentration of population are compounded by the fact that much of this area is environmentally sensitive shoreline. This situation prompted the federal government to enact the Coastal Zone Management Act of 1972. This act stimulated action in most coastal states for some form of coastal area preservation. In turn, these state responses were the precursors to more fully-developed, statewide, comprehensive growth planning.

The other long-term growth trend in the U.S. has been the centralization of the population from nonmetropolitan to metropolitan areas. Over several decades, the nation has become less rural and more urbanized (*Figure 2*). This phenomenon has obvious environmental impacts. The growth in number and the "sprawl" of urban areas has adversely affected large areas of formerly rural and/or agricultural land. However, there are also adverse economic factors to consider. How does this growth affect the "quality of life" of an area's residents? How are the infrastructure demands of new development met? These are only a couple of the questions facing high growth states with concentrating populations in examining whether state involvement in growth management is justified, necessary, or desirable.

The first (coastal) factor was one of the instigating factors for the initial comprehensive state growth management programs. In the early 1970s, states like Florida moved to intervene in the local planning process in order to protect environmentally sensitive areas. They took advantage of the political climate of the time to install statewide measures designed to ensure that populations and development would not irreparably damage wilderness areas or pristine environments. The processes and plans that were put into place will be discussed in more detail later.

Figure 1. **Population Concentration in Coastal Areas**

	1960	1970	1980	1988
Total Population	178.5	202.2	225.2	244.2
Coastal	92.7	108.5	118.4	129.5
Atlantic	41.7	48.2	50.7	55.0
Pacific	16.8	21.5	25.4	30.0
Great Lakes	26.4	29.3	29.8	29.9
Gulf of Mexico	7.8	9.5	12.6	14.7

(Population in Millions)
(Counties Within 50 Miles of a Coast – Alaska & Hawaii Excluded)

Source: U.S. Census Bureau

Figure 2. **Population Shift to Metropolitan Areas**

	1950	1960	1970	1980	1988
Metropolitan Population	84,854	112,885	139,480	172,602	189,413
– Percent of Total	56.1	63.0	68.6	76.2	77.1
– Number of Areas	169	212	243	283	283
Nonmetro. Population	66,472	66,438	63,822	53,940	56,390

(Population in 000s)
(Metropolitan Areas as defined by Office of Management & Budget)

Source: U.S. Census Bureau

This series of events marked the advent of state growth management policy. In many ways, the purpose during this period was not to manage, but to slow or stop growth. Regardless, this political climate did not last very long. Only a few states actually began statewide programs during this first phase of growth management before interest began to diminish. New interest did not arise until about the middle of the 1980s. When these ideas did resurface, they looked very different from the original experiments.

The second phase of state growth management programs has been much the result of the second growth pattern, the urbanization of America. Local planning in many states has not sufficiently confronted the issues of how to manage growth into agricultural areas. As significantly, they have not found answers to the backlog of infrastructure needs created by uncontrolled development. In many cases, this means there is an unmet need for new or upgraded highways, water distribution facilities, and sewers to service the expanded urban area.

The development of new state programs is being received positively in many cases by both environmental groups and those interested in development. The involvement of a variety of special interest groups in statewide planning has made state level growth management an acceptable alternative in some states where that concept was politically impractical during the first phase. Along with new states as players in growth management, some first phase states are reviewing or reworking their programs to include this more comprehensive approach.

Alternatives to Comprehensive Statewide Planning

Many states have not seen the need, or have found it too politically difficult, to develop comprehensive statewide land use and growth management policies. However, in many cases these states have developed programs to control at least some of the most threatened or environmentally-sensitive areas. The following are some examples of this level of state management.

California

When California's land use and growth management initiatives failed to pass in the legislature in 1970, 1971, and 1972 an alliance of environmental groups led by the Sierra Club built a base of support to initiate a referendum, the California Coastal Zone Act that passed in 1972. These groups were responding to growth pressures on the 1,100 mile coast line that created air and water pollution, destruction of natural terrain, and development that blocked public access to beaches.

The legislature renewed the law in 1976, establishing a mandate for local coastal programs to be developed by local governments, but reviewed and approved by the state coastal commission with the assistance of regional commissions. However, the role of the state and regional agencies was greatly decreased as the prime responsibility for carrying out policy and plans was put in the hands of 68 cities and counties.

The purpose of the coastal plans was to provide for maintenance, restoration, and enhancement of the quality of the coastal environment. The call was for orderly, balanced use and preservation of all coastal zone resources. Plans had to contain elements related to land use, transportation, conservation, recreation, public services, utilities, population density, and public access.

North Carolina

The forces that initiated land use legislation in North Carolina were state agency personnel and scientists in state government. Environmental groups were not a key factor. Officials were concerned about the impact of second home development and commercial and industrial enterprises all along the coast. These developments had resulted in destruction of valuable fisheries, wetlands, and other land and water resources on North Carolina's coastline.

As in many other states in this study, initial land use bills in North Carolina included a strong state and regional regulatory role, with a minimal role for local governments. After statewide hearings, local governments were successful in assuming a much larger role in the implementation process. The Coastal Area Management Act of 1974 gave local governments, primarily counties, the responsibility to prepare local plans within the framework of state policies, with limited state review of the plans.

The Coastal Resources Commission (CRC) created by the 1974 law was given a direct role in issuing permits for major development projects in areas of environmental concern. Local governments could nominate areas of environmental concern and issue permits for minor projects in the critical areas. In areas not designated as environmentally critical, the CRC could suggest ordinances and changes in regulations when local governments were not consistent with the land use plans, but changes in these areas were not mandated.

