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Regional Development Funds in North Dakota

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Abstract

In the early 1990s, many North Dakota trade centers took a proactive role in economic development by adopting local option sales taxes to generate funds to provide gap and incentive financing for primary sector businesses. The goals of these regional development funds are generally to create jobs, expand the tax base, and increase local economic activity.

Information was gathered from seven of the regional development funds in North Dakota to evaluate their job creation and funding activities. Regional development funds in Dickinson, Grand Forks, Jamestown, Minot, Valley City, Wahpeton, and Williston collectively used $21.9 million in support of 4,485 jobs from 1988 through 1995. The average investment by the regional development funds per job supported during that period was $4,900. The average employment created per business assisted was over 18 full-time jobs. The success rate for businesses assisted was about 90 percent.

Factors important to cooperative economic development projects between the regional development funds and neighboring communities include local community support for the business project, financial participation from local bank and community, and business and civic involvement in the project. The success of the regional development funds was largely the result of strong support in the trade centers for economic development initiatives, risk minimization on business ventures, and access to and involvement with other local and state economic development resources.

Key words: job creation, economic activity, regional development funds, multi-community cooperation

Highlights

Several of the larger cities in North Dakota collect local sales taxes for infrastructure, economic development, and community marketing. Information was obtained on the economic development efforts of the regional development funds (RDF) in Dickinson, Grand Forks, Minot, Jamestown, Valley City, Wahpeton, and Williston.

The economic development efforts of RDF center around gap and incentive financing to new or expanding primary sector businesses (e.g., manufacturing, processing). Financial assistance by the RDF is generally combined with financing from other state and local sources to provide flexible assistance to cover businesses' needs for facilities, land, equipment, working capital, and feasibility studies.

A total of $21.9 million has been used by RDF to help generate 4,485 jobs in North Dakota from 1988 through 1995. The average investment by RDF per job supported during that period was $4,900. The average employment created per business assisted was over 18 full-time jobs. The success rate for businesses assisted was about 90 percent.

Comparisons among funds revealed that the Minot MAGIC Fund has supported the most jobs (1,598) and Grand Forks GROWTH Fund has provided the most financial assistance ($6.5 million). The average financial assistance per job ranged from $2,200 in Valley City to $7,500 per job in Jamestown.

The RDF are generally willing to assist businesses within their greater trade area. However, the degree of support for rural projects varies considerably by fund. The Minot MAGIC Fund is the best example of the "regional" nature of the RDF since over 44 percent of the fund recipients were located outside of Ward County. The remaining funds assisted only 13 businesses (9 percent of all businesses) that were outside of the fund's county.

Cooperative projects between regional funds and their neighboring rural communities are generally evaluated using the same merits/criteria as nonrural proposals. Other important factors were involvement of local economic development corporation/jobs development authority representatives, local civic support, and financial participation from local banks and community.

The success of the regional development funds to date is largely the result of strong support within the trade centers for economic development initiatives, risk minimization on business ventures, and access to and involvement with other local and state economic development resources.

Regional Development Funds in North Dakota

Dean A. Bangsund and F. Larry Leistritz*

INTRODUCTION

Economic trends in North Dakota during the 1980s were the impetus behind much of the economic development efforts that have surfaced during the 1990s. North Dakota's economy, in the 1980s, remained heavily dominated by a few industries. Agriculture, federal activities, and energy accounted for 44 percent, 26 percent, and 17 percent of North Dakota's economic base, respectively during the period 1980 to 1990 (Leistritz and Coon 1991). From 1980 to 1989, the economic base (sales to final demand) for agriculture declined 24 percent in real terms (inflation adjusted). Over the same period, the economic base for energy declined 16 percent and the overall economic base in the state declined over 9 percent.

Economic declines in key industries in the state led to changes in employment, and, subsequently, population. Population changes in the 1980s were not favorable for many parts of the state. Although the state's population only declined 2.1 percent from 1980 to 1990, population shifts within the state were more substantial (Bangsund et al. 1992). Only six North Dakota counties experienced population growth from 1980 to 1990, and three of them contained the state's largest cities. Generally, population changes in regional trade centers (e.g, Dickinson, Jamestown) were less severe than changes in smaller North Dakota cities and towns. However, when trade areas were included to measure population change, only the four largest trade centers showed population increases.

Other economic measures also showed unfavorable trends for North Dakota. Per capita incomes, adjusted for inflation, decreased during most of the 1980s (Bangsund et al. 1992). North Dakota's per capita rank among states also decreased during that period. Average annual earnings were also decreasing during the 1980s (Hamm et al. 1992). Retail sales, another measure used to reflect the general economic health of a region, adjusted for inflation, decreased over 17 percent in North Dakota from 1980 to 1990.

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Trends of many key economic indicators showed the consequences of relying on a few basic industries. The state's economy closely paralleled the economic health of those industries. As the basic industries experienced downturns, so went the state's economy. Concern among the North Dakota populace over the condition of the state's economy grew during the mid- to late-1980s. In 1988, the Vision 2000 Committee, a group representing a cross section of business people and policy makers in the state, was formed to suggest long-term strategic solutions to North Dakota's economic problems. The Vision 2000 Committee recommended strengthening basic sector industries (such as agricultural processing, manufacturing, and other exportable services) to lessen the state's dependence on agriculture and energy. In essence, the recommended solution to the state's slacking economy was to increase the diversity of North Dakota's economic base.

Many of the recommendations of the Vision 2000 Committee became the basis for a state economic development program called Growing North Dakota (Leistritz 1995). Growing North Dakota was passed in 1991 and created the State Department of Economic Development and Finance, a Primary Sector Development Fund (now called Future Fund, Inc.), a Science and Technology Corporation (now called Technology Transfer, Inc.) and other economic development initiatives (North Dakota 1992; 1994). Growing North Dakota II was passed in 1993 to continue most of the activities created by the Growing North Dakota program.

Since 1985, counties have had the option of levying up to 4 mils for funding of a county-wide Job Development Authority. Since 1987, cities have had the authority to use up to a 1 percent retail sales tax for economic development. Since the passage of enabling legislation and the creation of state supported efforts to promote and assist in economic development, 35 cities and 23 counties have created economic development funds and Job Development Authorities, respectively (North Dakota Tax Department 1996; 1995). Many local governments used these funds to stimulate economic activity through financial incentives and assistance to primary sector businesses, ultimately expanding the work force, supporting local infrastructure, and expanding the tax base.

Most county Jobs Development Authorities and city-funded development funds are relatively small in scope, providing some assistance for local efforts. However, those created by the regional trade centers are larger in scope, thereby, capable of funding a variety of projects and assisting other local agencies in economic development. This study examines the role regional development funds have played in economic development in North Dakota.

