

Five-State Comparative Study of State Regulations affecting Small Business Start-Ups

Study Contracted by the Legislative Coordinating Commission

Research Team:

**Aastha Dhakal
Nicholas Kline
Danielle Schmidt
Robert Shatto
Anil Singh
Taylor Voss**

Project Manager: Nicole Bonnstetter

Managing Director: Samantha Eicke

Executive Director: Michael K. Rich, Ph.D.

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Table of Contents

Tables and Figures	2
Summary	3
Major Findings	3
Observation from Research	7
Report Summary	8
Introduction	10
Section One – Methodology	12
Initial Approach	12
SBDC Interviews	12
Other Relevant Interviews	13
Primary Research on General Business Start-up Requirements	13
Primary Research on Starting Specific Business Types	13
Survey Development	14
Previous Research	14
Section Two – Primary Research by Research Team	16
Direct Research on General Regulatory Requirements by State	16
Determining Five Common Businesses	19
Issues Common to All Five Businesses Studied	20
Business Start-up Regulations by Industry	22
Convenience Stores	22
Full-Service Restaurants	24
Beauty Salons	25
Dentists	26
Commercial Lithographic Printers	27
Summary	27
Section Three – Primary Survey Results	29
Demographics	29
Time Requirements and Costs	31
Findings	32
General Perceptions of the Start-up Process	33
Section Four – Discussion	35
References	39
Exhibits	45

List of Tables and Figures

ML 2012, Ch 347, Art 1, Sec 33	5 State Comparison – Printing	Acquired Additional Services: Other
SBDC Interview Guide	5 State Comparative Ranking Chart	Investment for Start-Up
SBDC Minnesota Interviews	Survey Response Rates	Investment for Start-up by State
SBDC Iowa Interviews	Demographics Table	Obtained Helpful Information
SBDC North Dakota Interviews	Reasons for Starting Business	Obtained Helpful Information From: Other
SBDC South Dakota Interviews	Reasons for Starting Business: Others	Three Most Helpful Sources
SBDC Wisconsin Interviews	Reasons for Starting Business in Particular State	Time Spent with Helpful Sources
Relevant Interviews	Reasons for Starting Business in Particular State: Hometown	Additional Comments
Small Business Interviewers Guide	Reasons for Starting Business in Particular State: Other	Explanation of Likerts Likert Responses
Survey Instrument	Business Type	Overall Satisfaction with Business Start-Up Experience
Previous Studies	Business Type: Other	Overall Satisfaction with Licenses and Requirements
Five Common Businesses	Organizational Structure	Unemployment Insurance and Tax Rate
Business Entity Selection	Organizational Structure: Other	Educational Attainment
Tax Chart	City and Zip Code	Unionization
5 State Comparison – Convenience Stores	Time Spent to Satisfy Regulatory Requirements	Workers Compensation
5 State Comparison – Full Service Restaurants	Time Spent to Satisfy Regulatory Requirements: 1-6 months	Business Officially Operational
5 State Comparison – Dentist	Time and Operation Chart	Small Business Establishments per State
5 State Comparison – Beauty Salons	Acquired Additional Services	

Summary

As authorized by legislation ML2010, Ch. 347, Art. 1, Sec. 33 (Exhibit 1), the Southwest Marketing Advisory Center (Advisor) was retained by the state's contacting agent, the Legislative Coordinating Commission (Client). The purpose of this research, as stated in the RFP, was to determine the impact of state regulations on the climate for new business enterprise start-ups. Advisor was to determine whether the extent and magnitude of Minnesota regulations is a constraint or benefit in attracting new business enterprises compared to surrounding states. Issues considered important to Client and Advisor included the time required to complete the process, related costs, ease of navigating through the requirements and the resulting overall perceptions of those who completed the process.

Major Findings:

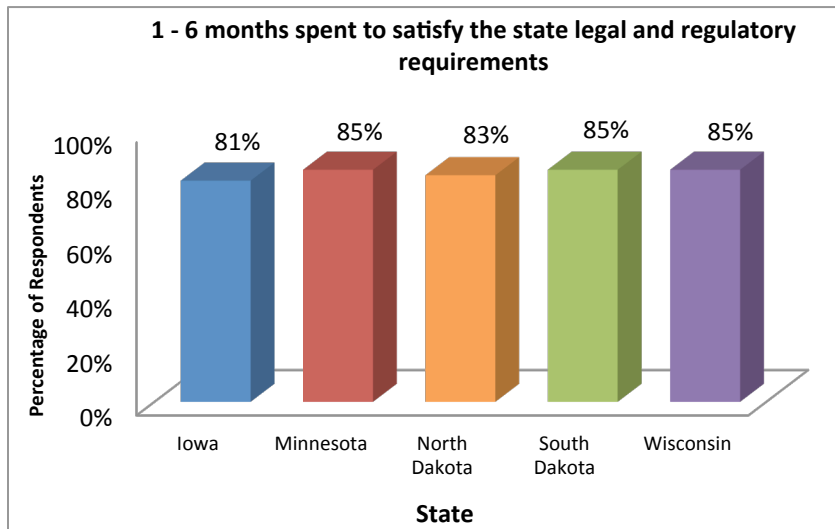
- All states involved in the study furnished websites designed to assist in a business start-up. All were perceived as incomplete, requiring an individual to make direct contact with a variety of agencies within the state government for clarification.
- The most frequently cited source of help during the start-up phase was "other small business owners." This source was mentioned by 52% of respondents. SBDC offices were the second most cited at 28%.