These are only two specific examples of state intervention to manage the growth of population and development in areas of environmental concern. Other programs aimed at specific areas include the Adirondack State Park, the Lake Tahoe Area, the Appalachian Trail, Puget Sound, and the Chesapeake Bay Area. Many of these are examples of areas that have inherent multijurisdictional problems. However, the important point is they represent attempts by multiple interests to manage and conserve, directed by the public interest.

There are many other examples among the states of limited programs directed toward this same end. At least 17 states, including Minnesota, have laws to conserve inland wetland areas. Other types of programs include conservation easements, wildlife management incentives, park land acquisitions, mined land reclamation, soil conservation, and coastal management programs like those discussed earlier.

Probably the most common and most effective growth management tools used by states without comprehensive plans (and by some with them) is the management of development rights. The key forms of this technique are the Purchase of Development Rights (PDRs) and the Transfer of Development Rights (TDRs). These tools allow a state to manage more palatably and with less cost than some of the above mentioned plans. By definition, according to State Government News (May 1988):

"[PDRs] allow state and local governments to purchase the development rights of farmland by paying the owner the difference between the market value and farm use value of the land. Land owners retain all other property rights. PDRs are used primarily to protect agricultural land from nonagricultural development... [T]he basic principle behind PDR programs is to remove the development rights which compromise full-fee ownership of farm property. Development rights are removed through purchase or donation and represent an equivalent to a property easement. PDR laws have been considered or exist in Connecticut, Maryland, Massachusetts, New Hampshire, New Jersey, and Rhode Island."

"[TDRs] have the same intent as PDRs: to preserve farmland... [TDRs] shift or transfer the responsibility for purchasing development rights from government to private developers. Development rights... are purchased privately and used in another location. [L]ocal jurisdictions designate 'receiving' and 'sending' areas. Developers in receiving areas can increase density of development by purchasing development rights from farmers whose property is located in the sending area. TDR laws have been part of agricultural initiatives in Florida, Maryland, New Jersey, Pennsylvania, Virginia, and Washington."

The First Phase of Comprehensive State Plans

During the early 1970s, a handful of states took the level of state participation in growth management to a higher plane. These states, particularly Florida, Oregon, Colorado, Vermont, and Hawaii, enacted legislation that made the state the final authority in managing land use — and by that, managing growth. They produced a creative new melding of the regulating and permitting process with planning for development and growth. These plans were generally characterized by locally created plans and the development of regional planning agencies, with state government acting as the final authority and arbitrator of local plans. However, each of these states has had a unique experience in developing and implementing these ideas.

Florida

Florida had severe population growth pressures over an extended time in the post-World War II period. Water pollution, destruction of the natural dune systems, the blocking of public access to beaches, and other environmental damages resulted from unplanned and uncoordinated growth. An effort to establish a large jetport in the Everglades and a potential cross-state barge canal helped focus increasingly powerful and broad-based environmental groups on support for growth and land use management. This led to four related pieces of legislation in 1972: the Water Resources Act; the state Comprehensive Planning Act; the Environmental Land and Water Management Act (also known as the Land Management Act); and the Land Conservation Act.

The Comprehensive Planning Act strengthened the planning function in state government by creating a Division of State Planning to carry out the responsibilities of the Land Management Act. The Land Conservation Act allowed the issuance of $200 million in bonds for the state to buy environmentally endangered lands that were needed for implementation of the critical areas part of the Land Management Act. These acts strengthened the state's authority and responsibility over regional and statewide land use and growth issues, leaving decisions over local development in the hands of local government. However, local governments were ill-prepared to cope with these problems.

In 1975, the Government Comprehensive Planning Act was passed to fill the void. It required local (city and county) governments to develop a plan for future land use, traffic, general sanitary sewer, solid waste, drainage and water, conservation of natural resources, recreation and open space, housing, intergovernmental relations, power plant siting, and coastal zone management, when appropriate. The Division of State Planning reviewed these plans for coherence with the overall plan.

Subsequent amendments to land and growth management legislation (through 1980) strengthened the critical areas sections and increased the capacity for government to direct and manage growth. The regional councils were also strengthened. However, one critical factor caused the Florida experience to be less successful than everyone had hoped. Local governments did not have the funding, nor did the state supply all its promised funding, in order to develop the local plans that were the key to this program.

Oregon

The legislature and governor in Oregon acted on a broad base of citizen support to initiate growth management policies in response to heavy growth pressures in the Willamette Valley, urban encroachment on farmland and open space, and severe water pollution in the major rivers of the state. A scenic waterways bill, and a law mandating that all counties and cities develop land use controls (1969) prepared the way for the 1973 Land Conservation Development Act (Senate Bill 100).

As with most of the original state initiatives in this study, the state of Oregon was given more authority than local governments for growth management. The bill as passed was actually a compromise though, making state and local governments partners in carrying out the land use law.

Senate Bill 100 authorized the establishment of a Land Conservation and Development Commission (LCDC) and a Land Conservation and Development Department of professional staff to serve the commission. The LCDC had responsibility for developing statewide goals and guidelines, model ordinances, an inventory of land use, the designation of activities of statewide significance, and the subsequent issuance of permits for such activities. It also had to review the comprehensive plans of local governments for conformance with the commission's goals. Finally, the law charged the LCDC with promoting citizen participation in the whole growth management process. The law would be enforced by the state, reviewing and requesting modifications of local comprehensive plans where necessary.

Every county, city, and recognized or coordinated regional entity was mandated to develop comprehensive land use plans that were consistent with the goals determined by the LCDC. One feature of those plans required every city to develop an "urban growth boundary," within which all new development was to take place. If a county did not produce a plan within a year of the state's adoption of the growth management goals, the LCDC was given legal redress, but it could also extend the time period if the county was making progress.

