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St. Cloud Area Quarterly Business Report Vol. 21 No. 4

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ST. CLOUD AREA

Quarterly Business Report

SUNDAY, DECEMBER 8, 2019 ■ VOL. 21, ISSUE 4

PART OF THE USA TODAY NETWORK

Every three months two St. Cloud State University economists analyze the latest business and worker data as well as the results from a survey of local business leaders. The result is the St. Cloud Area Quarterly Business Report. It has been published four times a year since 1999.

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King Banaian specializes in analyzing data and writing about it in the second portion of this report. Rich MacDonald collects and analyzes responses to the St. Cloud Area Business Outlook Survey, covered in an early portion of the report. Only MacDonald has access to the confidential list of surveyed businesses and the returned surveys. Questions about the survey can be directed to him. Special questions asked in the survey may at times deal with public policy but do not reflect a political agenda of either of the authors.

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RESEARCH INSTITUTE
ST. CLOUD STATE UNIVERSITY

INSIDE

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ONLINE

The St. Cloud Area Quarterly Business Report has been produced four times each year since January 1999. Electronic access to all past editions of the QBR is available at <http://repository.stcloudstate.edu/scqbr>



The St. Cloud area saw an increase in 780 area jobs during the past 12 months. The increase is coincidentally of similar size as the loss of jobs that occurred when Electrolux closed its St. Cloud production facility Nov. 1. ZACH DWYER/ST. CLOUD TIMES

Area economy enters an uncertain period

St. Cloud-area employment rose 0.7% over the year ending October 2019. This job growth represents an increase in 780 area jobs over the past 12 months.

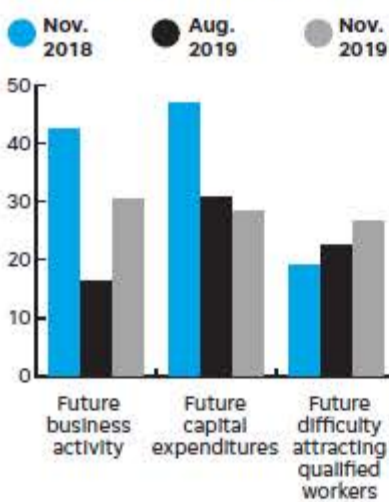
The recent increase in employment is coincidentally of similar size as the loss of jobs that occurred when Electrolux closed its St. Cloud production facility at the beginning of November. This means recent local employment growth could be reversed when the November jobs numbers are released by the Minnesota Department of Employment and Economic Development in mid-December.

St. Cloud once again outperformed both the state and Twin Cities in job growth over the past year. The construction, manufacturing, transportation/warehousing/utilities, educational/health, wholesale trade and financial activities sectors of the local economy led the way in employment gains, while the retail trade, professional & business services, information and leisure & hospitality sectors shed jobs.

The St. Cloud Index of Leading Economic Indicators was up 0.4% in the quarter and up 0.6% over the last year. Current business activity at surveyed firms was weaker than one year ago, but the future outlook of area firms is solid.

Forty percent of surveyed firms are either strongly or moderately opposed to Gov. Tim Walz's 100% Clean Energy plan and nearly 60% of firms are either "not

Key results of survey



at all concerned" or "mildly concerned" about climate change. Nearly three-fourths of survey respondents also expect to allocate a larger share of their 2020 budget to health care costs.

KEY TAKEAWAYS

1 Private sector payroll employment in the St. Cloud area rose 0.8% from one year earlier in the 12 months through October 2019. At 2.3%, the un-

employment rate in the St. Cloud area in October was up from 2.1% one year ago. The local labor force rose 2.2% over the year ending October 2019.

2 Employment in the manufacturing sector grew by 1.6% over the year ending October 2019 and annual local job growth in the mining/logging/construction (most of these jobs represent the construction industry) sector jumped 8.8%. The area financial activities sector created 3.1% additional jobs over the year ending October 2019, and employment in the transportation/warehousing/utilities sector rose 2.3%. Education & health sector job growth was 1.1% over the past 12 months. The professional & business sector shed 2.8% of its jobs in the last year and employment in the leisure & hospitality sector contracted by 3.9%. The local information sector experienced a 4.9% job loss over the past 12 months.

3 The new St. Cloud Index of Leading Economic Indicators rose 0.4% in the August-to-October quarter and is up 0.6% from one year ago. In the latest quarter, 4 of 6 indicators were down, however, showing an uncertain environment. The St. Cloud 13 Stock Price Index rose 3.6% over the year ending Oct. 31, slower than the S & P 500 rise of 6.9%.

See ECONOMY, Page 31

What has green economy done here? What's next?

When Gov. Tim Walz announced his new plans for clean energy (to which area businesses responded more in opposition than support, as seen elsewhere in this report), we thought how many of our area workers are in this field?

We are aware of some local businesses that work in environmental or renewable energy industries, and a substantial

number of government employees are working in conservation or environmental protection.

There's no clear answer to the question of what is a clean energy job. The Minnesota Department of Employment and Economic Development reported in 2014 there were 1,393 jobs in the clean energy sector spread across 101 busi-

nesses in Central Minnesota.

Forty-five percent of these jobs were in the energy efficiency field and another 22% in smart grid industries, with the remainder across solar, wind and bio-energy generation. Overall, DEED estimates 15,388 clean energy jobs in 2014 in

See GREEN, Page 31

Survey results for standard questions

CURRENT ACTIVITY

Tables 1 and 2 report the most recent results of the St. Cloud Area Business Outlook Survey. Responses are from 47 area businesses that returned the recent mailing in time to be included in the report.