OBJECTIVES

The purpose of this study is to discuss the efforts of regional development funds in providing financial support for primary sector businesses. Specific objectives include

1) measure the economic development activities of regional development funds

2) identify factors affecting successful economic development efforts, determine current economic development strategies, and evaluate multi-community cooperative funding efforts

PROCEDURES

This study was designed to provide a descriptive look at financing activities of regional development funds. Economic development funds, operating on a regional basis (i.e., open to assisting businesses within multi-county regions), were identified. Information was obtained from RDF in Dickinson, Grand Forks, Jamestown, Minot, Valley City, Wahpeton, and Williston.

One of the purposes of this study was to provide some general characteristics of the financial assistance provided by the RDF. These characteristics included such measures as the number of businesses supported, amount and type of financial assistance provided, and the number of jobs supported. The following information was obtained from each fund

1) name of business
2) city where business is located
3) amount of assistance
4) type of assistance (e.g., direct loan, grant, interest buy down)
5) number of jobs retained or created by the business
6) status of the business (e.g., closed, current, moved)
7) year that funding/assistance was approved

Another purpose of this study was to develop a better understanding of the factors influencing cooperation between RDF and rural communities. Information on the factors affecting those efforts was obtained from interviewing individuals involved with managing the regional funds and individuals who received financial assistance from those funds.

REGIONAL DEVELOPMENT FUNDS

Since passage of legislation in 1987 enabling cities to have local sales taxes (up to 1 percent) for purposes of economic development, infrastructure improvements, property tax relief, and other community uses, 39 cities have adopted local sales taxes (North Dakota Tax Department 1996). Most of these cities have limited capacity to generate large-sized funds since (1) they have relatively small amounts of retail sales and (2) they have allocated their local sales tax revenues among multiple uses, thereby limiting the amount of resources available for any single use. The majority of these funds focus on economic development within their county or trade center. Only funds operating on sales tax revenues[1] and those operating on a regional basis were included in this study.

All of the regional funds are primarily engaged in providing flexible financing to primary sector businesses. Emphasis is usually placed on businesses in manufacturing and/or processing industries that result in the creation/retention of new wealth in the regional economy. Also common to most regional funds, businesses that directly or adversely compete with existing firms (i.e., product sales) in the region will not be assisted, nor will existing debt of businesses be refinanced. Non-profit businesses and retail sector firms are generally not considered, except under unusual circumstances. Other considerations in the application/approval process include job quality and duration, pay scale, environmental impacts, use of regional resources and raw materials, level of owner equity, and risk of the venture.

The regional funds have minor differences in their application and approval processes; however, most involve similar stages, depending upon various factors, before financing is approved. Generally, interested businesses either contact representatives of the fund directly or go through local job development representatives to discuss and/or present an initial proposal or idea. Businesses that initially appear to merit financial assistance are required to produce business plans, employment projections, time tables for various actions, and financial and operational information about the business. Other agencies and lending sources (e.g., Bank of North Dakota, State Department of Economic Development and Finance [ED&F], Future Fund, regional councils, local banks) often are involved with the financing package. Most regional funds have substantial flexibility in determining appropriate financing mechanisms for business ventures. Examples of the most common tools include loans, loan guarantees, equity investments, facility leases and rents, interest

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[1]The state has provisions allowing county governments to collect property tax revenue for economic development. However, those funds were not included in this study.

buy downs (including Partnership in Assisting Community Expansion[2], also known as PACE loans), and grants.

Nearly all regional funds provide literature that describes the application process, outlines rules and policies governing the fund's operations, and summarizes past economic development efforts. Those efforts will not be duplicated; however, synopses of the RDF have been included for Dickinson, Grand Forks, Jamestown, Minot, Valley City, Wahpeton, and Williston.

Dickinson (Stark Development Corporation)

The Stark Development Corporation began receiving funds from a 1 percent local sales tax in July, 1995. The use of local sales tax revenues was approved in April, 1994, with 50 percent of the revenues used by the city of Dickinson for infrastructure and tax relief. The remaining funds are divided into support for a regional multiple-use facility (30 percent), economic development (14 percent), and senior citizens (6 percent).

The Stark Development Corporation, prior to 1995, used primarily local property tax revenues for county-wide economic development. However, local sales tax funds are currently used for primary sector job creation in the greater Dickinson trade area.

Grand Forks GROWTH Fund

The Grand Forks GROWTH Fund was initialized in 1987 with the approval of a 1 percent local sales tax. Allocation of tax revenue to the GROWTH fund is controlled by the city council and by the needs of the city budget. The revenue generated through the local sales tax is used for economic development, with the remaining revenue used for property tax relief and infrastructure development. The fund is administered by a seven-member committee consisting of four city council members and three individuals appointed by the mayor.

Jamestown/Stutsman County Jobs Development Corporation

In 1991, Jamestown passed a 1 percent local sales tax, with revenues used entirely for economic development. In 1992, the Jamestown/Stutsman County Jobs Development Corporation was created to administer the funds. The corporation is managed by a 13-member board of directors, 9 whom are elected and 1 member delegated (4 in total) from the Stutsman County Commission, Jamestown city mayor,

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[2]A state program designed to assist in expanding the economic base and job development in North Dakota communities. The applicant, along with a participating financial institution, contacts the Bank of North Dakota for an interest rate buy down which is applied to a loan.

Jamestown Industrial Development Corporation, and Jamestown Area Chamber of Commerce. The Jamestown/Stutsman County Jobs Development Corporation focuses on primary sector job creation.

Minot MAGIC Fund

The Minot Area Growth by Investment and Cooperation (MAGIC) Fund was created when Minot passed a 1 percent local sales tax in 1990. About 40 percent of the revenue is used for economic and industrial development. The remaining funds are used primarily for infrastructure, with some (10 percent) funds used for property tax relief. A MAGIC fund committee, appointed by the city council, administers the fund. In addition to financing primary sector activities, grants are made available to neighboring trade centers for community marketing of local economic development efforts. The MAGIC fund works with the Business Friends Program, an effort to create a working relationship with area businesses in hopes of assisting them in locating needed resources and offering local support for business interests.

Valley City/Barnes County Development Corporation

Valley City adopted a home rule charter and a local sales tax in 1992. Revenues earmarked for economic development from county-wide mill levies have been in place for about 10 years. Mill rates vary yearly from 2 to 4 mills. About 80 percent of the revenues from the 1 percent sales tax are devoted to economic development while the remaining 20 percent goes to property tax relief and infrastructure development.

The sales tax revenues are administered by the city commission, although requests and applications for financial assistance are handled by the local job development corporation. Revenues from county property tax levies are administered by the board of county commissioners. Allocation of sales tax and property tax revenues is largely done on a project by project basis, with factors such as business location, nature of business, city/county interests, and overall benefit determining the participation of fund monies in the project. Additional economic development resources were raised from 1991 through 1995 by a local pledge drive. Those revenues were used to augment resources from other sources and provided “seed” money to assist in economic development efforts.