The law also provided for a bipartisan Joint Legislative Committee on Land Use to act as a watchdog over the activities of state and local governments in carrying out the law's mandates. The LCD Department had to report monthly to the Joint Committee on progress made at all levels on fulfilling the mandates. This committee was charged with determining whether and how to compensate for values reduced by land use regulation. Finally, a state citizen advisory committee was established to help the LCDC devise a program for citizen involvement in the growth management process.

Colorado

Environmental groups in a coalition called the Colorado Open Space Council were motivated to action by the impact on air, land and water from second home development, especially in the mountains, and population pressures on the front-range urban growth centers and major urban areas like Denver. The coalition attempted, but failed to pass legislation in 1973 that would have given the state a strong policy framework role and direct action provisions.

The bill that passed in 1974 contained a substantially weakened state role, due to lobbying by local governments and their allies in the legislature and the private sector. Still, a controversy raged over the implementation of the state's land use law and the degree to which state policies were binding on local governments. A 1979 court case limited the extent of the state role even further.

Colorado's land management law, House Bill 1041, passed in 1974, followed the example set in the American Law Institute Model Land Development Code by making local governments more responsible for land management. Local governments had prime responsibility for identifying, regulating, and issuing permits for development. The bill departed from the model code by not clarifying the state role in the process of identifying and making decisions on developments of regional impact. The law says the state should "assist local governments" in this process, but local governments don't have to accept or go along with state direction.

In the one instance where the state has authority to initiate the identification, designation, and promulgation of guidelines for matters of state interest — when the land use commission considers a particular situation to fall into that category — it can make a formal request for the local government to respond. Until the matter is decided, there is a moratorium on development.

Vermont

Vermont's growth management policies developed in response to citizens' perceptions and fears that second homes and an influx of people from nearby metropolitan areas like New York and Boston would destroy their environment and their small town way of life. These "intrusions" were made possible by the construction of the interstate highway system. The initiatives for growth management from a broad citizen base were supported by the governor and legislators.

Vermont passed the Land Use and Development Act (Act 250) in 1970. The act established a state Agency for Environmental Conservation under which was formed the Environmental Board; in addition, the act created eight district commissions, staffed by the state. Act 250 has been implemented by a blend of state government and local citizen responsibility. A unique feature of the Vermont system was that citizens decided whether to grant permits. The Governor appointed citizens to both the Environmental Board and the Commissions. Local government was bypassed by this system unless they adopted local land use ordinances, but they often were not staffed to perform the permitting tasks.

The Act required projects to be measured against these criteria for what would constitute detrimental impacts of development:

- no undue water or air pollution;
- sufficient water supply;
- no unreasonable soil erosion;
- no unreasonable congestion or unsafe conditions on highways;
- no burden on the education or government services systems;
- no adverse effect on scenic, historical or rare natural areas.

Act 250 also required that a state land use plan be developed in three stages, each to build on the previous stage. The first stage, an interim land capability plan including general policies and maps of unique areas or areas suited to specific uses, was adopted in 1972. The second stage, the land capability and development plan, was approved in 1973. It included much more detail than the interim plan. A final stage was stalled because of controversy over whether or not it would involve state zoning. Further stages in Vermont will be discussed later.

Hawaii

Hawaii was almost a decade ahead of other states in enacting land use planning legislation. Problems and issues evolved from the need to protect the natural systems of the state from what were perceived to be severe growth pressures. The initial force came from the executive and legislative branches of the government. Major land use legislation was adopted in 1961, before the development of a strong environmental movement in the United States. The legislation was meant to protect agricultural lands from development, since agriculture was a major source of income. There was also a drive to bring more democracy to land holdings so that more people (specifically Japanese-Americans) could own land, instead of just a few big plantation owners.

The Hawaiian Land-Use Law classed land into three types: 1) Urban land districts—land that was already in urban use, plus lands that would be needed for foreseeable urban growth within the next ten years; 2) Agriculture districts—land with a high capacity for intensive cultivation and lands adjacent to and surrounded by agricultural lands; and 3) Conservation districts — previously established forest, water reserve zones, mountainous areas, and a forty foot strip back from the shoreline along the entire coast. In 1963, a fourth district was added to the classification scheme: a rural district to permit low-density, residential lots.

By 1973, these policies were being challenged. Tourism had replaced agriculture as the state's major source of income. Now the owners of prime agricultural land wanted it reclassified for urban and tourist development. Tourist development (financed by foreign capital) was devouring the natural landscape, and moderate income households were priced out of the housing market by rising costs of housing. The environmental movement was growing in Hawaii. Environmentalists were becoming increasingly concerned about the growth pressures on the islands and the state land use law's seeming inability to address these pressures.

In 1974-75, an attempt was begun to legislate a strong state planning policy framework to redress what were perceived as weaknesses of the Land Use Commission (LUC). The chief dissatisfactions were not enough staff or resources and a bias toward development, jobs, and housing rather than land use and environmentally-sensitive growth management. A review of the LUC's procedures resulted in fundamental changes which in effect repealed the 1961 law. In an interim period, the process became a quasi-judicial approach.

Hawaii adopted a state land use plan in 1974. It gave specific directives for urban containment to the LUC, the counties, and the state agencies. Section 104, Population Growth and Distribution Implementing Actions, calls for: 1) a carrying capacity to limit growth; 2) the rehabilitation of appropriate urban areas; 3) directing urban growth toward existing urban areas and away from other areas with specific benefits; 4) preservation of "greenbelts;" 5) identification of critical environmental areas where urban growth should be excluded; and 6) encouragement of nw industrial and commercial development in planned and existing urban areas. Section 105, Hawaii's Land Resources, aims to preserve and improve specific types of districts not only for the present, but also for future generations.

