

Staff Paper Series

Minnesota Extension's Mixed Regional/County Model: Greater Impacts Follows Changes in Structure

By

George W. Morse
Professor, Department of Applied Economics
And
Associate Dean and Director
University of Minnesota Extension Service

And

Phil O'Brien
Chief Financial Officer
College of Liberal Arts
University of Minnesota

**DEPARTMENT OF APPLIED ECONOMICS
COLLEGE OF AGRICULTURAL, FOOD, AND ENVIRONMENTAL SCIENCES
UNIVERSITY OF MINNESOTA**

Questions and/or comments are welcomed and should be directed to George Morse
at morse001@umn.edu.

Minnesota Extension's Mixed Regional/County Model: Greater Impacts Follows Changes in Structure

By

George W. Morse
Professor, Department of Applied Economics
And
Associate Dean and Director
University of Minnesota Extension Service
1420 Eckles Ave. St. Paul, MN 55108-6070

And

Phil O'Brien
Chief Financial Officer
College of Liberal Arts
University of Minnesota

The analyses and views reported in this paper are those of the author(s). They are not necessarily endorsed by the Department of Applied Economics or by the University of Minnesota.

The University of Minnesota is committed to the policy that all persons shall have equal access to its programs, facilities, and employment without regard to race, color, creed, religion, national origin, sex, age, marital status, disability, public assistance status, veteran status, or sexual orientation.

Copies of this publication are available at <http://agecon.lib.umn.edu/>. Information on other titles in this series may be obtained from: Waite Library, University of Minnesota, Department of Applied Economics, 232 Classroom Office Building, 1994 Buford Avenue, St. Paul, MN 55108, U.S.A.

Copyright (c) 2006 by George W. Morse and Phil O'Brien. All rights reserved. Readers may make copies of this document for non-commercial purposes by any means, provided that this copyright notice appears on all such copies.

Minnesota Extension's Mixed Regional/County Model: Greater Impacts Follows Changes in Structure¹

Abstract

The Cooperative Extension Service has as its mission helping the public use the research generated at land-grant universities. Since 1914, most states have used a county-based Extension model, with educators in every county and campus-based faculty supporting local educational efforts.

This paper outlines why and how the Minnesota Extension Service has replaced this model with a mixed regional/county model, the major features of the new delivery model and the employment consequences of the shift as well as the non-financial advantages of the new model.

The structural changes in Minnesota are of interest to Extension stakeholders in other states who are facing similar challenges and want to learn more about the benefits and costs of Minnesota's new model. Within Minnesota the public is beginning to ask a much more important question: What are the impacts of the programs being delivered? Structural change is only valuable if it results in increased programming and greater impacts than would have happened without the change. Although this paper starts to outline some of the changes in program impact, the bulk of that discussion will be reserved for later papers.

I: Reasons for the Change

The change to a mixed regional/county system was driven by a state budget crisis.

In FY2003–2004, the State of Minnesota experienced a \$4.5 billion budget shortfall for the biennium (15% of the state's general fund budget), the ninth highest deficit level in the country (Lay and Johnson, 2003). Extension's share of the resulting budget cuts was \$7 million (about 13% of its total budget)—\$2 million through the University and another \$5 million due to cuts from the counties.

¹ George W. Morse, associate dean and director, University of Minnesota Extension Service, and professor, Department of Applied Economics; and Phil O'Brien, chief financial officer, College of Liberal Arts, University of Minnesota, St. Paul, MN 55108, May 9, 2006. The authors thank Neil Anderson and Jo Ann Hardy for research assistance. They also thank Holli Arp, Michael Boehlje, Laura Kalambokidis, Thomas Klein, Jeanne Markell, and George McDowell for helpful suggestions. This paper is not an official University of Minnesota Extension Service document and any errors are the responsibility of the authors alone. Questions and comments are welcomed and should be directed to George Morse at morse001@umn.edu.

County governments lost \$130 million in state aid and incurred an equivalent amount of additional expenditure obligations as the state cut back on health and human services. While most of a county's expenditures are mandated, Extension is not. Results from a survey by the Association of Minnesota Counties in early 2003 indicated that nearly 20 of the state's 87 counties were likely to eliminate their financial support for Extension. Other information sources also suggested that counties would need to cut Extension deeply.

While the change to a mixed regional/county model would not have happened without the state's fiscal crisis, there were two additional reasons to do it. First, a 2002 attempt to encourage greater specialization was not going as well as had been hoped. Educators in many county offices were finding it difficult to work in large regions in a specialized area of expertise and to balance this with traditional local expectations. Second, the lack of specialization made it difficult to develop the programs and economies of scale needed to document public value or generate external revenues. Generating both the program impact documentation and revenues were seen as essential to continued relevance and financial sustainability.

II. Features of the Mixed Regional/County Model

The new model, which started in January 2004, involved four major changes:

- 1) Extension moved as many educators as it could cover with state and federal funds to 18 regional centers and covered all of their expenses.
- 2) Counties were given the option to hire additional local educators and program coordinators.
- 3) Programs provided by regional educators and campus faculty were made available to citizens in all counties, regardless of the level of county funding for local positions.
- 4) Supervision of all field staff doing educational programming was shifted to campus program leaders, assisted by area program leaders who reported to them.