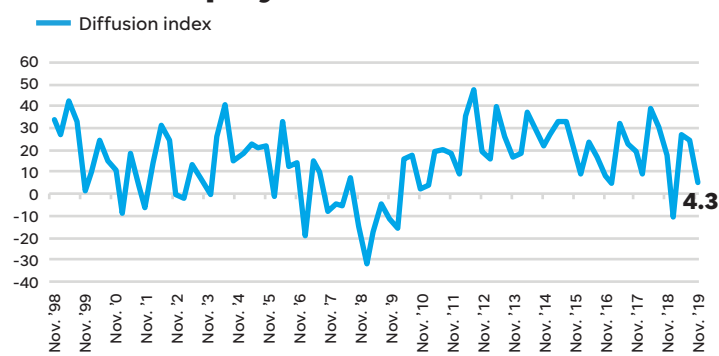
Participating firms are representative of the diverse collection of businesses in the St. Cloud area. They include retail, manufacturing, construction, financial, health services and government enterprises both small and large. Survey responses are strictly confidential. Written and oral comments have not been attributed to individual firms.

Several key current activity indexes found in Table 1 are lower than was reported one year ago and most index values are also lower than last quarter (which is a normal seasonal occurrence for many of the survey items). A diffusion index represents the percentage of respondents indicating an increase minus the percentage indicating a decrease in any given quarter. For any given item, a positive index usually indicates expanding activity, while a negative index implies declining conditions.

The index on current business activity is 17.5 points below the level of one year ago, with only 36% of firms reporting increased business activity over the past three months.

The employment index is the lowest November reading since 2010. Only 23.4% of surveyed firms report adding to payrolls over the past quarter. As can be seen in the accompanying figure, this series has only been lower than this on one occasion (in February of this year) over the past several years. The combination of slower local growth, weaker seasonal sales and persistent labor shortages have probably caused area firms to restrain hiring.

Current employment



The diffusion index for both length of the workweek and employee compensation is higher than one year ago, but the prices received index is lower than in November 2018. The index on current difficulty attracting qualified workers is at its lowest level in several years. As we noted in last quarter's QBR, this may represent a moderation in area labor shortages — but it has also historically signaled a slowing of area economic growth.

The national business activity index also fell in the current quarter. At 10.7, this index is now where it was earlier this year (when it was at its lowest level in three years). The most encouraging result in Table 1 is the current activity index on capital expenditures. Nearly one-third of surveyed firms report increased capital spending this quarter and few firms decreased spending on machinery and equipment. As is seen in the next section of the report, this trend of higher capital spending is expected to persist into 2020.

As always, firms were asked to report any factors that are affecting their business. These comments include:

- Trade(s) related labor shortages.
- Seasonal business has been robust. Other client needs not as strong as earlier this quarter.
- Counselors at the high school should be having all students in the sophomore or junior year take a skills test or whatever it is called to see what their built-in interests are for their future.
- After a two-year roller-coaster ride as a result of poorly planned/executed tariffs, steel prices are finally back to "normal." It has been a painful period for users of steel, and some damage (like redesign of certain products away from metals) will never fully be undone, but at least the worst is behind us.
- TARIFFS.

Table 1: Current business conditions

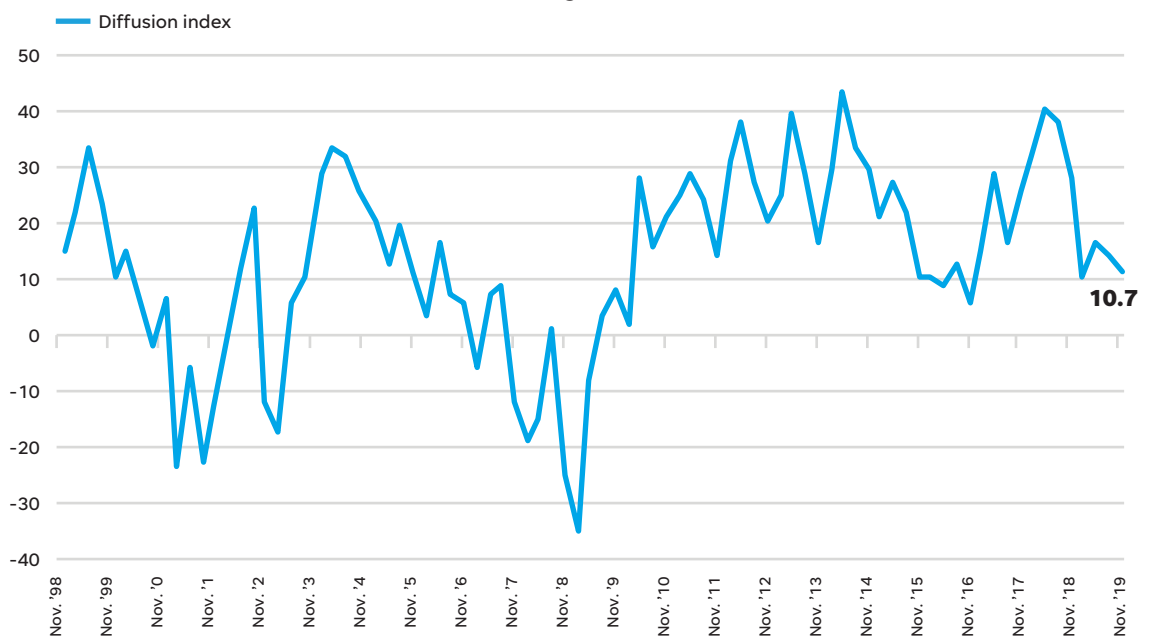
St. Cloud Area Business Outlook Survey summary, Nov. 2019 What is your evaluation of:	November 2019 vs. three months ago				August 2019 diffusion index ³	November 2018 diffusion index ³
	Percentage decrease	No change	Percentage increase	Diffusion index ²		
Level of business activity for your company	23.4	38.3	36.2	12.8	30.6	30.3
Number of employees on your company's payroll	19.1	55.3	23.4	4.3	24.5	17.9
Length of the workweek for your employees	12.8	63.8	21.3	8.5	12.3	3.5
Capital expenditures (equipment, machinery, structures, etc.) by your company	6.4	57.4	31.9	25.5	20.4	17.9
Employee compensation (wages and benefits) by your company	2.1	57.4	38.3	36.2	44.9	35.7
Prices received for your company's products	10.6	59.6	25.5	14.9	14.3	25.0
National business activity	10.6	59.6	21.3	10.7	14.3	28.5
Your company's difficulty attracting qualified workers	4.3	68.1	25.5	21.2	26.5	35.7