The Second Phase of Comprehensive State Plans

The strong environmental movement of the early 1970s lent strength and direction to the first phase of state growth management programs. As the country moved into recession, the political appeal of this type of program was tainted. Following the examples mentioned above, no states moved into the arena of statewide planning for the next decade. When the movement was revived in the middle 1980s, it had a very different complexion.

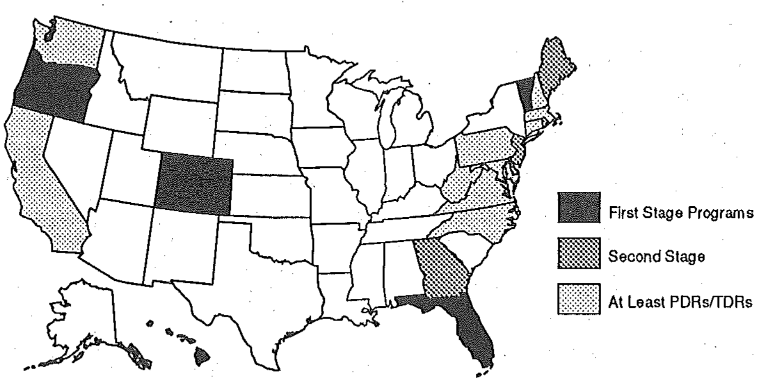
The greatest force behind renewed interest in growth management was the growing concern by all levels of government that infrastructure was not keeping pace with growth. One of the biggest concerns was inadequate highways serving newly developing areas. Other issues included school overcrowding, limited landfill capacity, and inadequate water and sewer systems. Many of these issues, along with others such as shortage of child care, caused urban residents to believe that their "quality of life" was being threatened.

Much of this concern was also that new development was not paying for itself. The infrastructure demands created by new development were producing a backlog far beyond the benefit in taxes to communities and government. Many places have sought to deal with such pressures by implementing impact fees, essentially requiring new development to pay for the infrastructure needs that it creates. Many states have taken the initiative either to create or to revitalize state-level, comprehensive growth planning.

Two states at the forefront of this movement are Florida, which reworked its original plan to address these new concerns, and New Jersey, which is an example of managing growth in an almost entirely metropolitan state. These states are not alone. There has been a virtual "wave" of states implementing new programs, establishing commissions, or taking up the banner of growth management, including Maine, Vermont, Rhode Island, Delaware, Georgia, Connecticut, Massachusetts, South Carolina, and Washington (*Figure 3*).

The keys to the new growth management systems are local plans that must have the qualities of consis-

Figure 3. **State Growth Management Programs**



tency, concurrency, and compactness. Essentially, these are the principles that guide the new movement: 1) local plans must be consistent with one another regionally and with statewide guidelines governing growth and development; 2) new development must be implemented concurrently with new infrastructure, or with the infrastructure already in place; and 3) development should be compact, reducing urban sprawl and infringement on agricultural areas. These principles are inherent in the new Florida plan.

Florida

Florida has been a leader in laying out the groundwork of the new phase of state-level growth management. Its earlier efforts were less successful than had been hoped for a number of reasons. In the first place, there were important gaps in the plan itself. The biggest problem laid in the lack of funding to assist local governments and implement the program.

To correct these problems, and address the more comprehensive issues of the new phase, the Florida Growth Management Act was passed in 1985. The plan was designed for implementation in four stages: 1) by 1987 the State Comprehensive Plan was created; 2) from 1987 to 1991 local governments submit their plans for review and approval by the Department of Community Affairs; 3) from 1989 to 1992 governments will begin to implement their plans; and 4) in 1993 to 1996 local governments will evaluate their plans to see if any changes are necessary.

These plans must adhere to three guiding principles:

- development must be minimized along barrier islands and environmentally sensitive coastal areas;
- compact urban development must be promoted (under a program of incentives and disincentives); and
- development is prohibited unless infrastructure is already in place.

Again, financing will determine the future success or failure of this new state-local partnership in planning and growth management. At least in this phase of Florida's growth management experience, state government is providing funding for local governments to help with drafting plans and land development regulations. However, some estimate it will take $35 billion over the next ten years to implement the comprehensive plan, including $17.9 billion in costs to local governments for infrastructure. The political future of growth management will, in the end, depend on how the state and local governments work out the means to handle these costs.

New Jersey

Two issues pushed New Jersey state government into enacting a state planning act: housing and highways. The lack of affordable housing in New Jersey was so bad that the state supreme court intervened to require local governments to provide for low-income housing. The court took control over local planning and zoning until the legislature would adopt a statewide planning law. The other issue was severe traffic congestion and deteriorating transportation infrastructure. Planners estimated a need for nearly $14 billion for infrastructure needs over the next 20 years.

The state passed the Land Use Planning Act in 1985 and created a State Planning Commission in 1986.It developed a State Development and

Redevelopment Plan that required local plans to be prepared by 1988 that are consistent with the overall state plan. Of special interest in this plan was the provision for negotiations between local and state governments to achieve consistency with the state plan. Additionally, state agencies have to take the plan into consideration in allocating their agency resources. In the end, the plan seeks to balance economic development needs and conservation objectives with the demands for new and renewed infrastructure.

The New Jersey plan defines three types of areas: those designated for growth; limited growth areas; and agricultural/environment areas. It provides for how each different type of area will be allocated its share of the projected growth in the state. The plan also has the explicit goals of protecting the natural resources and qualities of the state and promoting development and redevelopment consistent with sound planning and reasonable costs.

New Jersey and Florida have cleared a new path in statewide planning and growth management, with many other states following their lead with similar plans.

