COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

ONE HUNDRED SEVENTH CONGRESS

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TO R C. R C. R DOARK

C O N T E N T S

you, I realize, have other issues, and we will be sharing those with the Senator and others today.

So, Senator Wellstone—and I also want to recognize Representative Schumacher and Representative Opatz—thank you so much for coming and being here with us today, and I hope you have a very productive day here in St. Cloud.

OPENING STATEMENT OF THE HONORABLE PAUL D. WELLSTONE, A UNITED STATES SENATOR FROM MINNESOTA

Senator WELLSTONE. Thank you.

August 16, 2001 St Cloud, Minnesota

operations in Hoyt Lakes.

[redacted]

Senator WELLSTONE. With that, we will move forward and start out with Mayor Kittelson. Thank you for joining us, Mayor.

STATEMENT OF PAUL KITTELSON, MAYOR, BENSON, MINNESOTA

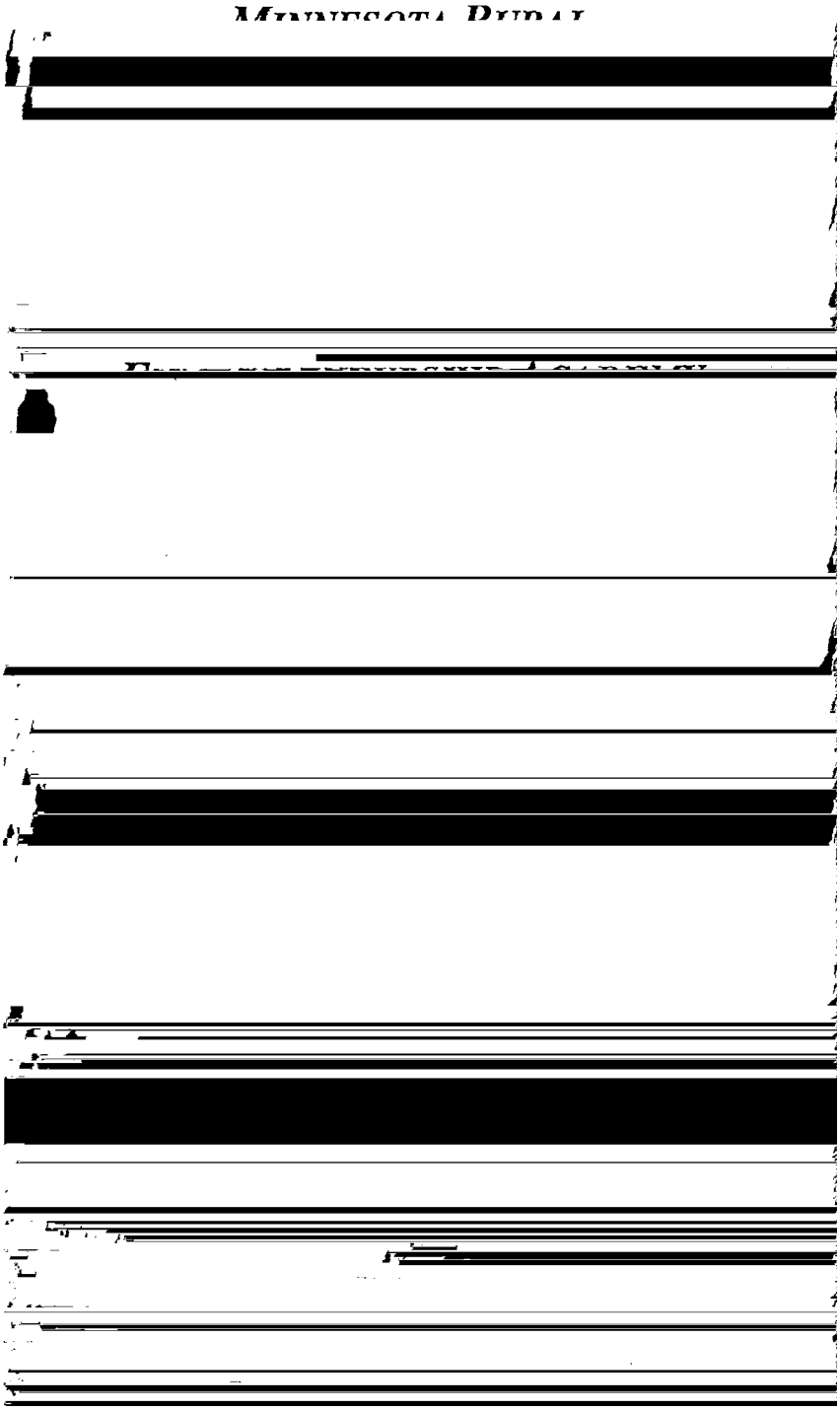
Mr. KITTELSON

State still operates on a 56K modem connected to a telephone line.

Testimony of Edward Dunn, Director, Minnesota District Office

U.S. Small Business Administration

Committee on Small Business and Entrepreneurship



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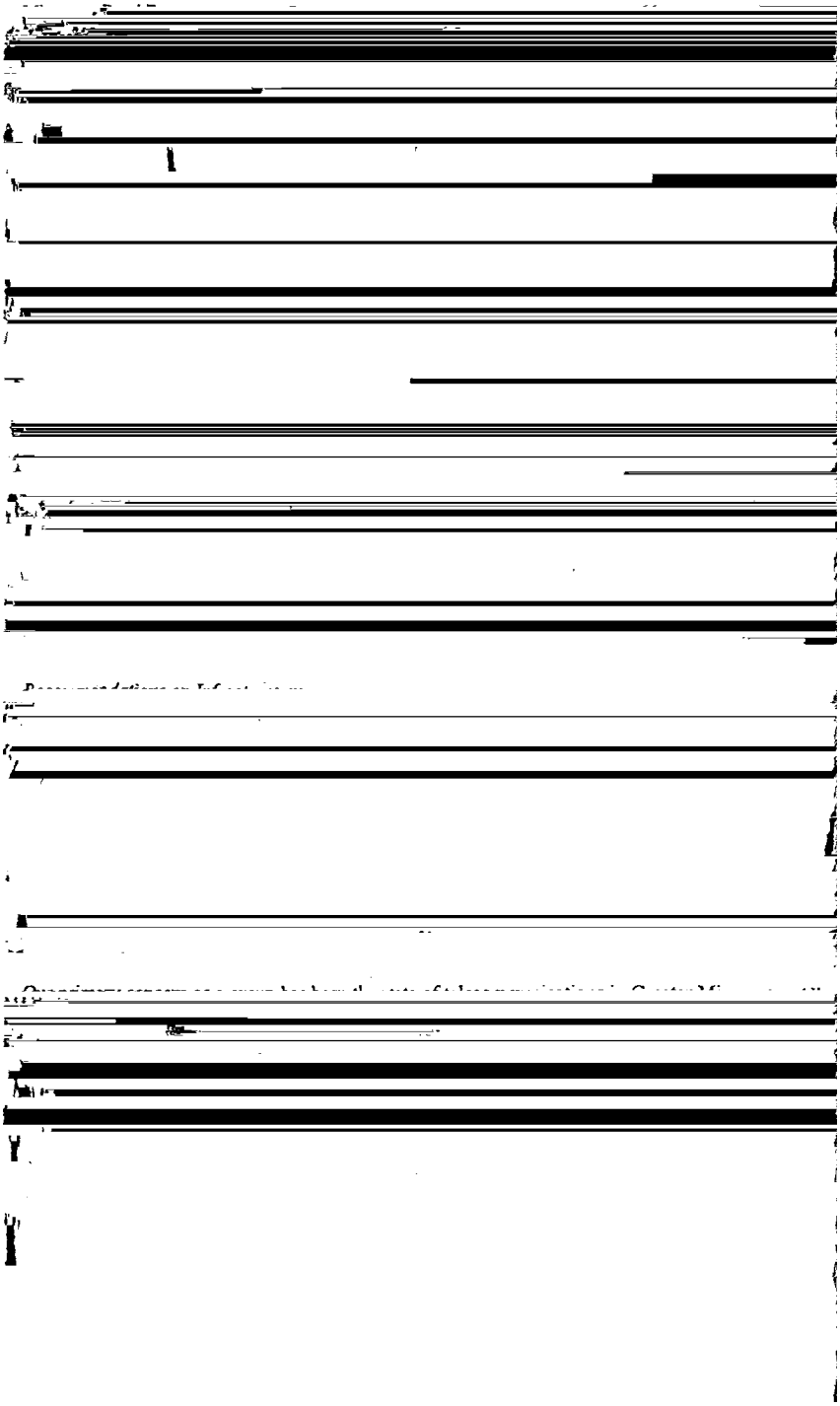