Table 2: Future business conditions

St. Cloud Area Business Outlook Survey summary, Nov. 2019 What is your evaluation of:	Six months from now vs. November 2019				August 2019 diffusion index ³	November 2018 diffusion index ³
	Percentage decrease	No change	Percentage increase	Diffusion index ²		
Level of business activity for your company	6.4	40.4	48.9	42.5	16.3	30.3
Number of employees on your company's payroll	6.4	46.8	38.3	31.9	10.2	19.6
Length of the workweek for your employees	8.5	70.2	17.0	8.5	-4.1	-7.2
Capital expenditures (equipment, machinery, structures, etc.) by your company	4.3	38.3	51.1	46.8	30.6	28.5
Employee compensation (wages and benefits) by your company	0	31.9	63.8	63.8	44.9	53.6
Prices received for your company's products	8.5	36.2	48.9	40.4	18.4	46.4
National business activity	10.6	48.9	29.8	19.2	6.1	16.1
Your company's difficulty attracting qualified workers	0	74.5	19.1	19.1	22.5	26.7

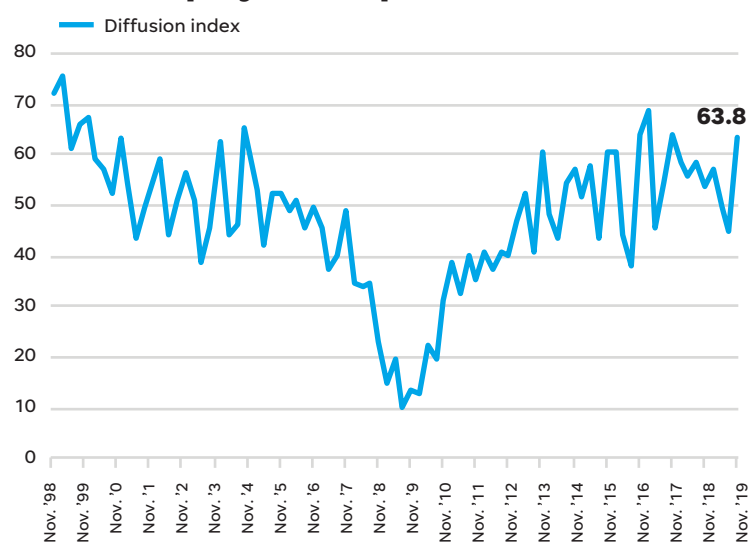
Notes: (1) Reported numbers are percentages of businesses surveyed. (2) Rows may not sum to 100 because of "not applicable" and omitted responses. (3) Diffusion indexes represent the percentage of respondents indicating an increase minus the percentage indicating a decrease. A positive diffusion index is generally consistent with economic expansion. Source: SCSU School of Public Affairs Research Institute