Vermont

Vermont is another state which was in the first phase of state growth programs. It advanced its initial efforts in 1988 by adopting "An Act to Encourage Consistent Local, Regional and State Planning" (Act 200). This act is consistent with the guiding principles mentioned earlier. Towns submitting plans must make them consistent with the state plan and compatible with other municipalities in their region. Additionally, they must contain a land use plan and a transportation plan, among other things. However, local governments were able to keep a provision out of the law that mandated all towns to submit plans.

The key to this new law is a strengthened system of regional planning commissions. Besides coordinating local plans, the regions identify historic sites, natural resources, natural areas, and other areas of "regional significance." At the state level, agency programs and actions must match up with state goals and be consistent with local and regional plans. A final feature that may give this program a step up is that funding has been made available for planning at the regional and local level. Also, a Housing and Conservation Trust Fund has been established for sustained funding.

Maine

In 1988, Maine entered the growth management arena with "An Act to Promote Orderly Economic Development and Natural Resource Conservation." Even the name of the act shows clearly how it views the dual purpose of growth management. As have other states, Maine has a state planning office and regional planning commissions, with towns being required to submit plans by 1996. The different element here is that the state does not actually approve or disapprove localplans. Rather, towns can apply for "certification" of their plans. Only then, if they ass the state guidelines, do they receive incentives such as planning funds, public land acquisition funds, community development grants, etc.

According to some analysts, Maine typifies state comprehensive growth management in the new phase. It developed a compromise between state and local control; it paid attention to the problems of affordable housing; it accounted for infrastructure needs — in this case by outlining local impact fees; it provides for the protection of natural resources; it seeks to promote economic development; it provides funding for local efforts; and it established a state agency to coordinate plans at the local and regional level.

Rhode Island

Rhode Island's growth management law, "Comprehensive Planning and Land Use Act," was passed in 1988. It provided for a very strong state role. The state establishes the goals of the program, while each of Rhode Island's 39 municipalities must create and implement comprehensive plans consistent with those goals. Each local plan must contain specific elements, including a goals and policy statement and a traffic circulation plan. In addition, local plans must be consistent with the state plan and those of neighboring municipalities. Although the state is the ultimate power in this example, it does provide financial and technical assistance to each of the municipalities.

Georgia

Georgia is the latest state to join the movement, passing a growth management bill in 1989. This bill requires all cities and counties to develop land use plans and to create zoning laws to implement them. All local governments must be part of a regional planning organization, and the whole system is overseen by a newly reorganized state agency. This program may be interesting to monitor because it was created in a state that previously had little or no planning experience, even at the local level. The law grew out of a governor's commission, which itself developed out of the problems surrounding unmanaged growth around Atlanta and multijurisdictional conflicts over water resources.

Connecticut

Connecticut has not actually passed, or attempted to pass, a comprehensive state growth management law, but many of its current policies do closely resemble those of states which have enacted laws. Connecticut originally developed a State Policies Plan for the Conservation and Development of Connecticut in 1971. It has been reviewed every five years, with the current plan in effect for 1987 to 1992. The plan has several types of development areas ranging from central urban to agricultural, with specific development plans for each type. The overall plan seeks to concentrate growth in areas with existing infrastructure and seeks to expand protected natural and agricultural areas. In addition, all state agencies must develop their programs and allocate their resources in accordance with this plan.

In addition to the above states that have enacted laws officially implementing state level statewide growth management, many other states have guiding commissions or are considering such laws. Massachusetts had "A Special Commission on Growth Policy" authorized by the legislature in 1987. Legislation has since been drafted for a statewide plan resulting from the recommendations of this commission. New Hampshire has also drafted legislation. Other states, such as South Carolina, Maryland, Virginia, and Delaware, have either working commissions or policies in force under executive order.

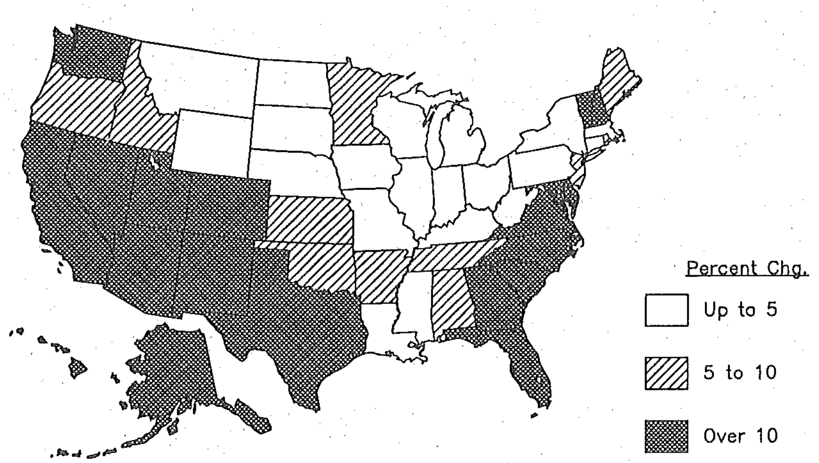
The state of Washington created a commission on growth in response to the in-migration of Californians and the effects of "second-home" purchases on environmentally sensitive areas. These problems, and the associated infrastructure problems of new development, were especially pronounced in the Seattle area. Based on the recommendations of this commission, legislation was passed implementing some of these ideas in the last session. An initiative for a formal state growth management program was placed on the ballot in November 1990, but was defeated overwhelmingly. A legislative approach to modify the bill twards a statewide comprehensive program is supported by the Governor and expected to gain popular support during the next session.

Oregon, a first-phase state, has been watching this activity closely. State planners have also tracked activities in Florida to see how features of the newer state growth management programs are being accepted. State planners in Oregon are expected to have reports with conclusions on this major reevaluation of their program completed by the end of 1990.