Funding Changes

Under the old system, counties paid an average of 26% of the salaries and fringes of each county educator and state and federal funds covered the rest.² A survey of county commissioners in early 2003 found that 20 counties might be unable to fund Extension as

² The counties contributed funds to cover a portion of educator salaries. Extension was responsible for the balance of the salary and 100% of the fringe costs. Salary contributions varied by county from 25% to up to 45%. Extension was in the process of moving all counties to the same salary contribution percent when the state fiscal crisis hit.

a result of cuts in state aid.³ We anticipated that if Extension simply offered to cover their expenses, other counties would try to shift their expenses to Extension, too—a sort of fiscal “tragedy of the commons” (Hardin, 1968) in which all seek to benefit but none is willing to pay if others don’t have to. With its own budget cuts, Extension clearly could not support this scenario.

The mixed regional/county model we developed was based on the theory of clubs (Buchanan, 1965).⁴ According to this theory, a club charges its members a base fee to participate in basic services and additional fees for additional services. Extension initially explored developing a set of basic services for which each county would pay a base fee. However, it quickly became clear that denying services to counties that chose not to join would pose both equity and practical problems. What would keep a citizen from such a county from enrolling in a program in a neighboring county? How would Extension continue to meet its mission of serving all Minnesotans? Would funding from other counties be sustainable in this situation?

As a result, a modified version of club theory was adopted. It was decided that all counties would qualify for “basic membership” by virtue of paying state and federal taxes and Extension would provide basic educational programs to citizens throughout the state, regardless of whether their county contributed. These basic educational programs⁵ are provided by regional educators located at 18 regional centers.⁶

Each county then had the option of paying for additional staff to work exclusively in that county. Since counties did not have to contribute to the salary and fringes of regional educators, most had some funds to cover the costs of local field educators. Before the change counties had fully funded clerical support and only covered 26% of the educators. Now that they had to cover 100% of all local positions, it required counties to evaluate which type of positions to support.

This approach is consistent with a public finance perspective that suggests that the unit of government that should pay for a service is the smallest one that allows the benefits to be internalized. Since there are existence values (Bishop and Welsh, 1992) for many of the services from the regional centers, and since the regional programs benefit people in many parts of the state, these should be paid by state and federal funds. For programs

³ The Association of Minnesota Counties implemented this survey. The survey results were consistent with the message Extension was hearing from many other sources.

⁴ George Morse invited members of the Department of Applied Economics to suggest potential solutions to Extension. Vernon Eidman, Department of Applied Economics, suggested this approach in a presentation to the University of Minnesota Extension Leadership Council, February 2003.

⁵ Basic educational programs are those available from program teams throughout the state. Currently we have 54 programs with business plans that meet this criterion. The business plans detail the nature of the programs.

⁶ Note that this doesn’t mean the programs are provided free of charge. Rather, it means that charges to participants or sponsors are the same in counties that invest little in Extension as in those that invest a lot. Each county can decide whether to charge participant fees for the services of any field staff hired directly by the county.

and services that only benefit individuals within a county, it is more efficient for that county to cover the costs.

Programs Available to All Counties

Extension made a commitment to provide programs to citizens in a county even if the county did not pay for local positions. In addition, if there were fees for participating in a program, these were the same regardless of whether the county had local positions.⁷ For example, youth could participate in 4-H in a county that did not hire a local 4-H program coordinator. Naturally, the level of service provided to local clubs and members was much lower without a local person.

Supervisory Change

Until January 2004, field programming staff⁸ was supervised by seven district directors. An educator's supervisor was determined by his or her location rather than field of expertise. This meant that each district director supervised staff in all areas of expertise.

Starting in 2004, supervision of field staff shifted to the five program leaders.⁹ An additional 19 individuals (13 FTEs) were assigned to work under the program leaders to provide direct supervision. These direct supervisors, called area program leaders (APLs), supervised the regional educators in a specific area of expertise. For example, Kent Olson, professor in the Department of Applied Economics, is the APL for the seven agri-business management regional educators located around the state. In this part-time position he coaches and supervises the regional educators and handles all personnel issues.¹⁰ This supervision shift is essential to the goal of increased specialization of the field staff.

A second advantage is that just prior to 2004 our staff complained about the mixed messages they received from administration. Each area of expertise typically had seven regional educators, each with a different district director and with program leadership from a capacity area leader. This gave each team eight different bosses to articulate new policy and procedures. While the capacity area leaders and district directors spent a lot of time coordinating the message, the transactions costs of this arrangement were phenomenal.

⁷ Note that this doesn't say that Extension promised to do every program from regional educators and/or state Extension specialists in every county. In its 94 year history, this was never feasible. Rather the promise is that the programs were available to citizens from all counties.

⁸ These included: educators, program coordinators, program directors, nutrition education assistants and technical advisors.