Current national business activity

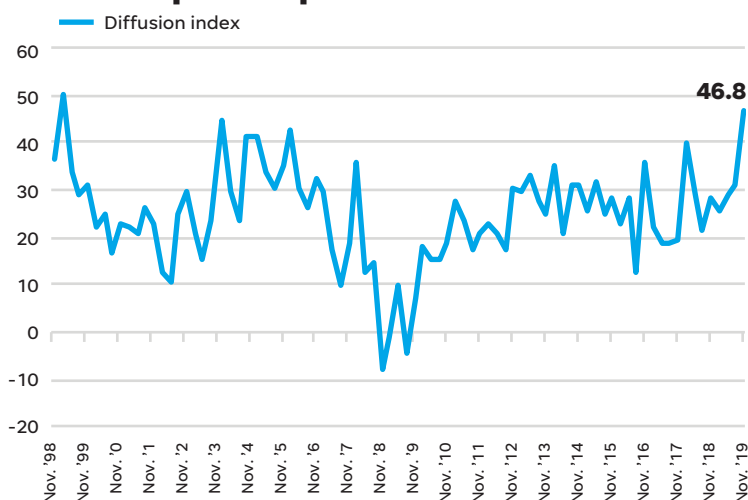


FUTURE OUTLOOK

Future employee compensation



Future capital expenditures



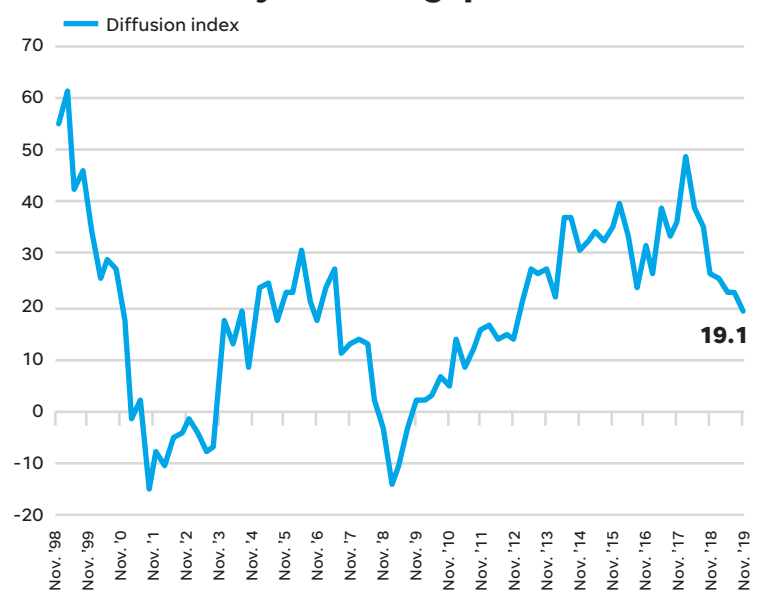
The future business conditions survey responses found in Table 2 are stronger than we saw one year ago. Six survey items are higher than in November 2018 and only two are lower. While we do think this signals continued economic growth in the St. Cloud area, we caution readers that the direct, indirect and induced economic impact of the Electrolux closure will be felt over the next several months.

Surveyed firms in Table 2 may not be part of the Electrolux supply chain (and may not sell products to Electrolux employees), but the regional economy will have to work through the shock of abruptly losing several hundred jobs.

Charts representing two particularly strong components of the future conditions survey are shown on this page. The future capital expenditures index reading is the highest recorded value in more than 20 years.

Firm expenditures on capital equipment and machinery is a strong leading indicator for the regional economy. These investments help increase firm productive capacity and they also improve operating efficiency, which is critically important in a competitive environment.

Future difficulty attracting qualified workers



The future employee compensation survey item is also elevated. Its index value is the highest in more than two years and it now appears that this series has reversed the downward trend that has been observed since the beginning of 2017. Nearly two-thirds of surveyed firms expect to increase wages, salaries and fringe benefits over the next six months and no firm expects worker compensation to decrease.

Finally, note that firms continue to expect lesser difficulty

attracting qualified workers in the future. We remind readers that this series (see accompanying diagram) has historically followed a path that closely resembles the cyclical movement of the overall regional economy and is part of our leading economic indicators series. While an index value of 19.1 does not signal a recessionary economy (this series obtained negative values in the previous two recessions), its continued decline is worth watching — and is suggestive of weakening local economic growth.



A truck hauls a tower section of a wind turbine. COURTESY OF ATS

Green

Continued from Page 11

Minnesota; recent estimates from private and non-profit groups are four times higher.

On the other hand, the federal Bureau of Labor Statistics lists a set of occupations that are clearly in the environmental or clean energy field. As can be seen

from an accompanying table, those particular occupations, when plotted to Minnesota data puts only about 300-400 jobs in Central Minnesota. The growth rates of these jobs are high indeed — expected to more than double before 2026 — but it is hard to see how this is a growth field.

Another look, however, tells a different story. Our region has certain economic capacities built over decades of learning how to produce and market

certain goods, and for building an infrastructure that supports those areas of specialization. And in some occupations where the St. Cloud area has a high share of workers, it is possible to see moves toward the manufacturing of green energy products.

For example, a recent study from Oxford's Institute for New Economic Thinking suggests countries that export "optical devices, appliances and instruments" can also produce solar helle-

stats "that orient mirrors that control solar power systems." In 2018, there were 580 ophthalmic lab technicians in the St. Cloud metro area.

Such new areas of growth, which build on existing capabilities, have the capacity to keep St. Cloud's lead in manufactured goods, and increase the size of its "tradeable" sector (the sector that brings it income from outside the region). All have the capacity to improve the economic vitality of this region.

Economy

Continued from Page 11

4 The future outlook of those area businesses responding to the St. Cloud Area Business Outlook Survey was mostly favorable. Forty-nine percent of surveyed firms expect an increase in business activity over the next six months, and only 6% expect decreased activity. Thirty-eight percent of surveyed firms expect to expand payrolls by May and more than half of firms anticipate increased capital expenditures over the next six months. Nearly two-thirds of firms expect to pay higher wages and salaries by May 2020. The local labor shortage may be moderating as fewer firms expect to have increased future difficulty attracting qualified workers. However, this sometimes signals the beginning of slower economic activity.

5 In special questions, 23.4% of firms are "strongly opposed" to the 100% Clean Energy plan proposed by Walz earlier this year. Another 17% of survey respondents are "moderately opposed" to this plan and 27.7% are neutral. Fifteen percent of surveyed firms either "moderately" or "strongly" favor the clean energy proposal. In a separate special question, nearly one-third of firms are "not at all concerned" about climate change and another 27.7% express mild concern. Twenty-one percent of firms are "moderately concerned" about climate change and another 8.5% are "greatly concerned." One firm reports it is their greatest concern. This quarter's final special question asked area firms to indicate what they