Wahpeton Economic Development Commission

Wahpeton passed a local option sales tax in May, 1991. The 1 percent sales tax became effective in July, 1991 with 100 percent of the revenues dedicated to economic development. In 1996, Wahpeton voters approved continuing the sales tax to 2006, with about $150,000 annually dedicated to the city’s share of funding for a local armory.

Sales tax revenues are administered by a seven-member committee composed of individuals from the city council, general public, community development corporation, downtown development corporation, and the urban renewal agency. Applications for assistance are handled through the seven-member committee with recommended projects forwarded to the city commission for final approval.

The objectives for using the sales tax revenues place heavy emphasis on primary job creation, although sufficient flexibility exists to consider some retail activities. Twenty percent of the yearly sales tax collections are devoted to projects outside of the Wahpeton city limits. Those funds are available to rural businesses or projects in neighboring communities; however, unused funds are returned annually for use in funding projects in Wahpeton.

Williston STAR Fund

The Williston STAR Fund was created in 1991 through passage of a city sales tax. A 1 percent sales tax was approved with 25 percent of the revenue allocated for economic development and 75 percent to property tax relief. Local approval of the city sales tax was extended in 1995 to 2002. Of the 25 percent earmarked for economic development, 20 percent of those funds (not to exceed $50,000 per year) is allocated to community marketing and enhancement.

The fund is administered by a seven-member advisory board appointed by the Williston City Commission. The fund has three separate components: economic development, community marketing, and community enhancement. The economic development component is intended to provide flexible financing for primary sector businesses within the greater Williston trade area. The community marketing program supports community economic development marketing efforts (up to $1,500 per year per community) in neighboring trade centers. Through the community enhancement component, the STAR fund distributes grants and loans to organizations that create, improve, and strengthen the quality of life through cultural, historical, educational, health, and social activities within the greater Williston trade area.

REGIONAL DEVELOPMENT FUND ACTIVITIES

Regional development funds (RDF) included in this study are those operating with local sales tax revenues dedicated for economic development. These funds have been set up to assist in business relocation, expansion of current operations, and startup of new business ventures. Primary sector business activities are the focus of these regional funds (e.g., manufacturing, construction, processing). These funds, depending upon a variety of factors, have offered quite a range of financial assistance, extending from a few hundred dollars to over a million dollars per business. Also, several financial tools are used by the funds to implement these financial packages, including interest buy downs, direct loans, grants, equity investments, rent/lease arrangements, and infrastructure assistance.

The RDF are rarely the only contributing partner in the financial packages; often they work with private lending agencies, other development funds, and state agencies. Many of the economic development efforts with which the regional funds have been involved include a host of agencies, funds, and contributing partners. The following sections contain descriptions of the financial participation of only regional development funds in economic development projects.

Information on the number of contributors and their financial support for each economic development project was not collected. Perhaps of greater importance would be information to determine the amount of actual job creation attributable to each contributing party of an economic development project. Given information available, determining how many new jobs have actually been created in the state due specifically to RDF is difficult.

Several factors are difficult to measure. First, information on how many of the economic development projects (e.g., business expansions, startups) would have been undertaken in the absence of the RDF is not known. Some would have gone ahead regardless of RDF assistance, while others would have begun at a later date or on a smaller scale. Second, considering the multitude of economic development efforts in the state, attributing weight or importance of each agency/fund in a project is difficult. For example, how much credit should be given to the PACE program or to the Bank of North Dakota? How many projects would have been funded in the absence of the PACE program or the Bank of North Dakota?

To suggest that all the jobs resulting from projects assisted by the RDF are due to the RDF would imply that those same projects would have generated zero employment in the absence of the RDF. Granted, RDF were instrumental in a number of economic development projects; however, in other projects, their role was less critical and more evenly shared with other funds and agencies. Thus, job creation in this report is associated with, not necessarily solely credited to, the activities of the RDF.

Information on the financial activities of the regional funds was obtained by contacting each fund. Information on business name and location, amount of funding, type of funding, number of jobs involved, date of funding, and the current status of the business was provided by the regional funds. A descriptive analysis of the role regional funds have played in financing business ventures and creating economic activity was based solely on information provided by the funds. The following sections contain a breakdown of the job creation and funding activities of the RDF.

Job Creation

From 1988 through 1995, the RDF in this study played a role in supporting about 4,500 jobs in North Dakota (Table 1). These jobs represent employment primarily through business expansion and creation. About $21.9 million in local sales tax collections were used during that period to directly assist businesses (Table 1). Most RDF started providing assistance in the early 1990s, except the Dickinson fund which started in 1995 and the Grand Forks GROWTH fund which started in 1988. The RDF have used about $4,900 of financial assistance per job supported since their inception.

Table 1. Jobs Supported and Financial Assistance Extended by Regional Development Funds in North Dakota, 1988 Through 1995

Fund or City	Cumulative Financial Assistance	Cumulative Jobs Supported[a]	Assistance Per Job
Dickinson (Stark Development Corporation)	$ 165,000	0[b]	na
Grand Forks GROWTH Fund	6,451,789	1,015	$6,358
Jamestown Job Development	5,441,987	721	7,548
Minot MAGIC Fund	4,830,950	1,598	3,023
Valley City/Barnes County	1,003,977	462	2,173
Williston STAR Fund	836,987	231	3,619
Wahpeton Economic Development	3,144,616	458	6,873
Totals	$21,875,806	4,485	$4,878

[a] Full-time equivalent jobs.
[b] Two projects were sponsored prior to 1996. Information on jobs supported from those projects was not available.

The average amount of financial assistance per full-time equivalent job varied by regional fund. Jamestown has spent the most per job supported ($7,500) while Valley City has spent the least ($2,200 per job). The number of jobs supported varied from nearly 1,600 for the Minot MAGIC Fund to 231 for the Williston STAR Fund. Overall, the Grand Forks GROWTH Fund has provided the most financial support of all the RDF ($6.5 million). Through 1995, Dickinson provided the least amount of financial assistance ($165,500); however, their spending only represented one year of operation.

The year that each RDF became operational (i.e., had sufficient funds to provide financial assistance to businesses) varied from 1988 (Grand Forks) to 1995 (Dickinson). The amount of assistance and jobs supported were averaged over the number of years that each fund was in operation (Table 2). Average full-time equivalent jobs supported per year of operation varied from 320 for the Minot MAGIC Fund to 58 for the Williston STAR Fund. Financial assistance per year varied from nearly $1.4 million for Jamestown to $201,000 in Valley City. Collectively, the regional development funds in the state have provided $2.7 million per year in financial assistance for economic development and supported about 560 jobs annually since 1988 (Table 2).