⁹ Program leaders in Minnesota are called "capacity area leaders." The more general term "program leader" is used here for the ease of our readers.

¹⁰ Despite this increase in APLs, the total number of supervisors declined from 53 to 32 as county 47 Extension directors were no longer used.

A third advantage of this supervisory structure is the speed with which a team can respond to new issues. For example, when soybean rust became an issue in Minnesota, the crop team responded within two days with a public information effort.

Six APLs are physically located in the regional centers but also report to one of the five program leaders. For a list of the 17 areas of expertise and campus connections of APLs, see Appendix A.

Implementation

The regional centers opened 8½ months after the Extension Leadership Council unanimously decided to adopt the mixed regional/county model on April 16, 2003. Extension administration refined the plan, talked to University administration and other key stakeholders, and then announced the plan on May 14, 2003. An external commission was established to name criteria for picking the regional center cities. The University president requested that as many centers as possible be in existing University facilities. Extension administration solicited proposals from communities and received 104. Extension administration then named three alternative sets of cities, with 16, 18, and 20. The president selected the 18-center option.

In July all field staff were given the opportunity to indicate which regional positions and which regional center they would prefer and the program leaders were asked to recommend people for each of 18 areas of expertise and for specific locations. Many of the staff who were not named to regional positions were hired for county positions or selected early retirement. However, Extension also lost a number of staff. This was an extremely difficult period for the entire organization and especially all field staff and stakeholders.¹¹

III. Impacts of the Mixed Regional/County Model

The mixed regional/county model has had five major impacts that has moved Extension toward long term sustainability, benefiting both Extension's external stakeholders and Extension's staff:

- 1) Counties have greater choice and clarity in the manner in which their funding is used.
- 2) Employment levels are higher than if the old model had been retained.
- 3) The public's access to specialized educators has increased tremendously.

¹¹ Field staff were not laid off and made to reapply for positions. Rather, staff were reassigned to new positions and then those for which no position was available were laid off. While program delivery was reduced during this period, laying off everyone and then doing searches for all positions would have made it impossible for Extension to function at all during the transition. Imagine the cost of search committees for 250 educational positions in a six-month period.

- 4) Greater entrepreneurship was encouraged, providing greater employment stability.
- 5) The new system provides greater ability to adjust to fluctuations in public funding without changing Extension's structure.

Greater Choice and Clarity for Counties

For counties, the primary advantages of the mixed regional/county model are:

1. greater choice in selection of local positions
2. greater clarity on roles of local staff.

Before 2004, counties had some say on local positions, but Extension also had to balance the need for a fleet of people in a given area of expertise. Under the new model, counties have complete choice to hire any local position on a menu of positions that the regional and state specialists can support.¹² The program leaders have the right to refuse a position if Extension does not have the capacity to provide adequate support.

Under the new model, counties also have greater clarity on what they are purchasing. This is very important because the lack of clarity in the pre-2004 system created mixed messages for educators about where they should be spending their time. Even if counties supported "their" educators working across a geographic region, they expected that the host county would receive additional programs. While the counties only paid an average of 26% of salary and fringes cost, many still considered the staff as "their" staff. In some counties, the fact that the county was responsible for paying travel, even to other counties, was a continual sore point.

Now the local positions really are "their" positions. In 4-H, most of the county staff work only in one county. In agriculture, many counties share people with one or two other counties. This allows the counties themselves to partner with other counties who have similar needs and values.

Table 1 shows the changes counties made on their budgeted expenditures for Extension. On average, counties cut Extension by 28.5% percent in FY2004, for a total of \$4.6 million. Ninety percent of the counties cut their budgets in some fashion. Approximately 5% did not change their budgets and nearly 6% percent increased their Extension budget. Seventeen percent of the counties cut their budgets more than 40%; more than half cut their budgets more than 20%. While these cuts were deep, counties actually cut less than Extension had anticipated.

¹² This constraint ensured that the local efforts would remain research-based and not include just any type of work a county wished to fund and call "Extension."

Table 1: Changes in County Extension Funding, FY 2004

Percent Change	Number Counties	Percent Counties
-81 to -100	0	0
-61 to -80	5	6
-41 to -60	10	11
-21 to -40	33	38
-1 to -20	30	34
0	4	5
1-10	3	3
> 10	2	2
Total	87	99

The manner in which counties spent their Extension funds changed a lot as a result of the change in the structure. This is explored in the next section on employment impacts.

Employment Impacts of the Changes

The employment impacts can be looked at in a **before and after comparison** or in a **with-without comparison**. Table 2 presents the traditional, but sometimes misleading, before and after comparison while Table 3 presents the more accurate with-without picture. The before and after comparison can be misleading because it confuses the effects of the \$7 million budget cut with the effects of the new structure.