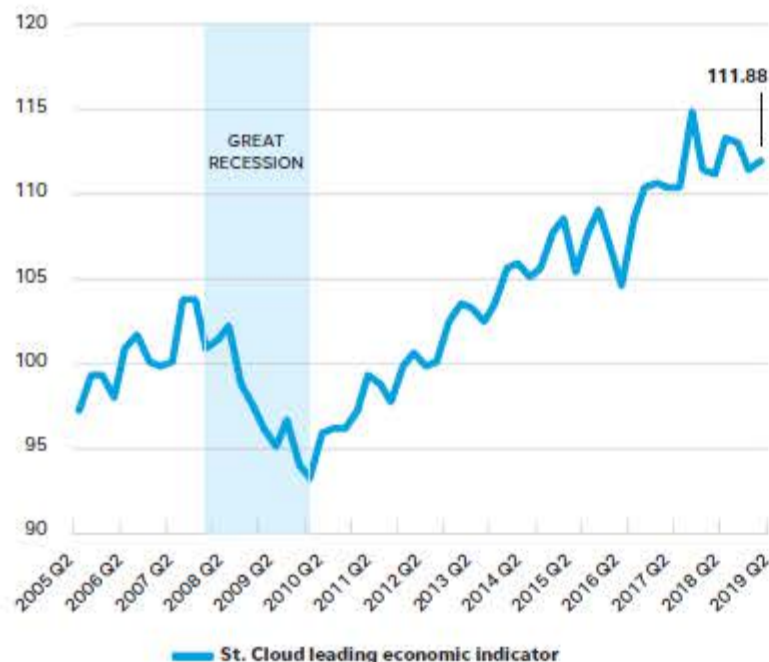
Traffic moves past the Electrolux employee entrance on 33rd Avenue North on March 14 in St. Cloud. DAVE SCHWARZ/ST. CLOUD TIMES

expected with their health care budget in 2020. Of surveyed firms, 72.3% expect the share of their budget allocated

to health care expenditures to increase in 2020 compared to 2019. Twenty-three percent of firms expect an "un-

changed" share of expenditures to go toward health care. No firms expect this share to decrease.

New St. Cloud Index of Leading Economic Indicators (1st quarter 2013 = 100)



Employment, wages, market are positive

Non-agricultural employment grew 0.7% in the last 12 months, and private employment grew 0.8% in the same period. As seen in Table 3, these are both 0.1% slower than their long-run averages and both are faster than the growth rate in the state of Minnesota and the Twin Cities region. This was largely due to much faster growth in the manufacturing and construction sectors of the St. Cloud economy.

Employment in the retail trade and leisure and hospitality sectors, accounting for 19% of area jobs, fell in the last year to October 2019. This was offset by gains to the education and health sector, which has a 20.4% share of St. Cloud-area employment. Overall service sector employment in the St. Cloud area was slightly down in the period.

An area we pay heightened attention to in this table is the level of professional and business employment, as this includes temporary workers that often precede an uptick in permanent hiring in other areas. Table 3 shows this is down around the state. Survey results from ManpowerGroup indicate weaker hiring in Minnesota for the fourth quarter, though future expectations were stated to be "stable."

Table 4 includes data from the household survey of employment, a companion to the payroll survey used for Table 3. Table 4 shows a stronger employment gain of 1.9% for St. Cloud area households over the 12 months to October 2019.

A phenomenon of the late expansion is the 2.2% gain in St. Cloud-area labor force. Faster labor force growth often leads to a slight increase in the unemployment rate, but the jobless rate is still a remarkably low 2.3%. We last experienced an extended period of unemployment rates this low in 1999-2000.

Wages have moved sharply higher, rising 7.5% year-over-year in October. This is faster than the 6.2% growth in the Twin Cities, but both are likely to pull additional workers back into the labor market. (Estimates of labor force participation rates for 2019 will not be known for some time.)

Also in Table 4 we see that initial claims for unemployment insurance fell by one claim (0.3%) in the last quarter relative to the same three months of 2018. The St. Cloud 13 Stock Price index rose over the last year through October by 3.6%, far less than the growth of the S&P 500 of 6.9%. The top gainer was Newell Brands (parent of Stearns Manufacturing), up 34% between the end of July and the end of October, while the largest loser was American Axle (parent of Grede), off 30.7% in the same period.

Over the next few months we will revise the stock index to reflect the loss of Electrolux as an employer in the area; the index will no longer include its stock.



Increased employment in the area's education and health sector is a recent bright spot. The Quarryview Education Center in Waite Park is shown here. JASON WACHTER/ST. CLOUD TIMES

Building permits in the city of St. Cloud for new single-family home construction fell in value by 7.5% compared to 2018.

The St. Cloud Area Index of Leading Economic Indicators (LEI) rose 0.6% in the last year through October 2019 including 0.2% in the last quarter. But the base of this growth narrowed, as seen in Table 5. Only stock market performance and an increase in new business incorporations in the region kept the indicator in positive territory. Lower building permits, increasing initial claims for unemployment insurance and the results of the St. Cloud Area Business Outlook Survey all pointed towards lower economic activity in the next six months.

The expansion in St. Cloud is now more than 9 years old, making it historically long. The expansion of the U.S. economy is now more than 10 years old. The labor expansion shows signs of cooling that is as much a function of dwindling labor supply (and higher wages) as it is lagging product demand. The latest survey of manufacturers from Creighton University showed that industry was in contraction for the third month of the last four (through November.)

Yet investment continues, wage gains are still being found as workers appear to be re-entering the workforce, and businesses still see their firms as having better prospects than their recent experience. Rather than waiting for the other shoe to drop, area businesses seem slightly more optimistic about the start of 2020 than in 2019. We will keep waiting for a stronger signal, one way or the other.