Table 2. Average Number of Jobs Supported and Financial Assistance per Year by Regional
Development Funds in North Dakota, 1988 Through 1995

Fund or City	Average Annual Financial Assistance	Average Annual Jobs Supported	Year Fund Started[a]
Dickinson (Stark Development Corporation)	$ 165,500	0[b]	1995
Grand Forks GROWTH Fund	806,474	127	1988
Jamestown Job Development	1,360,497	180	1992
Minot MAGIC Fund	966,190	320	1991
Valley City/Barnes County	200,795	92	1991
Williston STAR Fund	209,247	58	1992
Wahpeton Economic Development	786,154	114	1992
Totals	$2,734,476	561	

[a] The year funds were actually dispersed was counted as first year of operation.
[b] Two projects were sponsored prior to 1996. Information on jobs supported from those projects was not available.

Other comparisons among the RDF indicate a noticeable difference in the amount of financial assistance provided per business. The average amount of financial assistance provided to businesses varied from $33,700 for the Williston STAR Fund to $174,400 for the Grand Forks GROWTH Fund (Table 3). The seven RDF average financial assistance per business (not per successful application) was $89,700. A total of 244 businesses were assisted by RDF from 1988 through 1995. About 22 percent, or 55 businesses, have received multiple assistances from a regional fund (i.e., they received financial assistance more than one time either in different years or during one year). Only three businesses received assistance from more than one regional fund.

The number of full-time equivalent jobs created per business varied for each regional fund (Table 3). The average business assisted by the Grand Forks GROWTH Fund created over 27 jobs whereas the average business supported by the Williston

STAR Fund created about 9 jobs. The state average for the number of jobs created by each business (i.e., those receiving assistance from a regional fund) was 18.4 full-time equivalent jobs (total jobs supported divided by total businesses funded).

Table 3. Average Number of Jobs Supported per Business and Average Financial Assistance Provided per Business by Regional Development Funds in North Dakota, 1988 Through 1995

Fund or City	Financial Assistance Per Business	Full-time Jobs Supported Per Business	Financial Assistance Per Successful Application[a]
Dickinson (Stark Development Corporation)	$ 82,750	0[b]	$ 82,750
Grand Forks GROWTH Fund	174,373	27.4	131,669
Jamestown Job Development	170,062	22.5	132,731
Minot MAGIC Fund	47,831	15.6	35,522
Valley City/Barnes County	43,651	20.1	37,184
Williston STAR Fund	33,679	9.3	22,621
Wahpeton Economic Development	116,467	16.9	74,872
State	$ 89,655	18.4	$ 65,496

[a] Represents average financial support per successful application for each fund through 1995.

[b] Two projects were sponsored prior to 1996. Information on jobs supported from those projects was not available.

Since 22 percent of the businesses supported by RDF received assistance more than one time, the average amount of financial assistance per successful application was estimated. A total of 334 applications for assistance was approved and funded from 1988 through 1995.

The amount of financial assistance provided per successful application (i.e., based on applications accepted and approved) varied from $133,000 in Jamestown to $22,600 for the Williston STAR Fund (excluding Dickinson) (Table 3). The state average for financial assistance for successful application was about $65,500; however, if assistances of $500,000 or more were removed, the average drops to about $45,600. Over 48 percent of all successful applications were funded for $20,000 or less, and 75 percent received $50,000 or less in funds (Table 4).

Table 4. Distribution by Amount of Financial Assistance Provided per Successful Application by Regional Development Funds in North Dakota, 1988 Through 1995

Amount of Assistance	Number of Assistances	Percent of Total	
$1 to $5,000	50	15.0	
$5,001 to $10,000	57	17.1	
$10,001 to $20,000	55	16.5	
$20,001 to $50,000	89	26.6	
$50,001 to $100,000	46	13.8	
$100,001 to $500,000	32	9.6	
over $500,000		5	1.5
Total	334		
Per Successful Application			
High	$2,500,000		
Low	$500		

Statewide, the number of full-time jobs supported from RDF varied from 77 in 1990 to 1,100 in 1992 (Table 5). Financial assistance, in nominal dollars, has also varied by year, with a low of $660,000 provided in 1988 to a high of $6.8 million in 1995. However, the number of jobs supported has not necessarily paralleled the amount of financial assistance provided (by the RDF). The average financial assistance per job has fluctuated over the eight years that regional funds have been operational. Since 1992, the average financial assistance per job has continued to increase (Table 5).

Table 5. Total Jobs Supported and Financial Assistance Provided by Year by Regional Development Funds in North Dakota, 1988 Through 1995

	Financial Assistance		Jobs	Assistance
Year	Nominal	Adjusted[a]	Supported[b]	Per Job[c]
1988	$ 660,000	$ 850,245	216	$ 3,063
1989	701,000	861,552	218	3,216
1990	1,132,090	1,320,050	77	14,702
1991	2,760,293	3,088,610	466	5,919
1992	2,618,684	2,844,529	1,100	2,381
1993	2,215,680	2,336,814	679	3,263
1994	5,676,012	5,836,871	947	5,994
1995	6,112,047	6,112,047	782	7,816

[a] Effects of inflation removed using the Consumer Price Index (Bureau of Labor Statistics 1997). Presented in 1995 dollars.

[b] Full-time equivalent jobs.
[c] Nominal dollars (effects of inflation not removed).

Financial Tools

Grants and loans are the most popular form (based on dollar volume) of financial assistance provided by the RDF (Table 6). Based on dollar volume, grants accounted for 30 percent of all assistance, followed by loans (25 percent), equity/stock investments (22 percent), interest buy downs (PACE loans) (16 percent), rent/lease arrangements (5 percent), and loan guarantees (2 percent).

Table 6. Type of Financial Assistance Provided by Regional Development Funds in North Dakota, 1988 Through 1995

Type of Assistance	Amount	Percent
Grants	$ 6,753,022	30.9
Loans	5,588,221	25.5
Equity/Stock Investments	4,923,000	22.5
PACE/Interest Buy Down	2,903,192	13.3
Rent/Lease Assistance	1,100,800	5.0
Loan Guarantee	607,571	2.8
Total	$21,875,806	

The use of grants, loans, and PACE/interest buy downs was common with all the regional funds (Table 7). However, only one regional fund, the Minot MAGIC Fund, used both loan guarantees and rent/lease assistance. The highest single use of any financial tool took place in Dickinson where 100 percent of all assistance was in the form of PACE grants. However, for those that have been operating for more than one year, Valley City used 73 percent of its funds for grants. Jamestown and Wahpeton accounted for 94 percent of all equity/stock investments. Likewise, the Grand Forks GROWTH Fund accounted for over 82 percent of all rent/lease assistance.