Initiative Purpose

Senator WELLSTONE. Thank you very much, Mr. Wallace. What I am going to do, I mentioned this to Colleen and Leslie, and to everyone up here, what I am going to do is rather than ask questions, there is a really good turnout here today, and I want people to have a chance to speak. So rather than asking questions, I think we won't do that. We will listen to everybody on the panel, and then open it up for discussion and do it that way.

and beyond the Conservation Reserve Program. I think, frankly, that will be all for the better, in terms of the kind of agriculture we want.

Well, why don't we—let me just thank you. I have questions and I think other people do also. Can we wait and do that, go through everybody? Thank you so much for your testimony.

Let me call up the second panel, Barriers to Small Business Growth. Dean Bouta, general manager of Better Office Technologies, which provide Internet services to the Willmar area. Again, I am not giving you all the proper introduction, but Dave Hasskamp is the director of the Aitkin Growth Alliance since 1987. Renae Struck is the director of Human Resources of EMR Innovations, which is a small business here in St. Cloud, and Bonnie Stewart is co-founder and director of People Connection, Incorporated, and the Women's Business Center in Fosston, Minnesota.

Dean, can we start with you? I will wait for everybody to get that—OK. We will go from Dean to Dave to Renae, and to Bonnie.

we could have been a part of the St. Cloud district, Brainerd district, but we are going to be positioned poorly—we are on the edge of the range, on the edge of the Arrowhead district. All of the tools were owned more central to the range and the Arrowhead district. Why should we believe that some young guy in a suit and tie can drive from Duluth to Aitkin, Minnesota, a remote, deserted place to drive through, get to Aitkin and be excited about creating a few jobs as I am? They may have to be pinched on the way a couple of times, because there is nobody on the highway. But I am supposed to excite that guy and access cash from those people to make my projects work in Aitkin, Minnesota. It just absolutely cannot work.

So communities across the United States have got to have their own tools for development. Otherwise, I tell people often, it is like having your car broken in rural Aitkin and all of the wrenches are in St. Paul or Washington. You cannot fix it. You have got to do something to bring those tools to the small communities that want to grow that—that do not want to be the poorest place in the world. It is a long, T*tgot94 ecil x,le we aryve got tIt isloctki morrtonp1 -1 TD 0.148 Tw (So coIkin, Min of the 6our car n a suit it is whot. Ypart ofabIt isloctki m

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access to opportunity. People here will say, "But the quality of

[illegible]

life is so good." [illegible]

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to leverage growth money. Our projects are treated like start-

ups. We're told that the cost of incubation (the cost of

determining project viability) was made in the past. We are

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The Honorable Paul Wellstone

Thanks for coming and for asking if I had input

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homes, an extension of the college system, expanded

Senator WELLSTONE. I thank you. One of the things I think would be interesting is for you and Ed Daum to talk, because I

that I heard is the library system in southeastern Minnesota has a connection through a grant from Rochester to Owatonna and Rochester to Red Wing. The Rochester to Owatonna is in one LATA, and their circuit charges for the year are $4,200. When they connect Rochester to Red Wing, it crosses a LATA, and their initial bid for that was $37,000; it is about the same distance. They got a real deal for $22,000. That is just an example.

Senator WELLSTONE. Wow. I tell you, I need to learn more. Thank you for your testimony. I have to be honest, there are some parts of what you said that I need to grasp better. We are going to move on.

Jim is here, and please come down. I really would love it if you would. What we are going to do is, rather than ask a lot of questions, we are going to wait until the end, we are going to have three panels open up for discussion, people are going to ask questions, make comments. Please join us, seriously, and please come down.

Renae.