Table 3: Employment trends

	ST. CLOUD		MINNESOTA		TWIN CITIES	
	2004-'19 long term	Oct. '18 to Oct. '19 growth rate	2004-'19 long term	Oct. '18 to Oct. '19 growth rate	2004-'19 long term	Oct. '18 to Oct. '19 growth rate
Total non-ag	0.8%	0.7%	0.6%	0.4%	0.8%	0.0%
Total Private	0.9%	0.8%	0.7%	0.4%	0.8%	-0.1%
GOODS PRODUCING	0.3%	3.9%	-0.3%	1.2%	-0.2%	1.7%
Mining/Logging/Construction	2.6%	8.8%	0.0%	3.2%	-0.1%	4.8%
Manufacturing	-0.6%	1.6%	-0.5%	0.3%	-0.3%	0.3%
SERVICE PROVIDING	1.0%	-0.1%	0.8%	0.3%	0.9%	-0.3%
Trad/trans/utilities	0.7%	0.6%	0.2%	0.6%	0.2%	0.8%
Wholesale Trade	2.0%	1.6%	0.2%	0.9%	0.0%	1.5%
Retail Trade	-0.2%	-0.4%	0.0%	0.8%	0.1%	-0.8%
Trans/Ware/Util	2.5%	2.3%	0.8%	-0.4%	0.8%	3.7%
Information	-3.4%	-4.9%	-1.7%	-7.4%	-1.1%	-2.0%
Financial Activities	1.7%	3.1%	0.6%	1.4%	0.6%	1.3%
Prof & Business Serv.	0.7%	-2.8%	1.3%	-1.2%	1.4%	-1.3%
Education & Health	3.2%	1.1%	2.4%	-1.0%	2.6%	-3.1%
Leisure & Hospitality	-0.5%	-3.9%	1.2%	5.1%	1.3%	2.0%
Other Services (Excl.Gvt)	-0.3%	-0.5%	-0.3%	0.1%	0.1%	0.5%
Government	0.4%	-0.1%	0.2%	0.4%	0.1%	0.4%
Federal	2.6%	-1.5%	-0.2%	1.8%	-0.2%	1.5%
State	-0.5%	-0.5%	0.7%	0.4%	0.0%	1.1%
Local	0.3%	0.5%	0.1%	0.2%	0.2%	-0.1%

St. Cloud 13 stock price index

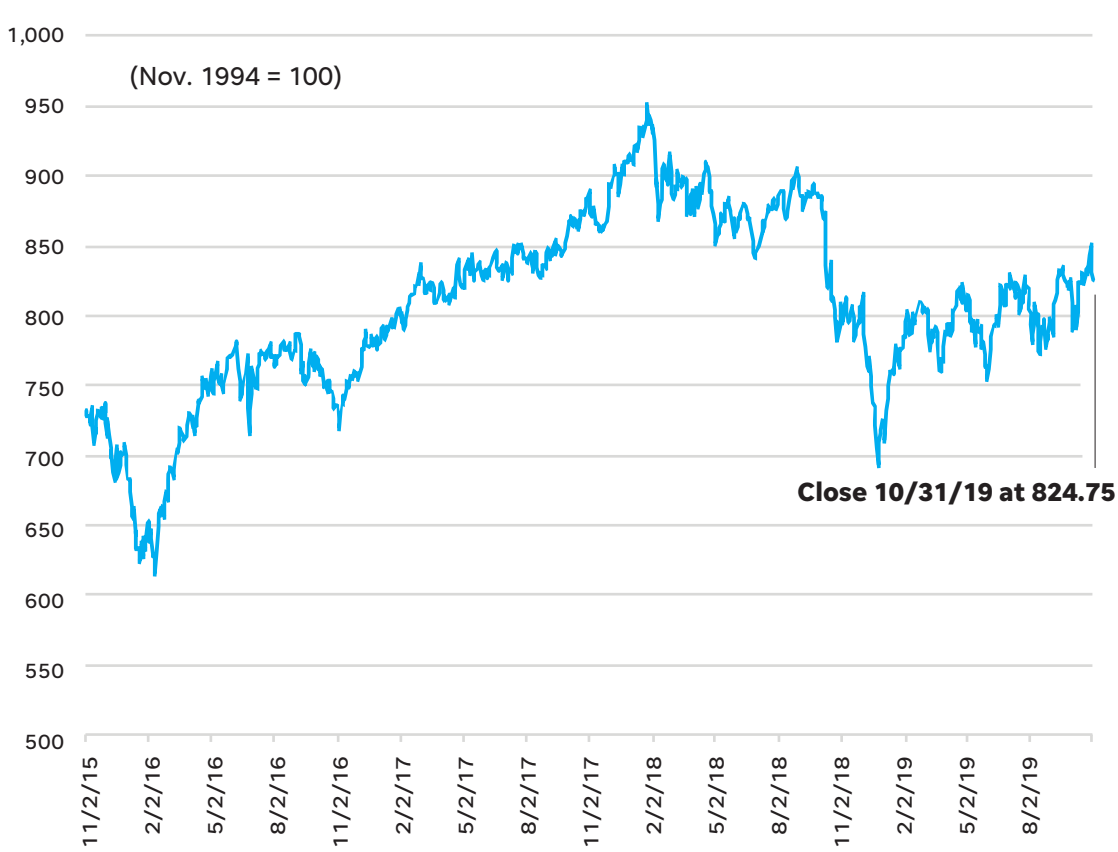


Table 4: Other Economic Indicators

	2019	2018	Percent change
St. Cloud MSA Labor Force October (MN Workforce Center)	115,506	113,060	2.2%
St. Cloud MSA Civilian Employment # October (MN Workforce Center)	112,835	110,691	1.9%
St. Cloud MSA Unemployment Rate* October (MN Workforce Center)	2.3%	2.1%	NA
Minnesota Unemployment Rate* October (MN Workforce Center)	2.5%	2.2%	NA
Mpls-St. Paul Unemployment Rate* October (MN Workforce Center)	2.5%	2.1%	NA
St. Cloud Area New Unemployment Insurance Claims Aug.-Oct. Average (MN Workforce Center)	382.0	383.0	-0.3%
St. Cloud 13 Stock Price Index as of October 31 (SCSU)	824.75	795.73	3.6%
St. Cloud City Residential Building Permit Valuation in thous., Aug.-Oct. Average (City of St. Cloud)	2,379.8	2,572.3	-7.5%
St. Cloud Index of Leading Economic Indicators October (SCSU) 2012-13 = 100	111.9	111.2	0.6%

MSA = St. Cloud Metropolitan Area, comprised of Stearns and Benton counties. # The employment numbers here are based on household estimates, not the employer payroll estimates in Table 3; * Not seasonally adjusted; NA Not applicable or not available.