Implications

In summary, during the early 1970s, several states enacted slow growth, or no-growth policies inspired by the environmental movement. In the middle to late 1980s, more states enacted growth management laws that melded environmental concerns with the need for economic development. In both cases, the movements have been essentially East Coast and West Coast phenomena. Colorado was the only other first phase state, with a relatively

Figure 4. **United States Growth Patterns.** From 1980 Census to 1989 Estimate.



weak program, and there have been no examples of states outside these areas in the second phase.

Part of the reason that the Midwest has not experienced any examples of state level growth management is that many Midwest states have experienced either no or very slow growth over the last decade (*Figure 4*). Without the impetus of intensive growth, coupled with the associated demands of that growth on the environment and on infrastructure, Midwest states have not experienced the political pressure to enact the types of policies that states on the coasts felt compelled to enact. Still, for those states in the Midwest that are growing — Minnesota being one of the few — the experience of the states in this study should be more closely examined.

In the first place, growth management in its second phase has been considered a tool of economic development — by making the process of development more cost effective and diminishing the effects of jurisdictional competition. This is as great a policy concern in the Midwest as in any other area. Many Midwest states face even greater problems in the area of limited or deteriorating infrastructure, a key focus of growth management programs. Secondly, growth management states have used their policies to consolidate their conservation efforts. This has given them the opportunity to coordinate a consistent standard statewide and to establish regionally relevant planning measures.

The patterns of growth in the United States over the past decades have helped determine where there will be policies of state level growth management. However, the experiences of those states, and the evidence of growing numbers of states joining the movement, show the political climate for state land use planning has become more favorable. In many of the state cases in this study, growth management policies grew out of cooperative efforts by citizens, state government, environmentalists, and developers. All the parties held an interest in environmental quality, supportable development and sustainable communities.

Critics of the first phase of growth management were concerned that growth policies were exclusionary and contributed to a rise in housing costs. Policies in the second phase have sought to address these issues and, in some cases, have been developed to counteract these problems.

The other problem inherent in growth management policies is defining the roles and relationships between state and local government. Who creates the plans? Who sets the standards for local plans? Who issues permits? How do different levels of government communicate? The answers to these questions are different in each example. Most state growth management programs have resulted in a change in relationships between government levels both vertically and horizontally. States and regional areas have assumed roles that have never existed before. It is not possible to say generally how these have played out in all cases. It will take review of these programs over time to determine the values or disadvantages of these altered government roles.

Whether or not there is any interest by Minnesota policymakers in some type of growth management policy, it is important to review the cases at hand. The analyses of growth in Minnesota, described in the greater portion of this *Policy Perspectives*, describe a growing state with a changing complexion. Urban and rural descriptions are becoming less precise, as growth and development are occurring across a number of regional centers throughout Minnesota. Economic development — especially supportable and sustainable development — and the conservation of Minnesota's natural resources and agricultural lands are critical issues. The experiences of these states portray ways to deal with these issues in a comprehensive and coordinated fashion.

ABSTRACT

Minnesota has no explicit, comprehensive state growth management policy or program, but local governments have a variety of tools for guiding growth and development in the communities they serve. The comprehensive planning and zoning process is fundamental to local government growth management. State law makes comprehensive plans, when adopted by ordinance, the basis for zoning ordinances and other land use controls. Orderly annexation and agricultural preserves can be used to control growth on urban fringes. The Metropolitan Council plays an important role in regional growth management in the seven-county Twin Cities area. It uses its powers to review local plans and its oversight over regional operating agencies to coordinate and guide development.

State government prescribes standards for several kinds of areas including shoreland, flood plains, wild and scenic rivers, and critical areas. The state has also promoted comprehensive local water planning. These, together with the state's Environmental Review Program, are not growth management, *per se*, but do deal with impacts of development on sensitive land, and provide a means to bring environmental protection concerns into the local planning process.

PART 2

GROWTH MANAGEMENT TOOLS FOR MINNESOTA LOCAL GOVERNMENTS

Local governments have at their disposal a variety of tools to guide growth and development in the communities they serve. These tools include comprehensive planning, land use planning and zoning, capital improvements budgets, tax policies, and land acquisition and development. The term "growth management" refers to the deliberate and systematic use of these tools to influence the type, timing, and location of development.

This report serves as a background report for a larger *Policy Perspectives* report entitled "**Reexamining the Urban-Rural Dichotomy.**" A companion to this report describes state growth management programs in other states.

Although local governments had already been involved in land use planning for many years, the idea of government systematically using its powers to manage growth gained acceptance in the early 1970s. Many communities were dismayed with the fiscal and environmental consequences of rapid growth. Communities across the nation combined new tools such as agricultural land preservation zoning, large lot zoning, performance zoning, transfer of development rights, and environmental overlay districts with more traditional land use controls in an effort to guide and control development. Communities integrated land use and development controls with their capital improvement programs (roads, bridges, sewers, water, parks, schools) to create comprehensive growth management policies.

Minnesota local governments can mix and match a variety of local fiscal and planning powers to gain some control over the location and timing of growth. The Metropolitan Council is an important player in growth management in the seven-county Twin Cities area. The role of regional development commissions is mostly limited to technical assistance to local governments.

Comprehensive Planning and Zoning

The comprehensive planning process is fundamental to local government growth management. Cities can use the comprehensive planning process to establish goals and policies for the timing, type, and location of development. Cities derive their planning authority from the so-called "police power" which gives government authority to take actions to protect public health, safety, and welfare. State law makes comprehensive plans, when adopted by ordinance, the basis for zoning ordinances and other land use controls such as subdivision regulations. Local governments can use land use controls in conjunction with public spending and taxing policies to implement the comprehensive plan.

Comprehensive planning begins with an analysis of the existing conditions and projects that will affect growth within the community. These surveys and studies are necessary to determine what physical, economic, and social impacts future development will have on the community. Land use and environmental studies, population analysis, economic forecasts and studies, public facilities analysis, and fiscal impact analysis are some of the elements that comprise this section of the plan.