- To determine differences in costs for starting a business, five specific businesses were selected that were leading start-ups in all five states. Costs within each of

	Initial Licensing Cost				
	Iowa	Minnesota	North Dakota	South Dakota	Wisconsin
Full Service Restaurant	\$711 - \$2,755	\$804 - \$6,230	\$140 - \$380	\$2,030 - \$295,894	\$10,783 - \$14,936
Convenience Store	\$3,605 - \$7,769	\$7,325 - \$10,225	\$716 - \$956	\$1,917 - \$2,052	\$405 - \$1,465
Beauty Salon	\$144	\$554	\$145	\$140	\$506
Dentist	\$3,666 - \$4,251	\$3,139 - \$4,108	\$3,280 - \$4,365	\$2,645 - \$3,320	\$2,815 - \$3,236
Printing	\$0	\$0	\$0	\$0	\$20

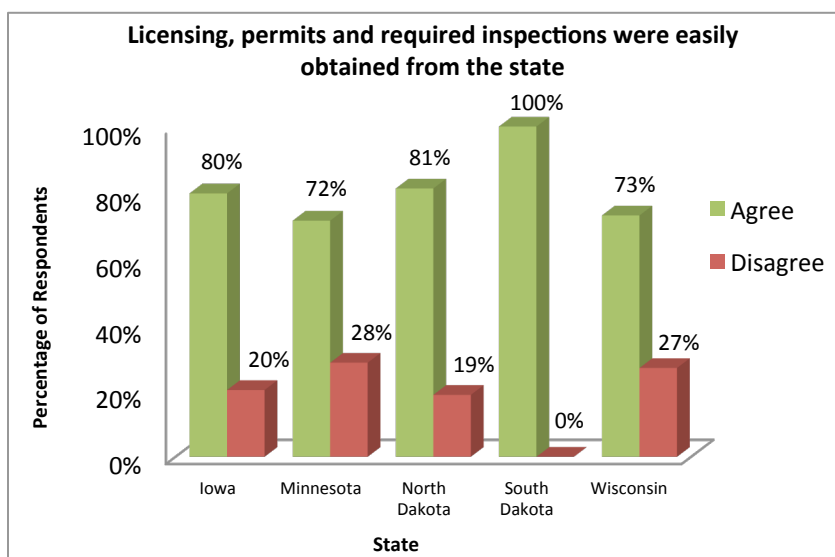
the five states varied based on the size of the business and the geographical area within the state where the business was to be located. The higher costs often were related to securing a liquor license when required. When considering the total cost of starting a business, most of these licensing costs are minimal, although a significant difference between states is evident for specific business types. The range shown reflects taking the minimum cost on all aspects of the process for a specific business as well as the maximums. The sum of this process is reflected in the range shown in the table. A more exhaustive breakdown of these totals appears in Exhibits 15-19.

- The vast majority of start-ups required only one to six months to satisfy state legal and regulatory requirements. Minnesota had basically the same percentage of respondents indicating this time requirement for starting their business as the other states involved in the study. For time requirements in excess of six months, Minnesota had the highest time requirements for some respondents as shown in Exhibit 34b.



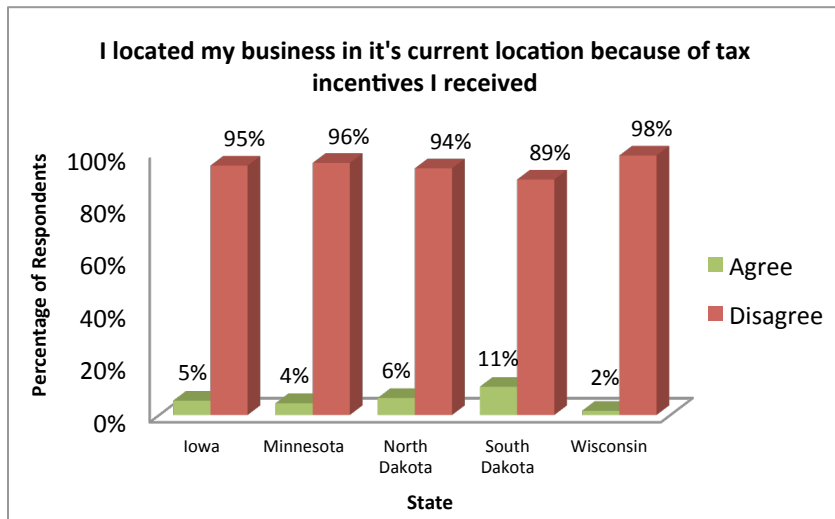
- The more populated the state, the more subdivisions existed within governmental agencies with employees demonstrating a more limited overall knowledge of the entire process, requiring greater effort to secure necessary information. This increased effort is defined as additional phone calls, repeat phone calls to verify accuracy of previously received information and searches for information from those who had previously completed the process.
- When Minnesota state employees were either unwilling or unable to answer specific regulatory questions, the caller was often referred to specific websites containing the actual regulations involved. Callers often found these regulations confusing and difficult to understand. This then required additional telephone calls to the same agency in an effort to gain clarification of the regulation.