Table 5: Impact of Indicators on St. Cloud Leading Economic Indicators, Oct. 2019



Indicator	Impact on leading indicators
Initial Claims for Unemployment Insurance	DOWN ▼
New Business Incorporations	UP ▲
Professional, Business Services Employment	DOWN ▼
St. Cloud 13 Stock Price Index	UP ▲
Current Conditions in Survey	DOWN ▼
Future Conditions in Survey	DOWN ▼

Special questions

SPECIAL QUESTION 1

Area firms' support for 100% clean energy plan

SCSU will host the 58th Winter Institute on Feb. 20-21, 2020. Over the years, this annual program has featured some of the most visible experts on timely economic topics. This year's program will address the impact of climate change on the local economy.

Over 21 years of surveying area businesses, environmental topics have rarely appeared in our quarterly survey. Environmental concerns have never been near the top of area firms' legislative priorities when we have surveyed this question; only 9% in November 2018 and 8% in November 2017 answered "environmental policy" as a legislative priority and none put it at the top of their list.

However, given the timeliness of the topic and its appearance as the theme of the February 2020 Winter Institute, we decided to ask area business leaders to comment on two key issues that have been prominent in the media in recent months. We asked:

Earlier this year, Gov. Walz proposed a 100% clean energy plan, which would require all Minnesota electric utilities to use only carbon-free resources by 2050. To what extent does your business support this plan?

The governor proposed the clean energy plan in March. The proposal is to make Minnesota's electricity-generating firms carbon-free by 2050 (a goal that has already been embraced by Xcel Energy). It does not mandate how energy firms will achieve this goal — it might include solar, nuclear, wind or other forms of renewable energies. It will, of course, come at a cost, but the 30-year time horizon is intended to help firms work through these challenges.

Area firms with non-neutral responses to this question appear to have strong views. Very few firms either "mildly oppose" or "mildly favor" this plan. Firms that are "strongly opposed" were 23.4%, and 17% are "moderately opposed" to this proposal. Another 8.5% "moderately favor" the clean ener-

gy plan and 6.4% "strongly favor" the governor's proposal. More than one-fourth of surveyed firms are neutral on this issue. Written comments include:

|| Same old story (if honest) as other energy brainstorms: increased costs spread over all consumers with dubious benefit.

|| It will put MN businesses at an economic disadvantage (compared to) other states.

|| Minnesota has enjoyed some of the most economical electricity rates in the country for years. Makes no economic sense to proactively change unless we want to utilize more nuclear power which has other issues.

|| We support the direction but would want to make sure changes are implemented in a way that is responsible.

|| Clean air technologies are the future and good for the environment.

|| We compete nationally. If this forces our costs up significantly, we will no longer be competitive. I like the concept but what does the future look like for sustainable energy options? Right now, there is a significant cost difference. While it is great to set a goal, we need a road map to get there.

|| The costs to comply will be expensive for the utilities — they will pass on these costs to business and the consumer, therefore raising prices for everyone.

|| The plan needs more than a Governor mandate to weigh the cost versus the benefit.

|| This only can work if building more nuclear plants is approved.

|| We are not in the energy sector, may impact some of our clients.

|| The cost to implement this plan will be far greater than the benefits, both financial and environmental. There is a lot of data out there that says the amount of energy to produce green energy systems is far more than what they produce.

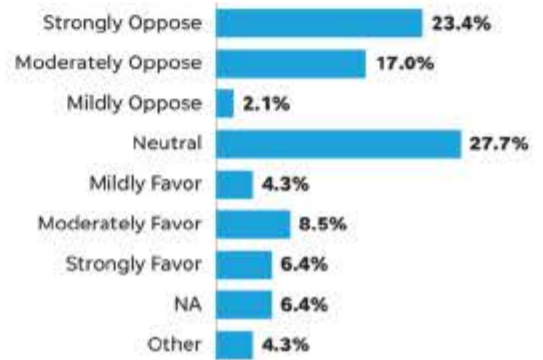
|| Because of the reliability of completely carbon-free methods and the associated cost of these methods, this mandate will not receive a very good



Facilities manager Kevin Korneck walks past rows of solar panels on the roof of the Stearns County Service Center construction project Wednesday, July 10, 2019, in Waite Park. DAVE SCHWARZ, DSCHWARZ@STCLOUDTIMES.COM

Special Question 1

Earlier this year, Governor Walz proposed a 100% Clean Energy plan, which would require all Minnesota electric utilities to use only carbon-free energy resources by 2050. To what extent does your business support this plan?



outcome for the end users. The makers or suppliers of the carbon-free methods still have a carbon footprint making the products that provide carbon-free energy. So, this does not make any sense.

|| Natural gas is clean, affordable and plentiful.

|| Unfortunately, cost is an issue. What is the cost?

|| It's not possible.
|| Unsure from an overall company standpoint.

|| It must be cost effective, because costs cannot be passed on. Very short sighted in a global economy.

|| As a company, this won't impact us. Personally, I think its aggressive and will be costly.