Table 2: Extension Field Staff Before and After the Change to the Mixed Regional/County Model *

County/Regional Educators or Staff	Before (2003 FTEs)	After (2005 FTEs)	Change (FTEs)	Change (%)
County-based Educators	251	34	-217	-86
County-based 4-H Program Coordinators	19	80	61	+321
County-based Nutrition Education Assistants	99	89	-10	-10
Specialized Educators at Regional Centers	0	130	130	ND
Total Programming Staff	369	333	-36	-10
County Support Staff	175	104	-71	-41
Regional Support Staff	0	49	49	ND
Field Administrators	53	32	-21	-40
Total Field Administration	228	185	-43	-19
Total Field Staff	597	518	-79	-13

* Appendix B describes the sources of data and definitions in more detail.

Before and After Comparisons: Table 2 shows the number of staff in different categories before and after the change. The “after” data reflect the status as of November 27, 2005. The 2005 date was selected to show the effect after the system settled in for two years.

Extension had 13% fewer field staff (79 positions) after the restructuring. The county-based educators dropped by 217 while the number of regional educators increased by 130 positions. The county-based positions shifted from regional educators to program coordinators (80 FTEs in 4-H) and local educators (34 FTEs). While happening at the same time, the declines in the federally funded Food Stamp Nutrition Education Program were not directly related to the change in the model.

The cuts in field administration (–19%) were almost double the cuts in those directly delivering programs (–10%). Counties had to choose between cutting support staff and cutting educators (including 4-H program coordinators). Counties overall chose to increase their spending on educational positions, fully funding 114 FTEs, and to reduce the level of local support staff by 71.

While the field staff lost a net of 79 positions (or 13%), there was a lot of churning in positions, as shown in Table 2. Nearly everyone in the field had new job descriptions and work environments so the shift was much more painful than Table 2 might suggest. Despite this pain, it could have been much worse. The before-and-after comparison gives the impression that the structural change caused the reductions but this is incorrect. The cuts came in response to the 13% budget reduction. A more accurate picture needs to consider the with and without comparison (i.e. “with the change and without the change”).

With and Without Comparison: Table 3 compares the number of staff in each category under the change to the mixed regional/county model with what would have been likely with a \$7 million cut with no change in the delivery model. The “without change” estimates are based on assumptions about how the counties would have reacted to the \$130 million cuts in state aid they received. The assumptions are: 1) counties would have maintained their local support staff, most of whom were county employees and not University employees; and 2) as Extension started to pay the full cost for some local positions there would be a domino effect and all counties would want Extension to pay for all local positions. Some have suggested this would lead to all counties consuming Extension services and none paying any portion of the educator salaries.

With the available funds, Extension would have been able to support 218 field positions in county offices (165 educators and 53 field administrators). Adding in the county funded support staff (175) and the federally funded NEAs (89) this would have given 482 total field staff. This would have been 7% (36 FTEs) fewer than what actually existing in 2005.

Table 3: Extension Field Staff With and Without the Change to the Regional/County Model, Assuming a \$7 Million Reduction in Funding*

County/Regional Educators or Staff	Without Change (2003)	With Change (2005)	Difference (FTEs)	Difference: (%)
County-based Educators	85	34	-51	-60
County-based 4-H Program Coordinators	80	80	0	0
County-based Nutrition Education Assistants	89	89	0	0
Specialized Educators at Regional Centers	0	130	130	ND
Total Programming Staff	254	333	79	+31
County Support Staff	175	104	-71	-41
Regional Support Staff	0	49	49	ND
Field Administrators	53	32	-21	-40
Total Field Administration	228	185	-43	-19
Total Field Staff	482	518	36	+7

* Appendix B describes the sources of data and definitions in more detail.

As shown in Table 3, counties chose to increase their spending on educational positions (local educators and program coordinators) and made very heavy cuts in clerical staff, cutting 71 county support staff system wide.

The number of Extension programming positions in the new model was *31 percent higher than it would have been if the old model had been maintained*. The number of those doing educational work after the change was 10 percent lower than before the change, but the level would have fallen much further without the change in structure. It's impossible to cut the budget by 13% and keep employment levels constant.

Minnesota still has 60% of its field staff in county offices in 2005. The discussion of the new regional system has led many to believe the county offices have disappeared. Actually, all but one county has a county Extension office.

While Extension probably would never have adopted the mixed regional/county model without the fiscal crisis, the model proved to have a number of non-financial benefits as well. Some of these benefits are directly related to the public and some are related to the operations of Extension. Each will be explored in more detail.

Increased Access to Specialized Educators

County extension educators typically have been generalists, working on many topics. Often one individual would work in 4-H, agriculture, and community development. While Minnesota Extension has a rich tradition of valuable programs, there were also many local programs that lacked a strong and/or clear research base; some lacked a tested

educational design.¹³ Very few program teams had a business plan¹⁴ or could clearly articulate their public value.¹⁵

When Extension was started in 1914, it had a monopoly on noncredit outreach programs. Today there are many competitors in both the public and private sectors.¹⁶ Ford and Babb (1989) showed that increasingly farmers were seeking information outside Extension. They concluded that Extension could increase its influence by more directly targeting professionals and media.¹⁷ This shift, however, would require that Extension return to its historical roots of closely linking outreach education with applied research at the University.