STATEMENT OF RENAE STRUCK, DIRECTOR OF HUMAN RESOURCE, EMR INNOVATIONS, ST. CLOUD, MINNESOTA

Ms. STRUCK

numerous businesses in rural areas that have experienced a direct impact over lack of affordable housing. They have had a situation of having viable jobs that could not be staffed because the worker could not find affordable housing. Recently, the St. Cloud HRA approved a program which will develop low-cost housing in the St. Cloud area. Although I am not personally familiar with what type of Federal assistance is currently available or has been provided in the past, this continues to be an issue which must be addressed for additional workforce development to occur.

The final area I would like to touch on is the FUTA Tax—the distribution of this dedicated tax for the purpose for which it was intended—which is funding the public employment system. Each business pays the Federal Unemployment Tax of $56 per employee each year. These dedicated funds are to support unemployment insurance and public employment service. However, even though the annual amount paid by businesses has increased over the years, the return to the States from the public employment system has

These services and many more have already been paid for by the

Renae Struck

Health care. The quality, availability, and affordability of health care services for small business owners, their employees, and families are eroding while costs are escalating.

Telecommunications. In addition to the knowledge of how to use it, small businesses must have access to broad band capacity.

These issues and others impact clients of the Minnesota Women's Business Center, and I am going to focus now on business development issues that pertain to women.

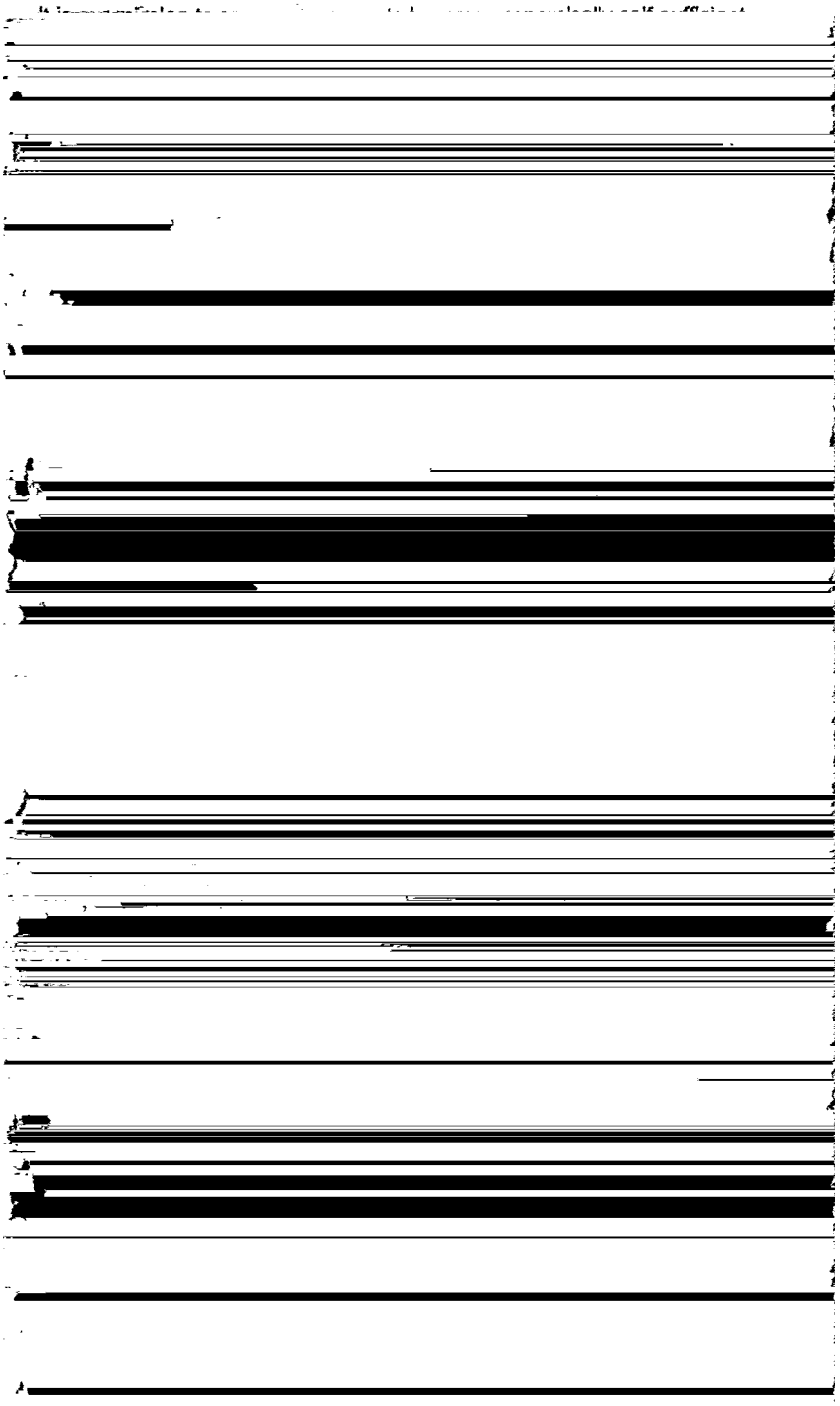
In 1989, the Small Business Administration established the Office of Women's Business Ownership and through congressional funding was able to launch the pilot project that formed six Women's Business Centers across the country.