SPECIAL QUESTION 2

Climate change concern

Our second environmental question was a general item of business concerns about climate change. The U.S. Chamber of Commerce in September formed a climate change task force to study business response after earlier expressing skepticism. Future local, regional, national and global public policy will be shaped by the ongoing debate about the causes and consequences of climate change.

These policies could have a strong economic and regulatory component, which is of particular importance to area businesses. With that in mind, we asked:

To what extent is your business concerned about climate change?

Nearly one-third of survey respondents indicate they are "not at all concerned" about climate change and one firm indicates "it is our greatest concern." Another 27.7% of businesses are "mildly concerned" about climate change and 21.3% express "moderate concern." Only 8.5% of respondents are "greatly concerned." Written comments help tell the story:

|| Climate is changing regardless of human activity, just like 500, 5,000 and 50,000 years ago.

|| We believe it is real and needs to be a topic that is considered as we (as a country/planet) make decisions.

|| While we do not like climate change, in our opinion, it has little effect on our business.

|| Climate change exists but there will be winners along with the losers. Geographically, MN is likely a winner.



Minnesota Governor Tim Walz held a press conference on March 4 to announce major energy and climate policy initiatives. Walz set a goal for Minnesota to get 100 percent of its electricity from carbon-free sources by 2050, though his plan was short on specifics. GLEN STUBBE/AP

|| If climate change is not addressed, it is going to affect everyone and all of the businesses.

|| Climate change seems to be impacting weather, which does impact our business.

|| The climate has been changing since the Earth was formed and will continue to do so with or without human presence. I have a bigger concern about the plastic and PFAS pollution problems.

|| Some climate change is caused by humans, but the majority is caused by the natural way. It is just a cycle of life as it always has been.

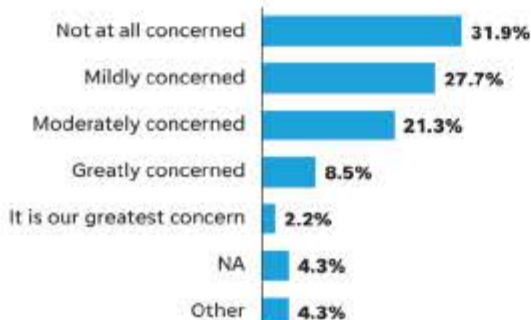
|| I like clean air and water. I think human driven climate change is another issue that is overblown.

|| Unsure from an overall company standpoint.

|| Need more info.

Special Question 2

To what extent is your business concerned about climate change?



Special questions

SPECIAL QUESTION 3

Share of firm's budget spent on health care in 2020

This quarter's final special question is a repeat of an item that we last asked in August 2017. Area firms have consistently singled out "health care reform" as their most important legislative priority (see the discussion of special question 1 above for more on this), so we were keenly interested to evaluate the extent to which presumed increases in health care costs are expected to impact company budgets in 2020. We asked:

Compared to 2019, does your business expect a lower, unchanged or higher share of the firm's budget to be spent on health care in 2020?

When we asked this question in August 2017, 60.4% of firms anticipated a higher share of their next year's budget to go toward health care costs and one firm expected health care to take up a lower share of their budget. One-quarter of surveyed firms answered "unchanged" in 2017.

Fast forward to 2019 and no firms expect health care costs to absorb a lower share of their firm's budget in 2020. Firms anticipating the share of health care costs to be unchanged in 2020 is 23.4%, and 72.3% indicate health care costs will take up a "higher" share of firm budgets next year.

We remind readers that this question doesn't ask whether health care costs are expected to rise — it asks how these costs will impact the overall structure of firms' budgets. Everything else equal, those expenditures that go toward paying for health care leave less funding available for wages, salaries and other fringe benefits. As always, firms' written comments are instructive:

- Older workforce & higher costs. Need more wellness incentives from insurance companies, not government.

- Rates increased per quotes received.

- Until we can fix the legal and regulatory environment associated with our

country's medical system, we are going to expand our lead over the world's major wealthy economies in the cost of health care and continue to lag these same economies on a whole host of quality measures, including life expectancies. These same issues impact the competitiveness of all businesses in the U.S., they are simply magnified in the health care system as evidenced by the many e-mails, robo-calls, mailings and billboards that pound our health system.

- Our health care costs have remained stable over the past few years as a result of strategic initiatives to support/reward the right behaviors.

- Cost of health care continues to be a burden.

- Health care cost increases are a huge hurdle to overcome. We have been seeing 8% increases for the past 4-5 years. This has to stop.

- The rate increases have been more moderate and tolerable.

- We are facing between a 12% and 23% price increase, even though our usage went down.

- Substantially higher every year ... current health system is broken and unsustainable for small businesses long term.

- Presently, we are seeing projected cost increases of about 5%.

- Costs keep going up for healthcare!

- There is no free lunch when it comes to health care costs. Tort reform is the only way that health care costs can be contained. You can't have an open door to lawsuits at all times and contain costs. We are all human.

- We provide employees a cash stipend and allow them to buy their own policy that they select and manage.

- It continually goes higher.

- We don't provide health care benefits.

- We anticipate higher health care costs, but the rate of inflation in this area is much lower than in recent years.

- Premium costs up about 10%.



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Special Question 3

Compared to 2019, your business expect a lower, unchanged, or higher share of the firm's budget to be spent on health care in 2020?

Lower: 0.0%

Other: 0.0%