Over the past three decades, the connections between campus and field staff had weakened due to the lack of specialization by field staff and the increasing specialization by campus faculty with Extension appointments. The campus faculty tended to focus on communities of interest in their area of expertise with close connections to the research while the field staff focused on very diverse audiences within their county and sometimes loose connections to the research. These differences made it increasingly difficult for campus and field staff to collaborate. As the gap widened, information increasingly flowed from the field to campus specialists via commodity groups, professional organizations, and other communities of interest. Campus faculty found it difficult to develop effective training programs for field staff because the field staff's lack of specialization and focus. Field staff found it difficult to find state specialists who were responsive when needs were not focused on their area of expertise or did not fit within the research/extension development life cycle.¹⁸

In the old model, field staff “specializing” in an area of expertise often worked across program areas. For example, “community vitality” educators covered not only economic development but also public finance, leadership development, and land use but also had responsibilities in production agriculture and/or 4-H as well. In the new system there are regional educators who work full time on one area of expertise, collaborating with

¹³ Naturally many new pilot Extension programs lack a “tested” educational design but increasingly program teams are pooling their expertise in developing the logic models and formative evaluations necessary to speed the program’s maturation.

¹⁴ From January 2004 to June 2004, almost all (95%) of Extension program teams completed program business plans. This was made possible by the increased specialization tied to regionalization and the shift to disciplinary-based supervision. A team of four business advisors coached the campus/field teams on the process of developing a program business plan and the Center for Farm Financial Management provided a template.

¹⁵ A very successful project on public value was started shortly before the 2004 structural change. The specialization will make it possible to expand it to all program teams in the next couple of years. See Kalambokidis, 2004.

¹⁶ Many private firms selling undifferentiated input supplies to farmers use educational programs to differentiate their products, build customer loyalty, and compete on nonprice grounds.

¹⁷ Similar results and conclusions have been reported by Batte, Jones and Schnitkey, 1990; Batte, Schnitkey, and Jones, 1990; Jones, Batte, and Schnitkey, 1990; Schnitkey, Batte, Jones, and Botomogno, 1992; Patrick and Ullerich, 1996. While none of these surveys were with Minnesota farmers, it is clear that the results applied to Minnesota. Extension would have been irresponsible to ignore these trends.

¹⁸ The lack of responsiveness was another reflection of the differences in the levels of specialization between campus and field staff.

program teams in other areas of expertise when the issue demands this. Naturally, the new regional educators are less specialized than campus faculty but much more specialized than field staff in the old model.

In fact, this gap between campus and field staff had resulted in two Extension services in Minnesota.¹⁹ In the 1940s and 1950s many of the state specialists in Extension were former county agents who came to campus, earned an M.S., and then served statewide. More recently, state specialists first earned Ph.Ds, then were hired on joint research-Extension appointments.²⁰ This shift happened because the information explosion required greater specialization if state specialists were to be useful to citizens. As a result of these two changes, the core of M.S.-level state specialists disappeared. Without this mid-level of specialization it was difficult to translate research into useful and practical educational programs while at the same time being responsive to new problems.

All of these factors suggested that Extension and the citizens of Minnesota needed its field staff to be much more specialized. Initial steps were taken to accomplish this in 2002, with work assignments for each field staff shifted to a specialized area of expertise. However, the educators were left in county offices, making it very difficult for county residents to understand this shift towards specialization. The counties in which they were housed paid an average 26% of their salary and fringes and paid for travel.²¹

With the mixed regional/county model, regional educators became more much specialized. The term “specialized” can be characterized in many ways. Four indicators and examples of the increased specialization in field educators follow. First, while these regional educators are located around the state rather than on campus, their increased level of specialization results in a much larger service area.²² For example, agricultural regional educators moved from serving one county (in 2000) to an average of 15 (in 2002) to the entire state (in 2004). Second, all regional educators are developing plans of work within their areas of expertise. For example, educators outside of 4-H may contribute to the 4-H program but this is not a major part of their work. When those outside 4-H work on 4-H they do it in collaboration with those in that area of specialization and not independently. Third, new regional educators are being hired with advanced degrees in their area of expertise. For example, 7 of the 13 regional educators hired in the agriculture, food and environment program area since January 2004 have Ph.Ds.

Fourth and one of the primary advantages of greater specialization by regional educators is the development of closer connections with campus specialists. A number of campus

¹⁹ Colleagues tell us this is far from unique to Minnesota.

²⁰ This resulted in increased levels of specialization by campus faculty. For example, a campus faculty member in community economics would work in public finance or economic development, but not both—and most likely focus on a yet-narrower area within that specialization.

²¹ While counties had access to about 18 additional specialized educators under this system, some counties were more concerned with the travel costs of those housed locally (even though they were a minor part of its overall expense budget) than with the benefits accruing from those coming into the county.

²² There were a handful of positions that were hired to work regionally in the mid-1990s, especially in Natural Resources.

faculty have indicated that it is easier to work with the regional educators because of their greater focus and specialization. The program team structure also helps state specialists increase their value to Extension. While our evidence is still anecdotal on these benefits, there does seem to be greater teamwork between campus and field staff on program planning, curriculum development, and program delivery.