In the past 12 years, continued growth in this funding source has enabled over 90 Women's Business Centers to be operating across America, and I believe it is through this program of empowering women business owners, along with other public and private investment, that has created a vast impact to our economy. For ex-

government, and the private sector. In Minnesota, we do have strong partnerships and alliances that have been formed, and they are working, but we must continue to be acutely aware of the barriers that we face.

Thank you very much.

[The prepared statement of Ms. Stewart follows:]



eastern Minnesota. This limits the investment opportunities that are available. Our funds may look at transactions that are smaller, with less up side and lower technology than a traditional venture fund. We also have to invest in companies at an earlier stage, hold our investments longer, and experience higher transaction costs than traditional funds, but still our return on investment is very attractive.

Over this 13-year period, Iron Range Ventures and Northeast Ventures have invested nearly $12 million in 28 companies. These investments leveraged another $100 million in additional financing. We have attracted co-investors, many from the traditional venture capital community. Unlike lenders, community development ven-

And, finally, retain and improve the New Market Tax Credit program that is administered by the IRS. These rules need to be made friendlier to venture funds.

I find it somewhat ironic that the very forces that brought our

Mark R. Phillips

President

Jose Ramon Ventura

Senator WELLSTONE. Well, thanks, Mark. Northeast Ventures has been a model for me. And the capacity bill, we are hoping to put that in the commerce bill. We are not giving up on that at all. I think we have got a shot at it. Very much appreciate it.

Mary Matthews. And when Mary testifies, we will then throw this open, starting with the Commissioner. I have handed out cards, and there are 20 people who have cards right now that want to speak, and so we are going right to, if that is OK with everybody up here, discussion. Ed, I do not know what—we might need you up here because there may be some questions directed to you, as Director of SBA as well.

Mary, thank you so much for joining us.

nomic opportunity. As a group, they generated a significant level of employment for themselves and others—over 1,200 jobs created or retained so far.

Here is an example. Colleen and Tom Ray purchased a Christmas tree farm in Eveleth 5 years ago. Tom Ray is a part-time furniture maker, with a veteran's disability pension. Colleen Ray was a part-time waitress. They had an idea to expand Ray Family Farms by making decorative wreaths out of dry twigs using natural materials like pussy willows. They successfully test-marketed the wreaths tel

Mary Mathews

our telecommunications laws in Minnesota have not changed since 1930. Many of us were not even born in 1930, and many of us here remember telephones with rotary dials and party lines. We still regulate under that kind of assumption, and we all know the technology is radically different.

Access to the Internet is a huge issue in rural Minnesota. Access to the entire level of the communication system. Commissioner David Fisher, from the Department of Administration, is in charge to connect Minnesota with a new telecommunications initiative to link all of rural Minnesota. That is now underway. The question is always going to become funding, and we have to change some of the laws in Minnesota to open up networks. A real issue is, even when small rural phone companies install fiber or wire, only about 5 percent of the people sign up for it. Delivering high-speed access is expensive, whether it is in the Twin Cities or any other part of Minnesota. But when you have such small take rates, it becomes very difficult for small phone companies to actually go ahead and build the services.