- Minnesota and Wisconsin had lower percentages of respondents (72% and 73% respectively), indicating that licensing, permits and required inspections were easily obtained from the state. Those disagreeing with the statement were also higher in these two states. Note that 100% of South Dakota respondents felt that these were easily obtained.



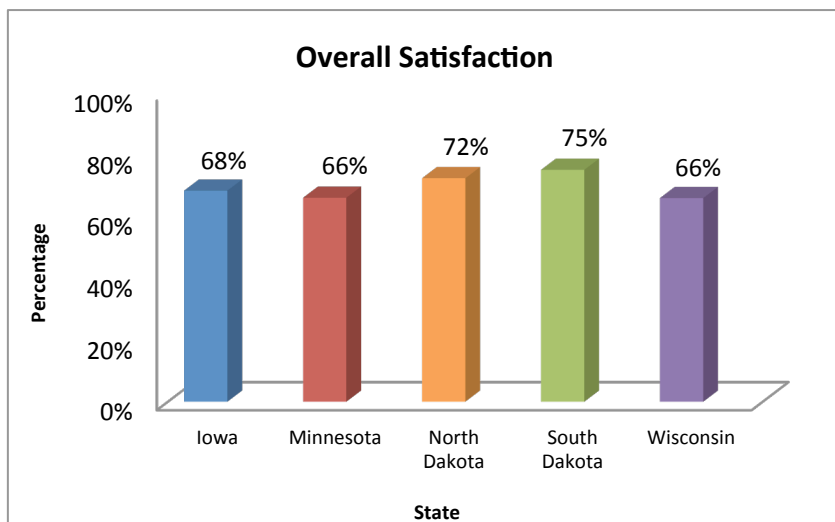
- The primary research completed by the research team seeking information on business start-ups revealed a close correlation to the survey results when ranking states by ease of securing information necessary for a business start-up. Only Iowa and Wisconsin were reversed in the order listed shown in the chart above. This shows a close correlation to the survey results.

- None of the states seem to be gaining a strategic advantage in attracting small start-up businesses by offering tax incentives. South Dakota had 11% of their respondents indicating they received some form of tax break for locating their business within the state. All of the other states were in the single digits for percentage of start-ups receiving any form of tax break.



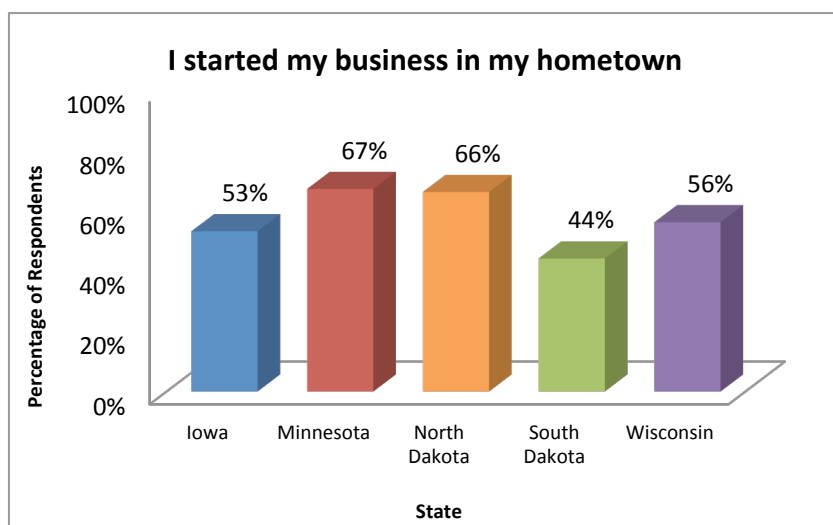
- The attitudes of survey respondents concerning the difficulty of determining related regulations to their start-up process has improved over the years. Three time periods were analyzed for attitudes: businesses started before 1985, those started between 1985 and 1999, and those started from 2000 to present. On a 10-point scale (with 10 being the most positive), those rating the start-up process as a “10” has increased from 4.2% to 9.2% to 11.2% respectively in Minnesota. Although these numbers are low, it does indicate a positive trend in the perception of the process required to start a business.

- The overall level of satisfaction with the business start-up process appears similar between states when viewed as a group. Differences between specific states are significant. Overall satisfaction with South Dakota is significantly higher than either Minnesota or Wisconsin.