Field staff are starting to collaborate more closely with campus faculty on applied research projects. Job descriptions explicitly call for regional educators to participate actively in applied research.²³ We expect this will help field staff better understand the potential and the limitations of research.²⁴ In particular, they are likely to better appreciate the timelines for completing research and the limited reach of an individual project.

Greater Entrepreneurship and Employment Stability

For more than 15 years, Extension has recognized that it has a structural deficit, with expenditures increasing more rapidly than revenues (Osborne and Hutchinson, 2004). Consequently, Extension had to downsize and reorganize every few years. The previous structure made it very difficult to encourage the economies of scale necessary to be more entrepreneurial. Many county-based educational events were reactive and had to be developed with very short notice, making it impossible to do the market research, curriculum development, materials development, and evaluation needed to charge fees or gain sponsorships. In contrast, many campus-based programs were able to take these steps and charge fees, gain financial sponsors, or win grants to cover expenses.

From January 2004 to June 2004, fifty-four program teams developed program business plans using a template developed by the Center for Farm Financial Management. Extension provided the teams with technical assistance in the form of three business advisors and funding for outside consultants. Throughout this period, Extension administration emphasized the importance of a “double bottom line.” The first and primary bottom line was “making a difference in citizens’ lives” by providing them with effective non-credit educational programs. The second bottom line was “developing financial sustainability” for programs so that Extension could continue to offer them. Extension emphasized that we are a mission driven organization that needs to always put its educational mission first yet needs to ensure that financially we can continue to do this mission in future years. Extension stressed that it did not do programs to make more money but rather made more money to do more programs.

Initially there was great resistance to doing business plans. However, Extension received 54 of 56 program team plans on time in 2004. Since then the program teams have each worked on more detailed “mission and money” projects to fully implement their 2004 plans. In November 2005, all program teams updated their plans as necessary with very

²³ A task force is studying the role of scholarship in field staff promotion decisions.

²⁴ While many field staff have understood this for a long time, the earlier system did not allow them to build the specialization necessary to establish credibility necessary for effective communication with campus faculty.

little fanfare. These business plans allowed Extension administration the ability to better understand and support the programming taking place.

An initial weakness of the business plans was a clear articulation of the public versus private values of the program. Program teams were given opportunities to study ways to identify their public value in a series of workshops (Kalambokidis, 2004). In the 2005 updated plans program teams gave this much greater attention. This attention and training is an ongoing effort.

Early in this structure Extension established a policy of not “taxing” revenues generated by program teams for central use. This policy was adopted so that program teams would have strong incentives to generate revenues from their programs and could reinvest them in future programs in their area of expertise. Some of program areas do share net revenues beyond the program team.²⁵ For example, in the community vitality program area, 70% of the net revenues remain in the area of expertise and 30% go to the program area for use in professional development and grants for new program development. However, the decision to do this type of revenue sharing beyond the program team is left to the areas of expertise and the program area. In FY2006, external sales revenue grew by 30% from the prior year. While the total grants and fees continue to be a small portion of the total budget for Extension (11%), there has been a culture shift toward greater entrepreneurship.

Greater Ability to Adjust to Fluctuations in Public Funding

The new model provides greater ability to adjust to fluctuations in public funding without requiring changes in Extension’s structure. This is essential because the state will likely continue to face great fluctuations over many years.

In the past, changes in the level of public funding often required restructuring resulting in changes in many different job descriptions. Because all of our field staff were funded partially by counties, a change in a few counties would ripple across the state. In times of fluctuating and decreasing budgets, changes in a few counties became very disrupted to programming throughout the state. For example, if state budget cuts made it necessary for ten counties to cut out all funding and if those 10 counties all housed regional educators in a given area of expertise, Extension would have to negotiate not only with those ten counties but with many others in order to convince them to shift their funding to different people and areas of expertise. This is likely to threaten the willingness of counties outside the original ten to provide local funding.

Under the mixed regional/county system, a major reduction in state or federal funding would still require lay-offs. However, the adjustment could be planned in a systematic fashion to consider Extension’s comparative advantages and areas of expertise where it

²⁵ “Net revenues” are defined differently than in the private sector. The salary expenses are omitted from the cost side. The decision to share net revenues between the program teams and the program area (called capacity area in Minnesota) is made internal to the capacity area and currently done in two of the five capacity areas.

can make the greatest impacts on the state. While this would still be very painful, it would not require every position to be involved in a new structure with work slowing in all areas of expertise. Counties, or other organizations, would also be able to continue funding the local positions they value even if federal funds to Extension were reduced.

An additional positive benefit we are now seeing is that the new model allows many different interest groups and audiences to financially support regional educators and local educators. For example, several commodity groups are supporting field positions to work with their crops. While still in its infancy, we expect more opportunities for similar partnerships. We are developing guidelines for these positions so they are consistent with our educational mission. For example, these positions are educational not regulatory or promoters for interest groups. The positions report to Extension APLs in the same fashion as other regional educators. This ensures that we continue to put the emphasis on the right aspects of our mission.