I also want to talk about energy very briefly. Minnesota's energy future is very secure, at least for the next decade or so, but much of the energy development is not going to take place in the Twin Cities but in rural Minnesota. We are going to continue to develop

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deliver technology, particularly consulting services, and a host of

Senator WELLSTONE. Where are we now? Nine? Ten? Eleven? I

Senator WELLSTONE. Thank you. I—it is not to be outside of it. Any number of different people today have talked about affordable housing. As in not metro, but Greater Minnesota, as well, and I think it is a long story.

One of the things that I am looking at, and there are other people, but I—we did away with some of the tax credits and tax

designed. There was just no way to take something like that and just direct it to a higher echelon level. We do not have the retired generals on our staff. We do not have access to those people, be-

Another tool that I think is available is the Small Corporate Offering Program that enables small businesses to make direct sales to the public of up to $1 million of their stock. I think that is a viable program. I have worked with Jim on trying to bring some Thanks to Senator W. businesses under that program and bring that to the table.

ELLSTONE

OOD

When you write and speak, it seems longer. One of the examples I would like to give, Rural Inc. was up here a little bit earlier. I

say, if you think education is expensive, try ignorance. If you think a loan is a dangerous thing, if someone doesn't know what to do with money, that costs you a whole lot more.

Thank you.

Mr. BERSTEIN. Senator Wellstone, in Minnesota we have a terrific technical education system that needs to be preserved. Much of what is going on in the workforce is going on in technical colleges as well. There are difficulties, however.

Is there anyone else from technical colleges here? There is, again—adapting to changes in the workforce, and so many of the—it used to be that communities after 23 years—anybody go to a technical college? Three or four, OK. That is because of the change in the economy and having to go through the retraining. So they need access—businesses to help them with providing what we need in our workforce, but we also have to provide the funds, and that is where the legislature comes in and the Administration comes in to make sure that those systems are what are funding it.

Senator WELLSTONE. Sonja.

Ms. BERG. Good afternoon. I want to welcome you, Senator

So those are the things that I wanted to add, and I appreciate you coming and being here, and I appreciate the chance to get to speak and listen.

Senator WELLSTONE. Thank you so much. The last issue you raised is very much on the radar screen. There are many people who are thinking along the same lines.

We are going to have one final comment.

Ms. LEONARD. I am 55.

Senator WELLSTONE. No. 55. This better be great. You are the conclusion, Jane.

Ms. LEONARD. Thank you. My name is Jane Leonard, chairman

Leslie.

Ms. SCHUMACHER. I am Representative Leslie Schumacher. I would like to thank you, Senator Wellstone, for conducting this hearing today. I learned a great deal and have a ton of questions. I have been taking notes, and I am hoping that you will provide us with the names and titles, and how to contact the individuals that testified here. I see lots of faces in the crowd that I would like to take time out to talk to, and intend to. Unfortunately, I have another appointment that I am running late for, so I am going to have to exit very quickly. But this was a fantastic meeting.

I have some concerns, and as well as some questions, and some partnerships that I would like to form with individuals that testified here to talk about how we can collaborate work out of—I think out of the box. I think there are some changes that need to occur, and we need to better work together to provide services to rural Minnesota that they need.

So thank you for giving us this opportunity to listen and participate. Thank you all for being here.

Senator WELLSTONE. Thank you for giving us your time. Io52 to acur,

ings last week in several cities—Two Harbors, several other ones. Our staff are taking notes. The reason I am saying that is next week I am meeting with our Administrator in Washington, and I will certainly take this and present this to him, as well.

I would like to introduce someone, Karen Honz. Karen, can you raise your hand? She flew in from Washington, D.C. She works with the Senate Ag Committee, as well. So we are taking notes. Again, Senator, thank you very much for inviting us here today.

Senator WELLSTONE. This was a superb hearing. Thank you. Some of you traveled very far, and for all of you who came and sat through several hours of testimony, it is much appreciated. Thank you everybody.

The hearing is adjourned.

OF COMMERCE

THE DYNAMIC GROWTH OF MINORITY FIRMS IN MINNESOTA

There were 3616 Hispanic firms with

In 1987 there were 2413 American

391 million dollars in sales and an

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