Table 7. Financial Tools Used by Regional Development Funds in North Dakota, 1988 Through 1995

Financial Tools	Regional Development Funds: Grand Forks	Jamestown	Minot	Valley City	Williston	Dickinson	Wahpeton
	dollars						
Grants	2,867,569	116,810	1,513,118	733,214	226,961	0	1,295,350
Loans	1,530,500	1,250,841	1,766,220	3,800	507,315	0	529,545
Equity/Stocks	200,000	3,416,000	107,000	0	0	0	1,200,000
PACE/Interest Buy Down	946,720	658,336	722,812	261,055	79,048	165,500	69,721
Rent/Lease	907,000	0	193,800	0	0	0	0
Loan Guarantees	0	0	528,000	5,908	23,663	0	50,000
	percent						
Grants	44.4	2.1	31.3	73.0	27.1	0	41.2
Loans	23.7	23.0	36.6	0.4	60.6	0	16.8
Equity/Stocks	3.1	62.8	2.2	0	0	0	38.2
PACE/Interest Buy Down	14.7	12.1	15.0	26.0	9.4	100	2.2
Rent/Lease	14.1	0	4.0	0	0	0	0
Loan Guarantees	0	0	10.9	0.6	2.8	0	1.6

Financial assistance per business was divided into segments based on the amount of assistance received. The top one-third of the businesses assisted (i.e., when measured by assistance per business) received over 85 percent of all funds used since 1988 (Table 8). Businesses that received $20,000 or less in financial assistance, as a group, accounted for 45 percent of all businesses receiving financial help, yet collectively only received about 4 percent of all funds. However, comparisons of the number of businesses by the amount of assistance should include employment created by those businesses. The same 45 percent of all businesses that received $20,000 or less in financial assistance only provided 15 percent of all employment. Alternatively, the businesses that received more than $50,000 in financial assistance (one-third of all businesses) accounted for nearly 75 percent of all employment.

The cost per job supported was directly related to the amount of financial assistance per business (Table 8). The cost per job created for businesses that received $5,000 or less in financial assistance was about $670 per full-time job. The cost per job supported by businesses that received over $500,000 in financial assistance was about $9,600 per full-time job. Those comparisons do not consider the total amount of assistance received by the business. Financial help from the RDF was usually combined with financial assistance from other sources. Also, the nature of the jobs created (e.g., use of existing labor market, pay scale, benefits) was not included in the comparisons. High-paying jobs may justify additional financial support over low-paying positions. Additionally, employment in new capital intensive enterprises (e.g., agricultural processing) may require more financial assistance than other business ventures (e.g., local business expansion).

Table 8. Businesses Assisted and Jobs Supported by Amount of Assistance per Business, Regional Development Funds, North Dakota, 1988 Through 1995

Financial Assistance Received	Total Financial Support		Businesses Supported		Total Employment		Employment Per Business	Funds Per Job
--------- $ ---------	- $ -	- % -	- # -	- % -	- # -	- % -	- # -	- $ -
1 to 5,000	110,250	0.5	36	14.8	164	3.7	4.6	672
5,001 to 10,000	350,525	1.6	42	17.2	256	5.7	6.1	1,368
10,001 to 20,000	503,583	2.3	32	13.1	261	5.8	8.1	1,931
20,001 to 50,000	2,065,642	9.4	57	23.4	475	10.6	8.3	4,350
50,001 to 100,000	2,284,849	10.4	29	11.9	774	17.3	26.7	2,951
100,001 to 500,000	8,027,784	36.7	40	16.4	1,587	35.4	39.7	5,059
over 500,000	8,533,173	39.0	8	3.3	968	21.6	121.0	8,818
Total	21,875,806		244		4,485		18.4	4,878

Assistance by Business Location

Considering that the RDF in this study were created with the intention (or ability) to provide assistance to businesses located within the cities' greater trade areas, the geographic distribution of businesses receiving financial assistance was examined. About 34 percent of the businesses assisted were located in a city other than the respective fund's city (e.g., a business located in Northwood that received funding from the Grand Forks GROWTH Fund). About 24 percent of the businesses funded were located outside of the development fund's county (e.g., a business located in Nelson County that received funding from Grand Forks). The greatest concentration of businesses assisted were located within counties containing major trade centers (Figure 1). Thirty counties in the state had at least one business that received some financial support from a RDF. Although the geographic dispersion of the regional development funds' assistance covered much of the state, business assistance was concentrated around the regional trade centers.

Figure 1 Geographic Distribution of Businesses Receiving Assistance from Regional Development Funds, North Dakota, 1988 Through 1995

Businesses assisted were categorized by their geographic proximity to the major trade centers to measure the frequency of assistance provided to rural businesses. Considering the potential geographic scope of the RDF, an attempt was made to determine the geographic makeup of businesses assisted.

Two classes, or definitions, of rural businesses were used. First, businesses located in rural areas or smaller communities within the fund's county were considered rural (i.e., they were located a sufficient distance from the main trade center yet within the county). Second, businesses located outside the fund's county were considered to be rural.

Financial assistance for businesses in smaller towns and communities within the fund's county averaged $25,000 per business. The amount of financial assistance for businesses located outside of the fund's county was $25,800 per business. The average amount of assistance for all businesses in the state was nearly $90,000 (see Table 3). Thus, assistance for rural businesses was substantially less than those located in regional trade centers. Reasons for the difference likely lie with the size of the businesses funded; however, information on the characteristics of rural and nonrural businesses was not collected. About 9.7 percent of all financial assistance ($2.1 million out of $21.9 million) was used on businesses located in smaller towns and communities within the fund's county. Correspondingly, about 6.8 percent of all funds ($1.5 million) was used on businesses located outside of the fund's county. A total of $3.6 million (16 percent of all funds) was used on rural businesses.

The average employment created per business in smaller communities within the fund's county was 9.1 full-time jobs. The average employment per business outside of the fund's county was 11.4 full-time jobs. Rural businesses created fewer jobs per business than the state average of 18.4 full-time jobs; however, other characteristics (e.g, wage rate, benefits, etc.) of rural vs. nonrural businesses were not available.

The cost per job created for businesses located in neighboring communities within the fund's county was $2,800, and the cost per job for businesses located outside of the fund's county was $2,300. The state average cost (i.e., only RDF resources) per job created was near $4,900 (see Table 1). Rural businesses received less assistance than other businesses and created fewer jobs per business; however, job creation from rural businesses appeared to require less funds than nonrural businesses (i.e., in terms of financial resources per job).

The Minot MAGIC Fund assisted two thirds of the rural businesses funded by regional development funds in the state (57 of the 85 businesses) (Table 9). Collectively, the other regional development funds accounted for only one-third of the rural businesses assisted since 1988; however, information on the number of rural applications received by the RDF was not available. Thus, comparisons can only be made on the number of rural businesses funded.

The Grand Forks GROWTH Fund had the lowest percentage of businesses assisted that met the rural definitions (10.8 percent). A good measure of the "regional" nature of a fund's activities can be measured by the number of businesses funded outside of the fund's county. With Dickinson excluded, the percentage of businesses funded that were located outside a fund's county ranged from 8 percent for Williston to 45 percent for Minot. Wahpeton did not fund any businesses outside of its respective county since its geographic scope was limited to Richland County. With activities from the Minot MAGIC Fund excluded, the other regional development funds collectively assisted 13 businesses located outside of a regional fund's county (about 9 percent of all businesses funded since 1988).