IV. Summary and Conclusions

In late 2002 it was quite clear that there would be significantly less state and county money available for both the University and county government. Extension was faced with a set of difficult options. We determined that our best chance for success lay in being able to offer counties some control and choice over the programs they would fund. At the same time, we needed to fulfill our obligation to deliver educational programs to Minnesotans throughout the state. Therefore, we implemented a mixed regional/county model.

The model involved four major changes:

- 1) Extension moved as many educators as it could cover with state and federal funds to 18 regional centers and covered all of their expenses.
- 2) Counties were given the option to hire additional educators and program coordinators, paying full costs.
- 3) Programs provided by regional educators and campus faculty were available to citizens in all counties, regardless of the level of county funding for local positions.
- 4) Supervision of all field staff doing educational programming was shifted to campus program leaders, assisted by area program leaders who reported to them.

Given a reduction of more than \$7 million (12.8%), Extension had to reduce the number field programming staff. While we lost 13% of all staff, the reductions in programming staff were somewhat smaller (10%). However, it could have been much worse. The number of field staff is estimated to be 31% higher than it would have been if Extension had fully funded some county positions, creating a domino effect of counties no longer funding any local educators.

The higher levels of programming staff was due to major reductions in field administration (40%) and support staff (41%). But even with these reductions, more staff were retained than without the change in structure.

Field staff have become much more specialized and access by the public to specialized programming staff increased considerably as a result of the change. Stronger connections are being built to the research base on campus and the campus specialists. It also is resulting in greater teamwork in program business plan development, curriculum development, and program delivery. As a result, program teams are covering most of their direct expenses via user fees, sponsorships, or grants. In FY2005, counties increased their financial commitment to Extension positions by 7% over FY2004. This was repeated in FY2006. External sales increased in FY2005 by 30% over FY2004. In the long term, new growth in budgets and staff is expected as a result of new local funding opportunities. Already a number of associations and interest groups are offering to fund regional educators and local positions.

Extension also expects growth as a result of improved educational programs from a more specialized field staff. Program teams are learning to articulate their public value more clearly than in the past. New efforts are underway to measure both private and public impacts. We are striving to become one of the best Extension services in the country. While we have a ways to go, we are on our way and believe we have a good chance of getting there.

References

- Batte, Marvin T., Eugene Jones, and Gary Schnitkey. "Farm Information Use: An Analysis of Production and Weather Information for Midwestern Cash Grain Farmers," *Journal of Agric.* 3 (1), 1990.
- Batte, Marvin T., Gary D. Schnitkey, and Eugene Jones. "Uses and Adequacy of Marketing Information for Commercial Midwestern Cash Grain Farmers," *North Central Journal of Agricultural Economics* 12 (2), 1990.
- Bishop, Richard C., and Michael P. Welsh. "Existence Values in Benefit-Cost Analysis and Damage Assessment," *Land Economics* 68 (4): 405–17, 1992.
- Buchanan, J. M., "An Economic Theory of Clubs," *Economica* 32 (125): 1–14, 1965.
- Ford, Stephen A., and Emerson M. Babb. "Farmer Sources and Uses of Information," *Agribusiness* 5 (5): 465–76, 1989.
- Hardin, Garret. "The Tragedy of the Commons," *Science* 162: 1243–48, 1968.
- Jones, Eugene, Marvin T. Batte, and Gary D. Schnitkey. "A Socioeconomic Analysis of Marketing Information Usage Among Ohio Fruit Producers," *Southern Journal of Agricultural Economics* 99–107, 1990.
- Kalambokidis, Laura. "Identifying the Public Value in Extension Programs." *Journal of Extension* 42 (2):, 2004.
- Lay, Iris, J., and Nicholas Johnson. *State Budget Deficits for Fiscal Year 2004 Are Huge and Growing*. Center on Budget Policy Priorities, Washington, D.C., Jan. 23, 2003.
- Osborne, David, and Peter Hutchinson. *The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis*. Basic Books, New York, 2004.
- Patrick, George F., and Stanton Ullerich "Information Sources and Risk Attitudes of Large Scale Farmers, Farm Managers and Agricultural Bankers," *Agribusiness* 12 (5): 461–71, 1996.
- Schnitkey, Gary, Marvin Batte, Eugene Jones, and Jean Botomogno. "Information Preferences of Ohio Commercial Farmers: Implications for Extension," *Amer. J. Agr. Econ.* 74 (2) 486–97, 1992.