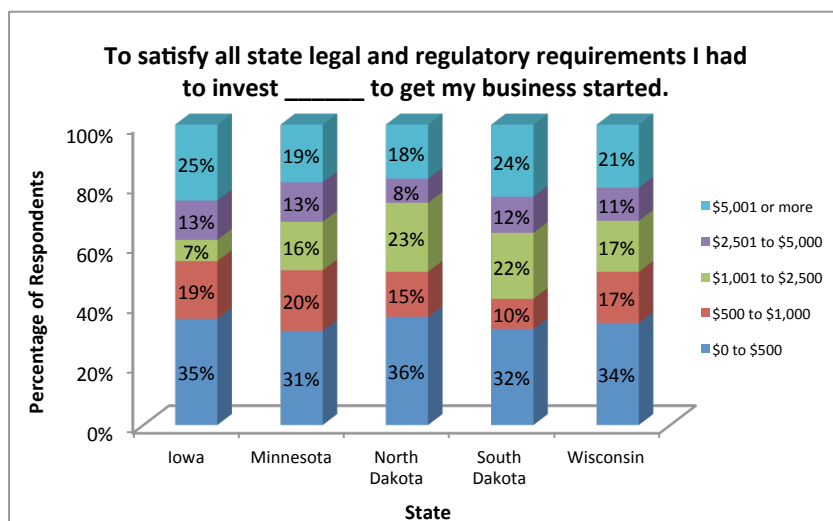


- Based on survey results, business start-ups in Minnesota and Wisconsin did not appear to object as much to the number of requirements and regulations as they did to the perceived cumbersome process of securing the necessary information in order to comply. The overall satisfaction percentages of the start-up process by survey respondents basically correlated with our primary research findings with the results shown in the accompanying chart.
- Regardless, it appears that regulations and requirements in Minnesota are not detrimental to it being the leader in the five-state area for new business start-ups. Between 2004 and 2008, Minnesota experienced the largest increase in number of total small businesses (less than 500 employees). Conversely, during the business downturn between 2008 and 2009, Minnesota had the largest number of small business closures compared to the other four states in the study.

- The leading consideration for selecting a location for a business start-up was the proximity to their hometown, somewhat reducing the impact of any regulatory or other requirements mandated by a specific state as having a bearing on their location selection process.



- Costs associated for starting a business in Minnesota compared favorably with the adjacent states. When comparing the costs, Minnesota and North Dakota had the lowest percentage of start-ups requiring \$5,001 or more. Those businesses able to start-up with \$0 to \$500 initial investment found Minnesota to be comparable to the other states in the study.



Observations from Research:

- Differences in an individual's ability to successfully complete the business start-up process in Minnesota compared to that process in North Dakota, South Dakota, Iowa or Wisconsin seems to be related to the population of the state. The more populated the state, the more difficult the requirements are to complete. Minnesota and Wisconsin, the most populous states in the study, were about equally difficult to secure needed information and conform to all requirements
- As part of the research process, the same agency would be contacted on a different day with the same question:
 - Less populated states had employees available that possessed a more comprehensive understanding of the business start-up process and were able to field questions on a broad range of issues. Follow-up phone calls resulted in receiving consistent information.
 - There was significant variance in the knowledge base of those responding to phone calls in both Minnesota and Wisconsin. On the second phone call to the same number, the researcher would receive a different answer, would be put on indefinite hold, transferred to a new location, or would be told the information was not available at this number.
- A clearer definition of terms would assist in the start-up process to clarify which license was needed or which regulation covered their specific start-up application. (Example: Do I need a Class A, B or C Liquor License?)
- Since a majority of business start-ups begin in the proximity of the hometown of the individual, consideration should be given to attracting corporations to locate or expand within Minnesota. This would provide a larger pool of potential small business owners emerging from those corporate ranks. According to a survey of 550 CEOs, ranking each state on factors most essential for a business-friendly environment and exerting efforts to attract and retain companies, Minnesota ranked 29th in the study. This was the lowest ranking of the five states involved in this study. Improving this climate could eventually result in a larger number of new business start-ups as employees migrate from corporate employee status to an entrepreneurial pursuit.
- In summary, the results of this five-state study appear to indicate that the greater the state's population:
 - The greater the number of departments or agencies mandating satisfaction of requirements or regulations:
 - The more numerous the requirements for starting a business
 - The more difficult it is to receive assistance on specific issues
 - The greater the number of people to contact to gain sufficient information
 - The higher the standards that must be met in order to start a business
 - The longer it takes to comply with regulatory requirements

Report Summary

The purpose of this research was to determine the impact of state regulations on the climate for new business enterprise start-ups. The question this research attempts to answer is whether the extent and magnitude of Minnesota regulations is detrimental to attracting new business enterprises compared to the surrounding states.

Methodology

Two independent approaches were used in gathering the results for this study: 1) five researchers performed primary research on each of the five states, attempting to gain information necessary to open a small business, and 2) a total of 15,000 businesses started since 1985 were surveyed in the five states being studied. The survey was executed to determine if those previously establishing businesses in the five states had similar results to those experienced by the research team. The findings of the research team coupled with in-depth interviews with small business owners enabled the development of the survey instrument. The completed instrument was then tested with several small business owners to insure the correct interpretation of the questions was occurring. The survey was then distributed. This approach permitted comparing the attitudes and impressions of those who had previously been through the process with the first-hand experiences of researchers performing primary research on the requirements necessary to open a business in each of the states involved in the study. These two independent processes enabled comparisons to determine the validity of the information gathered through each method. Strong correlation occurred between the two methods of gathering information.

The use of the term “regulations” throughout the report is broader than the classical definition of the term. If the study limited its scope to only those police power regulations (those that control entry into a business or profession), then the picture of what is required for starting a business would be too limited resulting in a false impression of the actual process involved. An example of a police power regulation would be if you are operating a filling station, your pumps must be periodically inspected for accurate delivery and display a seal to that effect. An example of a requirement would be applications must be secured, completed and submitted online with hard copy submissions being rejected and returned. As a result, the use of the term, “regulation” throughout the report includes not only elements related to the classical definition, but to all requirements that must be fulfilled to satisfy various departmental procedures that have evolved over time. Many of these requirements have evolved as part of the bureaucratic process associated with expanding governmental functions and are not regulations as stipulated by the state legislature.