Table 9. Rural Businesses Funded, by Regional Development Fund, North Dakota, 1988 Through 1995

Regional Fund	Number of Businesses Assisted	Number of Businesses Assisted by Location[a]			
		Within County & Outside of City		Outside of Fund's County	
		- # -	- % -	- # -	- % -
Dickinson	2	0	0.0	1	50.0
Grand Forks	37	1	2.7	3	8.1
Jamestown	32	5	15.6	4	12.5
Minot	101	12	11.9	45	44.6
Valley City	23	1	4.3	3	13.0
Wahpeton	27	5	18.5	0	0.0
Williston	23	3	12.0	2	8.0
State	247[b]	27	10.9	58	23.5

[a] Rural businesses were defined as (1) those located outside of the regional fund's city,
but within that fund's county and (2) those located outside of the fund's county.
[b] Three businesses received assistance by more than one regional fund.

The total number of businesses assisted by RDF through 1995 is 244; however, about 11.5 percent of those businesses (28 individual businesses) have closed. Information on the nature or cause of the business closings was not available.

The amount of funds given to businesses that have closed was $941,000 or 4.3 percent of all funds used from 1988 through 1995. The average financial assistance per failed business was $33,600. The success of each regional fund, in terms of the percentage of closed businesses, varied from no failed businesses for Wahpeton and Dickinson to about 16 percent for Williston and Minot (Table 10). The amount of assistance recovered from the failed businesses was not addressed in this study.

Table 10. Business Failure Rates by Regional Development Funds, North Dakota, 1988 Through 1995

Regional Development Activities Fund Assistance	Financial	Failed Assistance	Amount of Each Fund's Businesses	Businesses
	----- $ -----	----- # -----	-- % --	-- % --
Dickinson	0	0	0.0	0.0
Grand Forks	282,809	4	10.8	4.4
Jamestown	41,541	4	12.5	0.8
Minot	558,861	16	15.7	11.6
Valley City	19,798	2	8.7	2.0
Wahpeton	0	0	0.0	0.0
Williston	38,000	4	16.0	4.5
State	941,009	30[a]	11.5	4.3

[a] The total number of failed businesses was 28; however, two of the businesses that failed were funded by two regional funds.

The RDF have provided assistance and financial resources for economic development efforts that may not actually involve working with individual businesses. One activity that the regional funds have found helpful is to provide financial assistance to develop, maintain, or modify industrial infrastructure to better suit existing and/or future business needs. Examples of infrastructure assistance include developing industrial parks and equipping them with adequate sewer, water, electrical, and transportation facilities or purchase land for building sites. Often the infrastructure efforts from the regional funds are complementary to other funds used for this purpose.

Other activities include providing money for feasibility studies to potential and/or existing businesses for purposes of examining market potential for products and/or adoption of new production processes. Some regional funds have also provided money for community marketing efforts and provided financial assistance to neighboring jobs development corporations for specific projects and promotions. Some money has been used by some funds for general city promotion.

The MAGIC and GROWTH Funds have provided the most additional resources of the RDF for other related economic development activities (Table 11). Collectively, the RDF have provided over $1.9 million in additional funds for other related activities from 1988 through 1995.

Table 11. Additional Funds for Other Related Activities, by Regional Development Fund, North Dakota, 1988 Through 1995

Regional Funds	Additional Funds Used
Dickinson	$ 0
Grand Forks GROWTH Fund	562,476
Jamestown/Stutsman County	140,731
Minot MAGIC Fund	562,998
Valley City	258,015
Wahpeton	380,807
Williston STAR Fund[a]	40,000
Total	$1,945,027

[a] The local option sales tax revenue in Williston is already earmarked for these purposes. As a result, the financial assistance provided by the STAR Fund will be substantially less than the other funds.

Value of Increased Payroll

The gain in state-wide employment associated with activities of the RDF was estimated to be 4,485 full-time equivalent jobs. Wage rates for these jobs were only available from the Minot MAGIC Fund and the Grand Forks GROWTH Fund. The average earnings per hour was estimated to be $9.09 and $9.28 per hour for jobs supported by the MAGIC and GROWTH Funds, respectively. Information on average wage rates from the other funds was not available.

An approximate value of the annual payroll for new jobs was estimated. The annual payroll of new jobs supported by the RDF was estimated at about $82 million in 1995. The average wage rate from the MAGIC Fund was assumed to be representative of the pay scale of jobs supported by other RDF (except for Grand Forks). Each FTE job was based on 2,000 hours per year (40 hour week @ 50 working weeks a year). The estimated payroll did not include overtime or the value of job benefits. Additional jobs have been added to the North Dakota economy since 1995 through the efforts of the RDF; thereby making the current payroll higher than the 1995 estimate.

ASSESSMENT OF REGIONAL DEVELOPMENT FUNDS

One of the objectives of this study was to (1) generate a better understanding of the factors contributing to successful economic development projects, (2) determine the current strategies employed by regional development funds, and (3) provide insight on multi-community cooperative efforts. Officials involved in managing regional development funds were contacted to obtain a better understanding of the policies, procedures, and factors affecting general economic development efforts of the regional funds. The following sections contain synopses of interviews with regional development fund officials.

The goals of the regional development funds are fairly consistent among the funds. Job creation was, and continues to be, a fundamental goal of the funds. In the early 1990s, strong emphasis was on quantity of jobs created. Currently, some emphasis has been shifting to wage scale and other quality-of-work factors. Other focuses now include trying to attract firms that have work force requirements requiring more technical and skilled employees. While job creation probably remains the main measure of a fund's success, economic diversity is an underlying goal for most funds.

Many policy makers and business people in North Dakota feel that the state's economic well-being is too dependant upon a few industries. By expanding manufacturing and processing activities, local economies will be better able to withstand fluctuations in other industries. Also, most fund managers understand that strong manufacturing and processing industries help support service and supply sectors within their local economies.

An additional benefit of new business creation is an expanded tax base for local governments. Many primary sector business ventures require additional building space either by expanding existing structures or creating new buildings.

This adds to the property tax base. Also, an expanded work force generally results in greater demands for housing, increased retail purchases, and other local economic benefits.

Success to Date

Reasons behind the success of RDF in North Dakota were discussed with RDF officials. Each fund operates in a slightly different manner and deals with unique challenges and limitations. However, among all the differences several underlying reasons emerged as forces contributing to the RDF's success. Reasons for success of the regional development funds, as seen by RDF officials, are discussed below.

(1) Strong community support--which has allowed for passage of local sales taxes which has provided resources for economic development efforts. Some proposals have come up for re-approval and have passed by large margins--signaling a reaffirmation that the voters approve of the results created with those dollars. Most communities have good working relationships between civic leaders and economic development people. Most often the economic development activities in the regional trade centers is a multi-pronged effort requiring the cooperation of city councils, county development boards, RDF personnel, local businessmen, and other players.