The most difficult phase of the comprehensive planning process is the development of the goals and policies that will guide future growth and development within the community. Properly done, this statement of community intentions synthesizes research about the community's needs and resources with the desires and attitudes of its residents. Overall goals and policies are developed in more detail in the city's land use plan, public utilities plan, transportation plan, housing plan, and open space plan. Zoning ordinances, subdivision regulations, the official map, utility extensions, and tax incentives are among the tools that can be used to implement the plan.

A multi-year, capital improvement program is an important part of a community's planning process. The capital improvement program defines the priorities and timing of public expenditures for sewers, roads, parks, and other facilities. Strategic timing and location of public facilities is one of a community's most important tools for realizing its growth management goals.

Orderly Annexation

The Minnesota Municipal Commission was created to address growth and development activities that occur on the boundaries between towns and municipalities. The commission recognized that certain units of government are more capable of providing services essential to support urban development. The commission established a procedure for orderly annexation for unincorporated areas where annexation is necessary for provision of public services.

Orderly annexation can be an important growth management tool if a local government develops a coordinated growth strategy for its urban fringe. A township may agree to allow a municipality to exercise its land use controls in the orderly annexation area, enabling the municipality to develop a capital improvement program based on the rate and intensity of development in the area.

Metropolitan Council and Metropolitan Land Use Planning

The Metropolitan Council, established in 1967, coordinates the planning and development of the seven-county Twin Cities metropolitan area. Through its plan review powers and its role as the policy body for regional operating agencies, the council is in a position to manage growth on a region-wide scale.

The Metropolitan Waste Control Commission (MWCC) and the Regional Transit Board must submit their capital programs and three-year financial plans to the council for approval. The council also approves major development projects of the Metropolitan Airports Commission. The council issues bonds for regional sewers and allocates state funds for regional park agencies. These budget review and funding powers enable the council to coordinate and guide development within the metropolitan area.

The council prepares a Comprehensive Development Guide containing the policies, goals, standards, programs, and maps necessary for the orderly development of the seven-county area. The guide contains the Metropolitan Development and Investment Framework (MDIF), which articulates three principals to guide development: 1) locate all urban development within a metropolitan urban service area; 2) provide necessary regional services to existing and anticipated growth within the urban service area; and 3) preserve agriculture and rural land use in the area beyond the urban service area.

The 1976 Metropolitan Land Use Planning Act requires all cities, townships, and counties in the metropolitan area to prepare comprehensive plans and submit them to neighboring local governments and school districts for review and comment. Plans must discuss public facilities contained in the council's metropolitan system statement. The Metropolitan Council can require a local government to revise its plan to make it consistent with the metropolitan system statement. The council uses its authority to review local comprehensive plans to discourage premature development that would stress regional transportation and sewer facilities. Local plan review considers the impact of growth on agricultural land, population density in locations beyond the urban service areas, and the region's transportation system. The council has controlled urban sprawl by defining a Metropolitan Urban Service Area, outside of which the MWCC will not build interceptor sewers.

Regional Commissions

Regional Development Commissions (RDCs), established in 1969, are responsible for preparing and updating comprehensive regional development plans for orderly development of substate regions. The plans must address the physical, social, or economic needs of the region and the effect of future development on land use, parks and open space, transportation, housing, hospitals, and other facilities. The law creating RDCs requires local governments to submit, for RDC review, local plans with significance for regional development.

In the middle 1970s, when funding for the commissions began to shift from state and federal to local sources, RDCs shifted their emphases from regional planning to assisting local planning. The federally-funded 701 Comprehensive Planning Assistance Program and the state-funded Land Use Planning Grant Program were discontinued, forcing more reliance on local funds for physical planning activities. The RDCs now emphasize providing planning assistance to local governments, making them better prepared to deal with growth and development.

RDCs no longer exist in three development regions including the areas around St. Cloud and Rochester.

Agricultural Land Preservation

The Metropolitan Agricultural Preserves Act (*Minnesota Statutes*, Chapter 473H) gives local governments in the seven-county Twin Cities metropolitan area a tool to protect farmland from urban development. The act required local governments to prepare maps showing land designated for long-term agricultural use in their comprehensive plans. Owners of qualifying land can apply for creation of an agricultural preserve. If approved, the landowner makes a covenant to keep the land in agricultural use for at least eight years in exchange for a guarantee that the land will be valued at its agricultural value for property tax purposes.

A similar law (*Minnesota Statutes*, Chapter 40A) authorizes counties in the rest of the state to adopt agricultural land preservation plans and land use controls for implementing the plans. Owners of land designated for long-term agricultural use can apply for creation of exclusive agricultural use zones. Farmers who agree to keep their land in agricultural use for eight years receive a $1.50 per acre tax credit from the county.

Participating counties in both programs collect a $5 mortgage registration fee that is used to reimburse local governments for the tax costs of the program. Both programs place limits on annexation and eminent domain proceedings involving the covered land, and require farmers to practice soil and water conservation. These programs give local governments some ability to control urban fringe development, but they depend on willingness of landowners to participate.

State Land Use Standards

Minnesota has no comprehensive, statewide policy guiding local, regional, or state growth and development, but has mandated land use standards for several kinds of areas including shoreland, flood plains, wild and scenic rivers, and critical areas. Other programs such as environmental review and comprehensive local water planning provide a means to bring environmental protection concerns into the local planning process. These programs are not growth management tools, *per se*, but they do deal with the impacts of development on sensitive land. This approach assumes that, given good information and adequate authority, local units of government are in the best position to manage their own growth.