The first step used in searching for information on starting a business is the Internet.

Instinctively, the research team and those business owners interviewed, first used a search engine such as Google to find information on how to start a business in a specific state. Web searches were necessary to begin the process of assembling all of the locations needed to gain a complete picture of regulations and related requirements for starting a business. A single website source of information would have greatly reduced the time and effort required to gain an understanding of this process. Entering, “how to start a business in Minnesota,” in the search engine resulted in a site entitled, “Starting a Business in Minnesota,” appearing on the first page of search results.

This was the DEED site that offered some information, but was not a complete source. “How to” searches will generally always deliver hits on the first page of the search with sites specializing in that function. To take full advantage of this type of search will require a more comprehensive website being furnished under a “how to” title. Expansion of the DEED site will result in a more comprehensive and meaningful delivery of needed information that appears within the first ten websites listed.

Minnesota resources were fully examined and used in the primary research process and attempts were made to replicate these support sources in the other states involved. Minnesota’s, “A Guide to Starting a Business in Minnesota,” offers an abundance of information for anyone needing basic orientation on general business practices in the state. A similar publication devoted to strictly the start-up process illustrating a step-by-step process could possibly eliminate many of the problems currently being experienced by those pursuing the process. This current publication does not afford the reader with that type of information.

Within Minnesota, the strongest single source of support the research team found were the various regional offices of the SBDC. This was not as evident in the other states since those SBDC offices were unsure of our motivation in seeking the information. Additionally, several small business owners in Minnesota were interviewed in depth concerning their personal experiences with the start-up process along with seeking the views and opinions of various state leaders familiar with the business start-up process. All of these sources proved invaluable in providing a strong orientation to the research team and for designing a comprehensive survey instrument that was distributed to 15,000 businesses started in the five states under study since 1985.

Respondents to the survey did not have significant negative feelings about the number or type of regulations required. However, they did have complaints concerning the process necessary to secure needed information in order to totally comply with the state’s requirements. Minnesota specifically ranked low related to: 1) having a comprehensive easy-to-understand website that explains the business start-up process, and 2) having sufficient individuals who could effectively answer questions over the phone related to regulations and other state requirements.

The business start-up process incurs many indirect costs that were difficult to determine but need to be considered when analyzing the need for various requirements and regulations. The more populous states of Minnesota and Wisconsin apparently have such a myriad of departments and requirements that an individual pursuing the start-up process has to devote what is perceived as an excessive number of hours to chase down all of the detail necessary to pursue the start-up. Retracing their steps countless times to glean necessary information has definite associated costs in time and lost productivity. While these costs are difficult to measure, they are real and can have a dampening effect on the process.

Introduction

Purpose – Concern has been expressed for several years that Minnesota was more demanding on business start-ups and completing those requirements was more difficult than what was experienced in other states. Unfortunately, all of the evidence offered was anecdotal with no specific primary research completed to either discount or substantiate this claim. With the continuing exodus of manufacturing to offshore locations and the ever-present national unemployment, the Minnesota Legislature decided to take definitive action to gain evidence, including quantitative data, which would empirically either substantiate or discredit the view that Minnesota had more restrictive regulations for new business development than surrounding states.

The Southwest Marketing Advisory Center (Advisor) was retained by the state's contacting agent, the Legislative Coordinating Commission (Client) as authorized by legislation ML2010, Ch. 347, Art. 1, Sec. 33 (Exhibit 1). The purpose of this research was to determine the impact of state regulations on the climate for new business enterprise start-ups. Advisor was to determine whether the extent and magnitude of Minnesota regulations is a constraint on attracting new business enterprises compared to surrounding states.

Approach to the Study – A team of five Advisor's staff members pursued independent research on each of the five states involved in the study: Minnesota, Iowa, North Dakota, South Dakota and Wisconsin. They were to determine each state's requirements to start a business enterprise. They posed as small business entrepreneurs seeking information on the requirements for beginning a business in that state. Their primary research activities were carefully documented to assist in a state-by-state ranking process for each step required to successfully comply with regulatory requirements. Simultaneously, in-depth interviews were conducted by other researchers with informed individuals familiar with the purpose of the study to gain additional insights into the full intent of the legislation authorizing this research study. Current small business owners were also interviewed to capture their experiences in complying with state regulations as they started their businesses.

To validate the primary research findings of the research team, Advisor sought a second method of determining the perceptions of those who have attempted to qualify through state regulations. A survey was designed based on the information gained through the efforts of the research team, the interviews with various authorities and the interviews with small business owners. The completed and tested questionnaire was then mailed to all known operating business start-ups since 1985.