(2) Minimize risk on business ventures--most funds will accept some risk on the projects they sponsor; however, they are usually not willing to absorb all of the risk. Most funds like to see the risk shared by other local entities and by state agencies when possible. The philosophy of remaining somewhat conservative in funding projects, combined with funding a lot of local business expansion, has helped insure some initial success. The RDF were almost unanimous in their willingness to deal with local firms that wish to expand, especially those having sound track records and good growth potential.

Many of the early projects were expansions of existing businesses. Local business expansions are easy to do from a RDF perspective since most of the key connections are already in place. Most local expansions are also viewed as less competitive with existing businesses' efforts. Most RDF will not assist startup ventures that will directly compete with existing local businesses.

The reason so many early projects were local business expansions may be the result of "pent up demand" for funds. The belief is that there are less expansion projects now, which is inducing funds to consider startup projects, many of which have been capital intensive.

(3) Access to other resources has leveraged the resources available to RDF. By combining resources from other sources, RDF have been able to assist more businesses and spread some of the risk to other contributors. It also has broadened the types of assistance that RDF can provide.

The PACE program (and the Bank of North Dakota) is held in high regard by all the RDF. Along with the PACE program, those mentioned most often included funds administered by neighboring EDCs (either city or county), regional planning councils, SBAs, and ED&F.

The Minot MAGIC Fund was the only RDF to have information on the amount of leverage created through additional participation from other agencies and funds. The Minot MAGIC Fund contributed about $4.8 million for business projects from 1991 through 1995, while over the same period, an additional $37.9 million were included from other sources in those projects. For each dollar from the MAGIC Fund, an additional $7.80 from other sources were included in the assistance package. Thus, while the RDF receive/take much of the credit for job creation and increased business expansion, they are only one of many contributing agencies and funds for most projects.

Strong community support, conservative investment of the public's money, and additional willing and able contributors in the economic development process have been underlying forces in the RDF success to date. An additional factor probably contributing to RDF success is the personnel and leadership of those funds.

Multi-community Cooperation

Multi-community cooperation in rural areas is a means by which local communities can benefit through pooling resources to solve similar problems or reap common rewards. The activity of job creation/retention is a universal concern for rural communities (Leistritz 1993). Most regional trade centers have greater trade areas encompassing large multi-county areas (Bangsund et al. 1991). Most policies governing the operation of the RDF have realized the benefits of maintaining viable neighboring communities and enhancing the region's economy. Therefore, most of the RDF have been structured such that assistance is designed to coincide with trade area boundaries.

One argument that supports the multi-community cooperation concept (i.e., economic assistance between RDF and small communities) is that the money used for assisting businesses/promoting communities is collected from retail sales at regional trade centers. Some of the money for the RDF is generated by individuals/businesses outside of the trade center. The benefits of providing assistance to rural businesses are clear. The regional trade center stands to gain economic activity in several economic sectors (e.g., finance, business and personal services, professional services, wholesale supply) as well as capture additional retail trade activity through a bolstered rural economy.

The regional nature (i.e., geographic scope of the funds) of the RDF was discussed as it pertains to helping businesses located in neighboring cities and counties. Applications from rural businesses are handled no differently than other applications in terms of procedure. The contact process either starts with the business contacting the RDF directly or through a representative of a local economic development corporation or jobs development authority. Regional development funds generally have a little more latitude in terms of the type of rural business activity that will be considered (i.e., a broader scope of business activity that may be funded when dealing with rural businesses).

A discussion of the factors that are critical for successful applications from rural businesses leads to the following criteria. All the RDF insisted that rural businesses are handled the same as other applications, with the merits of the proposal having the most influence. A strong theme emerged that rural projects are evaluated under the same criteria that nonrural businesses get evaluated. Those criteria include risk, jobs created, nature of jobs, background (track record and reputation) of company, equity of owners, feasibility of the proposed activity, where the work force comes from, and so on. The amount of financing awarded is a function of the above criteria. However, many said the following were important to assisting a rural business.

(1) The RDF like to see local support for the proposed project. Local support includes, but is not limited to, a local EDC representative or similar person, city council, county commission, local banks, civic organizations, and other local businesses. If the business has access to a local EDC person, that individual must be involved in the project. It is important that the local EDC be willing to provide some contribution to the project. Many RDF feel, if the project is worth something to the rural community, then the community should be willing to contribute resources to the project. City councils and/or other elected local representatives should be willing show public support for the project.

(2) The business owner or contact person must be willing to pursue the project. This individual should be capable of articulating the business's needs and defend projections of the business's future expectations, along with having the perseverance to see the project through. Most RDF like to see the owner and/or manager be the lead individual(s) in the application process.

(3) The business's bank (or other financial institution) must be willing to go along with (stand behind) the business proposal. When the local bank or financial institution becomes uncooperative in the venture, it raises red flags with the RDF. However, several projects have gone through after local banks were unwilling or unable to participate in the proposal. In those cases, the business was able to secure services from another bank (i.e, one that was willing or able), so a lack of local bank support can be overcome.

(4) The project must be viable and good for the community. Loosely interpreted, the proposed activity should not compete with existing businesses in the city or immediate area and should not place an overbearing burden on city infrastructure or resources (e.g., sewer and water requirements). Much of the concern over whether or not the activity would be detrimental to the community can be obtained by local opinion on the project and listening to the local city council.

Concerns over Future Activities

A trend towards capital intensive projects and the ability to commit to those type of projects is a common concern. Capital intensive projects are generally expensive (to RDF), in terms of the amount of financial assistance required, and in many cases, require multiple-year financial commitments. These commitments pose some problems for RDF that do not have sufficient resources to sustain capital intensive projects over extended periods. Committing to large capital intensive projects can limit the funding available for other business projects.

Views of the role that the state government will take in economic development in the future also raise some concern among the RDF. The role of state efforts in large projects is an example. Some projects attract attention and state support while others appear to be ignored. Other concerns about state involvement include the amount of state support for rural economic development and rural community marketing efforts.

Conversations with Funded Businesses

Business owners/managers who received financial assistance from a RDF before 1996 were contacted to discuss their views and perceptions of how the RDF have been managed and discuss the businesses' perceptions of the application/approval process. The following represent the most common perceptions and experiences of those contacted.

Business managers/owners contacted varied from small rural businesses to large corporations. Some of the businesses contacted were successful in getting multiple financial assistances from the RDF. Of those that received assistance more than once, all felt that the second, or subsequent applications went more smoothly than the first. Those that filed applications the first year and/or were among the early applications for the regional funds were part of a learning process for the RDF personnel. The application process for businesses seemed to improve as the funds' gained experience.