Appendix A
Minnesota's Areas of Expertise and Supervisory Structure

Program Area/Area of Expertise	Field Staff Supervised by APL*	Total Number in Area of Expertise**	Home Department of APL	Location of APL
Agriculture, Food, and Environment (AFE)				
Agri-business Management	6	19	Applied Economics Dept.***	Univ. of MN St. Paul Campus****
Crops	9	42	Agronomy Dept.***	Campus
Horticulture	6	36	Agronomy Dept. ***	Campus
Food Safety	8	11	Food Sci. & Nutrition***	Campus
Livestock	8	32	Animal Science Dept.***	Campus
County Technical Advisors	33	0	AFE Program Area (2 APLs)	Albert Lee & Crookston
Master Gardener	7	36	AFE Program Area	Andover
Youth Development (YD)				
4-H	31 REEs and 106 PCs	144	Youth Development Program Area (3 APLs)	Marshall, Farmington, and Moorhead
Community Youth Development	5	31	Youth Development Program Area	Univ. of MN Minneapolis Campus
Family Development (FD)				
Health and Nutrition	11 REEs and 105 NEAs	119	FD. Program Area	Campus
Family Relations	5	6	FD Program Area	Andover
Family Resource Management	9	18	Family Social Science	Campus
Community Vitality (CV)				
Community Economics	9	18	CV Program Area	Campus
Leadership and Civic Engagement	10	14	CV Program Area	Campus
Natural Resources and Environment (NRE)				
Natural Resource Management	6	19	NRE Program Area	Campus
Water Resources	5	15	NRE Program Area	Campus
Housing Technology	1	5	NRE Program Area	Campus
Envir Science Education	3	6	NRE Program Area	Campus

* This is the number of staff not FTEs. With the exception of the 4-H Program Coordinators (PCs) and Health and Nutrition NEAs, almost all of the other positions in this column are full time. The PCs and NEAs each have about 80 FTEs. .

** Includes campus faculty with tenure and those in nontenured positions. Typically tenured faculty have 40% to 60% appointments. Note this column is number of individuals and not FTEs.

***Tenured faculty on joint Extension/research appointments

**** University of St. Paul Campus listed as “campus” below.

Appendix B

Definitions and Procedures for Tables 2 and 3

County-based educators refers to all staff who are located in county offices and deliver educational programs or services to the public as their major responsibility. This includes county extension educators; technical advisors, agricultural production systems; and county master gardener program coordinators. In 2003, this also included regional extension educators (REEs). While some REEs worked across a large region, this was limited. Many reported working in a 12- to 15-county region and commented “but we never mention this in our home county.” The public looked at county-based REEs as their educators, so we are counting them as county educators in the first columns on Tables 2 and 3 even though many county-based educators were called “regional educators” before 2004.

County-based 4-H Coordinators includes both 4-H Coordinators and 4-H Program Directors. The later includes about 6 positions which have both the coordinator role and also some curriculum development roles similar to regional extension educators.

Nutrition education assistants (NEAs) deliver the Food Security Nutrition Education Program, funded by a federal reimbursement program. All are located in county offices. We split this out from the other county positions because it is not directly supported by county or state funds. However, indirectly, counties provide in-kind support which is very important to this program. In 2005 there were 105 NEAs and 89 FTEs.

Specialized educators at regional centers are known as Regional Extension Educators (REEs) in Minnesota. While we adopted the REE label in 2002, the position descriptions and responsibilities for REEs in 2002, while located in county offices, was very different than it is for REEs in our current regional offices. Consequently, to avoid confusion, the REE term is only used for the newer job definition in this paper.

County support staff are employees of the county rather than of Extension. They are the only staff in county Extension offices who do not work directly for Extension.

Regional support staff work at regional centers and are Extension employees.

Field administrators include the seven district directors in 2002 and 46 county Extension directors. In 2005, the 32 field administrators include 17 regional directors,²⁶ 13 FTEs of area program leaders, and 2 directors of field operation. As shown in Appendix A, 12 of the 19 individuals serving as APLs are officed on the University campus.

In Table 3, the only way to know the true estimate of the “without change” scenario would have been not to make the change and see what happened. While this would remove any doubts about the numbers in Table 3 it would not have been a responsible management decision. As a result Extension administration was forced into thinking about the likely consequences of the doing nothing versus making some type of change. While critics might call these “best guess” estimates, they actually reflect very careful consideration to the manner in which counties were likely to react if Extension had maintained the traditional funding arrangement.

²⁶ One director covers two centers.

Feedback from county Extension directors indicated that if Extension was willing to fund some or all of the educational positions, counties were likely to put first priority on funding their own employees—the county support staff. Most of these individuals had local roots and laying them off would have been very difficult. Consequently, we assumed that the number of county support staff would remain constant if there was no change in the model.

We also assumed that if the system had stayed the same, counties would have wanted us to maintain the county director positions. After that we estimated that we could afford an additional 165 positions if Extension paid all of the costs. With the field administrative positions, this was 218 positions (not counting NEAs) or six more than Extension directly funds in the mixed regional/county model. These two numbers are not directly comparable, however, because counties paid the travel expenses in the old system and we assumed they would continue if we didn't change models. In the mixed regional/county model Extension pays all expenses of the regional staff.

While the estimates for the “without” column in Table 3 are not beyond challenge, we believe they are a reasonably accurate picture of the impacts leaving the system unchanged under such massive fiscal pressures would have had. We are positive that the with-without analysis is a more accurate means of examining the impacts of the change than the before-after approach shown in Table 2.