There are several reasons only those businesses that are still active were approached for their perceptions of the regulations involved with starting their enterprise: 1) the views of successful businesses will be more honest in their perceptions of the start-up process; they managed to establish themselves regardless of how hard or how easy it was to complete the regulatory requirements, 2) businesses that fail will often tend to blame anything or anyone other than their inability to effectively start a business, 3) failed businesses did not fail due to the start-up

process; they previously succeeded with that step with failure occurring later, 4) elimination of this classification from those surveyed should result in a more realistic view of the regulatory process, 5) to pursue a representative sample, a consistent population had to be accessed; securing a listing of all existing businesses started since 1985, permitted accessing a uniform group in a target population, 6) securing a listing of businesses that have failed in the same time frame would be virtually impossible to secure; there would not be a reliable source of such a list since there is not a tracking system in place for non-existent business enterprises, 7) the survey of existing businesses was not a sole source of data for this research; it was designed to add validity to the findings of the primary research team's results. The results correlated well between the two independent methods of gathering data.

Report Organization – The first section will cover the methodology used in the study. The reader will have a clearer understanding of the results if the reasoning behind the methods is fully explained. This includes discussions pertaining to the initial approach, previous research examined, SBDC interviews, other relevant interviews, primary research on starting specific business types and the survey development process.

The second section will analyze the results achieved from the direct research completed by Advisor on: 1) the general regulatory requirements by state, and 2) the specific regulations for five common business types in each state. These results are sub-divided into logical areas of concern and are accompanied by appropriate charts and tables to more fully illustrate the findings for ease of understanding.

The third section will provide the results of the mailed survey sent to all businesses established in all five states since 1985. This section will conclude with a general discussion of what these findings appear to indicate to the State of Minnesota. All of the exhibits mentioned throughout the report appear in the Appendix in the fourth section, following the listing of all references. Many of the procedural issues were reduced to exhibits to facilitate the reader's dissemination of the overall impact of the study. This is designed to assist the legislature to more fully understand the underlying approaches that became apparent to the research team as the effort continued over the 10 months of gathering and analyzing the information.

Section One

Methodology

Initial Approach

The selected researchers were each assigned one of the five states involved with this study. They proceeded to determine their own approach to securing information necessary to successfully fulfill the regulatory requirements to start a business in their assigned state. They then met collectively to develop the best overall approach incorporating ideas from each researcher. The uniform approach was then used to begin the process.

Secondary research was initially pursued to provide the research team with necessary background to pursue the project. The universal secondary information source immediately accessed by each of the researchers was Internet sites on the web using a search engine such as Google. This seemed to be the natural first stop on a journey being made by someone not familiar with regulations in a state. On the surface, it appeared as if Wisconsin had exactly what was needed, but it turned out that no state had a comprehensive web site for the specific purpose of furnishing information needed to comprehend and embrace specific regulations.

In Minnesota, the publication, “A Guide to Starting a Business in Minnesota,” provided by the Minnesota Small Business Assistance Office (Schaffer, Harris, Simmer, 2011), seemed to be an ideal source for specific information concerning regulations controlling a business start-up process. This business guide was divided into three sections: 1) the narrative text, 2) a resource directory, and 3) a directory of licenses and permits. Based on the level of detail offered and the comprehensive nature of the publication, it was difficult for the researchers, approaching the task as someone desiring to secure basic information on starting a business, to readily find that information. Other states had publications to varying degrees of completeness that were also lacking in specific information necessary to start a business.

SBDC Interviews

The Small Business Development Center (SBDC) was contacted by telephone after Advisor’s research team had basically exhausted apparent sources of secondary research related to starting a business. Each of the interviews with the various SBDC regional offices used predetermined guidelines to ensure the information being sought was collected in a uniform manner (Exhibit 2). In each of these interviews, there were two researchers involved: one conducting the interview and the other taking notes on what the interviewee contributed.

To establish the SBDC interviews in Minnesota, information was gathered from the Southwest SBDC Regional Office located in the same complex as Advisor’s offices. The brochures supplied by the SBDC offered direction on the number and location of SBDC offices in Minnesota, complete with contact information. Of the nine regional offices, Advisor successfully completed interviews with eight of them. The direction received from the SBDC was eventually

rated as the most comprehensive by each researcher on the team. It was felt that if a prospective business start-up was fully aware of the SBDC, a more positive experience could result.

Interviewing regional offices in the other states proved to be more difficult. Many of the regional directors did not feel comfortable participating in a study for the State of Minnesota without permission from their state director. Advisor's research team e-mailed and made a number of calls to the state directors in North and South Dakota, finally getting permission to proceed with interviewing regional directors. Even after receiving permission, there were a number of offices who still were not willing to participate. This resulted in one interview in North Dakota and two interviews in South Dakota. In Iowa and Wisconsin, there were four and seven interviews respectively. Regardless, the SBDC interviews resulted in the most assistance in learning about the various regulations that had to be met.

When all of the SBDC interviews were completed, Advisor compiled the findings from each state into an Excel document, illustrating the uniqueness of each region within a state in relation to industries, taxes, incentives/hindrances, funding opportunities, helpful agencies, and assistance available for business formation. These Excel documents could then be easily compared based on the uniform format of the information (Exhibit 3-7).

Other Relevant Interviews

Next, a series of interviews were held with individuals previously referred to Advisor. These individuals were thought to possess significant information and insights that would assist Advisor in the quest of foundational information. The individuals interviewed ranged from state officials familiar with establishing a business in the state, those who originally suggested the study be accomplished and those who have actually gone through the start-up process. Details from these interviews appear in Exhibit 8.