Subsequent applications generally go much smoother for businesses than the initial process. However, the length of the application process for businesses was not easily defined. First-time applications ranged from just days to over a year. The amount of time in the application process seemed to vary depending upon the number of agencies and funds involved in the application and the ability of the business to compile and present the required information.

One common complaint regarding the application process included the lack of business expertise by many of those involved in the approval process (i.e., understanding the dynamics of specific industries/business types and knowledge of how business operations vary). Those interviewed suggested that many individuals overseeing the funds often had difficulty distinguishing between ventures that really had a chance to succeed and those that "looked good" on paper but lacked sound "business sense." Some interviewees said that business plans/ventures should be reviewed by individuals knowledgeable about specific business operations and industry structure. One suggestion was to use Service Corps of Retired Executives (SCORE) as consultants.

Another common complaint was that the application process was burdensome and time demanding. Burdening paperwork and excessive meetings were the most common single complaints. Many small business owners/managers commented that they did not have the resources (i.e., time, staff) to devote to the application process as compared to larger businesses. Some individuals had no complaints or problems with the process.

Nearly all of those contacted felt that the current leadership of the funds was doing a good job of managing the overall activities of the fund. Most said they had good working experiences with the fund personnel.

Several responses indicated that the regional development funds were critical to business expansion in North Dakota. Many also commented that they would not have initiated their business venture (i.e., startup, expansion) without financial support from a RDF.

Most rural business owners/managers felt there was no discrimination due to being rural. However, some individuals felt that the funds had some preferences for dealing with businesses located at the trade center.

When asked how the fund could be more effective, most business owners/managers had few suggestions. Most responded that they did not know enough about the funds' overall activities to make educated comments.

SUMMARY

All of the regional development funds at the major trade centers collecting revenue from local sales taxes for the purposes of creating funds for economic development were contacted. Information was obtained from Dickinson, Grand Forks, Jamestown, Minot, Valley City, Wahpeton, and Williston. The purpose of these funds has been to provide gap and incentive financing to new and expanding primary sector businesses. The goals of the funds have been to expand the local job base and create new wealth in local economies. The geographic scope of these funds has generally been similar to the greater trade areas of the cities.

The regional development funds (RDF) collectively have used $21.9 million from 1988 through 1995 to support 4,485 jobs in North Dakota. The Grand Forks GROWTH Fund provided the most financial support ($6.5 million), while the Minot MAGIC Fund supported the most full-time jobs (1,598). Financial assistance from the RDF has varied from $2,200 per job in Valley City to $7,500 per job in Jamestown. When the activities of the regional funds were averaged from 1988 through 1995, the RDF have provided $2.7 million annually in business assistance and supported 560 jobs. In addition to providing funds for job creation, RDF have collectively provided $1.9 million in assistance and financial resources for community marketing, feasibility studies, and industrial and business-related infrastructure from 1988 through 1995.

The state average amount of financial assistance per business was $89,700. The average amount of financial assistance per business varied from $33,700 for the Williston STAR Fund to $174,000 for the Grand Forks GROWTH Fund. A total of 244 businesses were assisted by the RDF from 1988 through 1995. About 22 percent or 55 businesses have received multiple assistances from a regional fund (i.e., they have received financial assistance more than one time either in different years or during one year). The average amount of RDF assistance per successful application (not to be confused with successful business) was $65,500; however, if assistances of $500,000 or more are removed from the average, the amount drops to $45,600.

The state average for the number of jobs created by each business assisted by a RDF was about 18.4 full-time equivalent jobs (total jobs divided by number of businesses funded). However, not all businesses assisted increased employment. About 11.5 percent of the 244 businesses funded by RDF through 1995 (28 individual businesses) have closed. The amount of funds given to closed businesses was $941,000 or 4.3 percent of all funds used from 1988 through 1995.

Statewide, the number of full-time jobs supported by RDF varied from 77 in 1990 to 1,100 in 1992. Financial assistance has also varied by year, with a low of $660,000 in 1988 to a high of $6.8 million in 1995. The average financial assistance per job, measured in nominal and real dollars, has continued to increase since 1992.

An approximate value of the annual payroll for jobs supported by RDF was estimated at about $82 million in 1995. Wage rate information from the MAGIC and GROWTH Funds was used as a proxy for the pay scales of jobs supported by other RDF.

Officials involved in managing RDF were contacted to obtain an understanding of the policies, procedures, and factors affecting general economic development efforts of the RDF. Based on interviews of RDF officials, the reasons or factors for the RDF's success included strong community support for the funds, general policy of risk minimization on business ventures, and access to other economic development funds and resources. Factors influencing multi-community cooperation (i.e., shared business assistance between regional funds and rural communities) were also discussed. Factors important to cooperative economic development projects between the regional development funds and neighboring communities include local community support for the business project, financial participation from local bank and community, and business and civic involvement in the project.

CONCLUSIONS

Success of the regional development funds was largely the result of support in the trade centers for economic development initiatives, risk minimization on business ventures, and access to and involvement with other local and state economic development resources. A major reason for the success of the RDF has been their ability to leverage financial assistance with funds from other sources. By leveraging their funds, the RDF have been able to help a substantial number of businesses. Also, leveraging has helped spread the risk of financial assistance to several entities.

The RDF collectively have operated in a "regional" capacity since about one-third of all businesses assisted were considered rural. However, the amount of regional assistance has not been equally shared across all funds. Only the Minot MAGIC Fund has demonstrated widespread assistance to rural businesses.

Excluding activities of the Minot MAGIC Fund, about 19 percent of the businesses assisted by the remaining RDF were considered rural; however, when only businesses assisted outside of the fund's county are considered, rural businesses account for 9 percent of all businesses funded. Reasons for differing amounts of support by the RDF for rural vs. nonrural businesses were not examined.

An important factor in the success of the RDF is their ability to tailor financial packages to closely suit the needs of a variety of business situations (e.g., loans, lending guarantees, grants, interest buy downs, rent/lease arrangements, and equity investments). In addition to providing financial assistance for job creation, the RDF have collectively provided $1.9 million in financial resources for community marketing, feasibility studies, and industrial and business-related infrastructure. The funds have demonstrated their willingness and ability to assist businesses and rural communities in a variety of ways.

A distinct difference exists in the cost per job supported between small and large business ventures. A substantially greater number of small business ventures have been funded compared to large ventures funded; however, large business ventures have received the majority of financial assistance and provided the majority of new job creation. Reasons for the difference are a function of the characteristics of business applications; information that was not collected.

The investment per full-time job supported has increased during the eight years that the RDF have been operational. In the first years of each fund, much of the economic activity was in the form of local business expansion. As the number of local business expansions decreases, other business ventures, such as new processing plants, startup enterprises, and relocation/startups of large existing businesses, have become more popular. However, these large business ventures usually require substantial resources which raises the investment per job created and limits the number of businesses that the RDF can assist.

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