Environmental Review

The purpose of the Minnesota Environmental Review Program (*Minnesota Statutes*, Sections 1160.04 and 1160.045), is to avoid and minimize damage to Minnesota's environmental resources caused by public and private development. Proposed actions that have, or may have, the potential for significant environmental effects require special review procedures, in addition to the normal approval and permit process. The special review provides information to units of government regarding the environmental impacts of a project before approvals or necessary permits are issued. The review process helps governments anticipate and correct potentially adverse environmental impacts before a project is begun.

The environmental review process is a public disclosure procedure that provides information about environmental effects and ways to avoid or minimize those effects. The law does not require any action to be taken regarding the environmental effects of a project. The decision to implement appropriate measures to protect the environment as identified in the review process is the responsibility of local, state, and federal agencies. The environmental review process is not a growth management technique, *per se*, but a process to discover potential problems related to the proposed development. It is most useful when it is integrated with other permitting and approval processes designed to protect the environment.

Critical Areas

The Critical Areas Act (*Minnesota Statutes*, 116G.02) provides a process for planning and managing geographic areas of regional or statewide significance. Its purpose is to protect historical, cultural, scientific, or natural resources, while allowing compatible development in accordance with plans and regulations for a particular critical area. An area can qualify as a critical area if: 1) it is of statewide or regional significance; 2) there is no existing means of protecting the public interests of the area; and 3) the area is one of a limited number of its kind in the region or state. Local governmental units, regional development commissions, or the Minnesota Environmental Quality Board (MEQB) may propose critical area designation. The MEQB then holds hearings on the recommendation and advises the Governor concerning designation. The Governor designates the critical area through an executive order. The MEQB assists local governments with preparation of plans and regulations for the area.

Once an area is designated, all local units of government having jurisdiction in the critical area prepare plans and regulations for the area's use and management according to the guidelines of the designation order. The designation order may also include temporary development regulations to be enforced by local units of government while local critical area plans and regulations are prepared. Regional and state agencies must also prepare plans and regulations for areas within their jurisdiction.

The Critical Areas Act was used to designate the St. Croix and Mississippi Corridor critical areas. The apparent success of the St. Croix and Mississippi Corridor critical areas can be attributed to the program providing a workable solution to resolve the development and resource management issues within the context of local land use planning programs.

Shoreland and Flood Plains

The state first adopted standards, as required by *Minnesota Statutes*, Section 105.485, for the subdivision, use, and development of shoreland in 1970 for counties and in 1976 for cities. The standards have recently been revised to consolidate the two sets of standards into a format that can be used by all local governments. The standards, as developed by the Department of Natural Resources, implement the policy set forth in Chapter 103 of *Minnesota Statutes*. The statute states "it is in the interest of the public health, safety, and welfare to provide guidance for the wise development of shorelands of public waters to preserve and enhance the quality of surface water, preserve and provide for the wise use of water and related land resources in the state." The standards establish criteria for shoreland development which must be contained in shoreland management ordinances adopted by local governments. The ordinances designate use, regulate setbacks from the water, lot size, septic system and well placement, and vegetation management in areas within 1,000 feet of a lake or 300 feet of a river or stream.

The state has taken a similar approach to flood plains. State rules, meeting federal requirements, mandate local ordinances regulating land use in designated flood plains. Property owners in communities without flood plain ordinances cannot obtain federal flood insurance for buildings in the flood plain. Shoreland and flood plain ordinances are not active growth management tools for local governments, but they do set parameters for the type of development that can occur near water bodies and in flood plains. The Wild and Scenic Rivers program works in much the same way. Counties are required to adopt ordinances governing development along designated streams.

Comprehensive Local Water Planning

Local comprehensive water plans were developed by counties on a voluntary basis to identify existing and potential problems and opportunities for the protection, management, and development of water and related land resources. The plans focus on the interrelationships of surface water, ground water, water quality, and water quantity. Counties with good plans should be in a better position to assess the impacts of development on water resources. Some plans have clear growth management implications. For example, as a result of the water planning process, Olmsted County has considered minimum five-acre lot sizes for areas without sewers in an effort to protect groundwater from septic tank contamination.

The state requires watershed management organizations (watershed districts or joint power boards) in the metropolitan area to prepare plans. The 1990 Legislature required the Board of Water and Soil Resources to develop standards for local ordinances. Such ordinances could require things like erosion control and holding ponds to control stormwater runoff from new developments.

Conclusions

Minnesota has no explicit, comprehensive state growth management plan or program. Management of growth development is left largely to regional and local authorities. In the Twin Cities metropolitan area, the Metropolitan Council develops regional plans, oversees budgets of regional operating agencies, and reviews local plans. Outside the Twin Cities area, regional development commissions are a source of technical assistance for local governments, but no longer have resources for region-wide physical planning. They have no land use or capital budgeting powers.

Local governments have a panoply of tools for growth management. Through their land use controls and in their role as builders of streets, sewers, and other public facilities, they can effect the timing and location of physical development. The state provides guidance for areas such as water planning and regulation of shoreland development.

While state government has no comprehensive growth management policy, it does play a significant role through such programs as the Minnesota Environmental Review Program and the Critical Areas program. Many state agencies including the Department of Natural Resources, the Pollution Control Agency, the Department of Transportation, and others, administer programs with growth management implications for Minnesota's regions and communities.

A companion report (*"States Managing Growth"*) to this background report describes more ambitious state-level growth management programs in several states. Because unmanaged growth affects both local communities and entire states, there may be need for explicit programs at both levels. Some states have highly-centralized programs. Others decentralize growth management powers to local levels. Each state must choose the approach that works best for its situation.

PART 3

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Note: The *Policy Perspectives* analysis is an interdisciplinary one. Therefore, many works in this bibliography could be placed in more than one category.

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