Primary Research on General Business Start-up Requirements

Once the secondary research and interviews with the SBDC and other related interviews were completed, each researcher began the process of gaining information on their assigned state related to general state regulations for starting a business. This process began with web searches coupled with related phone calls driven by the absence of web information or referral from various websites. The research team met weekly to discuss the progress being made and analyzing changes in approaches that would assist the process.

Primary Research on Starting Specific Business Types

Due to the general nature of the findings from the initial primary research, it was determined that specific business types should be analyzed to compare the differences in each state's regulations. The most uniform method to compare each state would be to use specific NAICS codes; a classification system that is uniform throughout North America. The top businesses represented in all five states were analyzed and five that were in the top rankings of each state were selected

for study. The specific businesses identified were convenience stores, full-service restaurants, dental offices, beauty salons and lithographic printers. Based on what the researcher learned through the general business start-up research process, this portion of the research permitted specific information to be gathered for comparison between states. This explicit pursuit of specific business types yielded greater differentiation between states than was achieved with the initial general research previously completed.

Survey Development

The actual survey that was mailed to business in each state was created from information gained through secondary research initially completed, the personal interviews with experts in the field and the primary research completed concerning the availability of information for starting a business.

In addition to the secondary and primary research efforts described previously, Advisor also accessed other “how to” websites and interviewed small business owners in Marshall, MN, including: Patti Groff, owner of Noble Woman; Eric Luther, franchisee owner of Burger King; Sue Alcorn, owner of Alcorn Appraisal Services and Paul Johnson, a licensed dentist and owner of Camden Dental Care. An interviewer’s guide was developed by Advisor to insure consistent questioning with each small business owner (Exhibit 9). These interviews, coupled with the research on each state, helped Advisor develop questions and create a format for the survey instrument. Based on interview results, Advisor recognized that it was important to incorporate questions concerning previous employment prior to opening the business since it could have a direct effect on the respondent’s perception concerning the ease of starting their own business.

The survey questions were placed in a specific order by categories such as start-up processes, business type, tax regulations and demographics to guide the respondent’s thinking through the start-up process in logical order. A draft was sent to Client to reassure that all aspects of the study were covered in the survey. After several revisions and modifications, the survey was tested by having several small business owners complete it while being observed by Advisor’s researchers. Upon completion of the survey, Advisor questioned the respondent to determine their understanding of each question. Once this process was completed, the surveys were distributed by mail (Exhibit 10).

Previous Research

States have run comparisons for years in order to find specific advantages that could be promoted in an effort to increase tourism, attract exports and encourage business start-ups. Depending on the reason for the research, different states have been listed as being stronger on some issues compared to others. Study of these previous research results permitted Advisor to become more specific in the analysis of the primary research completed for this study. This analysis was undertaken after completing the primary research so as not to bias Advisor with issues not related to the objectives of this study.

No single state proved to be superior in all of the studies examined, adding validity to the initial assumption that winners and losers are determined based on the criteria used for the study.

Examination of these previous studies verified that there were not previous studies examining the effect of regulations on business start-ups in the upper Midwest.

The final secondary research report analyzed was related to the listing of states in order of preference for business expansion based on the views of 550 corporate CEOs. Their views were based on specific criteria generally accepted as important for corporate expansion. This report, along with the others analyzed, is summarized in Exhibit 11.

Section Two

Primary Research by Research Team

Direct Research on General Regulatory Requirements by State

Background – Since most surveys require the respondent to offer historical views, they are often burdened with the halo effect; that is, respondents will tend to stereotype the experience by the most dominant memory of the experience or will simply not remember whether a particular issue was good or bad. Surveys also suffer from self-reporting bias that is often difficult to detect. Although the survey provides quantitative data, having some means of correlating the findings of the survey will increase the validity of the findings.

As a result, Advisor’s research team undertook the role of gaining first-hand experience at securing information on regulatory requirements, tax burdens, time and cost commitments necessary to establish a business in each of the states under study.

The process used by the research team was twofold. First, each state was studied by one researcher seeking general questions about regulatory requirements in the state. Second, five separate business entities were researched in each state to determine the ease or difficulty in establishing a specific business.

Minnesota – Secondary research for the State of Minnesota was started by accessing the Internet and performing a Google search using keywords associated with finding regulations that controlled starting a business in the state. This secondary research also helped structure the specific areas to research with the remaining four states in the study. Licenses, regulations, permits, and costs were found by visiting numerous websites. Following that process, the missing information was sought by calling relevant agencies in all five states.

The overall information-gathering process was a combination of secondary research investigations that assessed related websites coupled with primary research efforts involving telephone calls to various state agencies to augment the information missing through the previous examinations of various related websites. Some of the information was received by chance as researchers repeatedly attempted to find a single source of related primary information. No single source was ever found in any of the five states that could effectively answer questions regarding regulations in a manner that was clear and forthright.

The Secretary of State’s office was referred to the most when speaking with consultants in the various Small Business Development Centers throughout Minnesota. Initial research efforts on the Secretary of State’s website proved to be only partially successful as the site was perceived as being incomplete. As a result, contacting that office directly seemed to be a logical starting point in the primary research process. Subsequent phone calls to individuals in the Secretary of State’s office sometimes uncovered individuals willing to help and respond to emails in answering questions about the general business start-up process. Other times, the answering party was perceived to be indifferent to the needs being expressed. It was perceived by the researcher that the phone call was an interruption from their primary duties within the department.

One referral was to the Minnesota Department of Employment and Economic Development (DEED). They, in turn, referred the researcher to the Business Services department within the Secretary of State's office. Business Services was previously contacted through email correspondence. They responded two days later with a link to the Department of Revenue for specific licenses. It was difficult to actually obtain answers to questions because of the researcher's perception that it was not an immediate concern of the party answering the call to provide the needed information. Each agency contacted would more often than not transfer the call elsewhere. The Department of Revenue website was valuable because it gave many regulations, costs and tax facts. Each state office website was very limited and specific to its area of responsibility. Repeated efforts to locate a website that summarized the process proved fruitless.

Eventually, a suggestion was received on one phone call to access the Minnesota Northstar License website. The website gives an A-Z listing of permits and licenses for businesses in Minnesota. This website is exactly what is needed when starting a business, but only if it is already known which licenses and permits are required for that business. The problem is that a majority of the new small business owners are unsure of what licenses are required at the beginning stages of this process. If this website was further developed to cross-reference the requirements to the appropriate permit or license, then its value to individuals new to the start-up process would be greatly enhanced.

As the research process continued, the website for the Minnesota Department of Labor and Industry was discovered. Information on food preparation licenses, tobacco and liquor licenses were yet to be found; therefore, this department was contacted in an effort to find information on the licenses. They responded with references to contact either the Minnesota Department of Employment and Economic Development or the Secretary of State which is where the initial search had started.

One reason the research team deduced that they often received inaccurate referrals to other departments is twofold: 1) the main focus of each department is not on assisting business start-up clientele, and 2) they are not familiar with the duties and responsibilities of the department to which they are referring. This becomes frustrating since generally the agencies were not giving any information other than referring to other agencies unless the researcher directly confronted them with information such as, "this number is listed on the website as being a source of information." The result would be being placed on hold and eventually talking with someone who might communicate needed information. As a result, the remaining secondary research was found by using online resources and links. Other helpful websites and resources in securing partial answers to questions in the research process were the Department of Health, Department of Agriculture and the Minnesota State Lottery.

Overall, the research process was overwhelming but successful. It would have saved significant time if the agencies and offices could have provided more specific information rather than simply transferring the call and the related problem. There were a mix of employees, some who wanted nothing to do with assisting in the information gathering process and some who were more than willing to help. It would be beneficial for business start-up situations if the agencies

were more willing to speak with those involved with the small business start-up processes. This is not anecdotal information but findings of assigned researchers attempting to replicate the process of developing a start-up business. This documents a process badly in need of improvement if Minnesota is serious about wanting to cater to new business start-ups.

Remaining States – None of the other states in the study had a decided advantage over Minnesota concerning ease of accessing information concerning business start-ups from a single source within the state. All states had websites, but none of them offered a complete picture concerning regulatory requirements. All states required follow-up phone calls once the website was exhausted for information.

The secretary of state's office seemed to be a common source of information for all states. In Iowa, the department of revenue's website proved valuable in finding an overview of the process requirements. A total of nine departments were contacted in Iowa to gain as much understanding of requirements as necessary to set up a specific business. Researchers experienced an average of two transfers per call and 10 minutes on hold to reach a knowledgeable person to answer specific questions.

North Dakota's secretary of state's office supplied a website with a link entitled, "New Business Registration," to facilitate the start-up process. Overall, researching business start-ups in North Dakota was extremely time-consuming. The employees from the state offices were helpful and professional, they took time to walk through the steps necessary to obtain the accurate license or permit application. Telephone calls to agency representatives were most valuable in gathering information and to verify the requirements to starting a business in the state. The state offices that were contacted were willing to help and did offer direction; but most requirements differed from county to county or city to city resulting in there being no central source of information at the state level. Most state offices would refer to specific County or city offices in the area. Advisor indicated was the proposed site for the business start-up.

The Governor's Office of Economic Development website in South Dakota, offered a feature entitled, "New Business Checklist." The checklist provided a rough outline of the steps needed to start a business in South Dakota; unfortunately, the checklist was designed as a general information tool only. Little information was given on the permits, licenses, or regulations that were required for a specific new business start-up. Specific licenses, permits, and regulations required were all verified by a staff member with minimal wait time. Personally contacting the state was more valuable and had quicker response time than information provided from the Internet.

At first glance, Wisconsin appeared to have a website that would furnish all information required. Entering a Google search for, "starting a business in Wisconsin," revealed a website that seemed designed for that purpose. Further examination proved otherwise, necessitating follow-up phone calls with varying degrees success. Wisconsin was actually more difficult to secure information by phone than was Minnesota.

In summary, no state had a monopoly on excellent customer service when it came to working with individuals pursuing a business start-up. Costs were not a significant part of the process nor

did they differ much between states. The time required found that all states had a vast majority of those pursuing the start-up process taking between one and six months to complete it. The number and type of regulations with associated permits and licenses were not considered unreasonable. In the final analysis, the process of acquiring basic start-up information was difficult and unorganized in all states studied to varying degrees. A focus on simplifying the process of acquiring information could differentiate Minnesota from the rest in a positive manner.

Determining Five Common Businesses

Once the initial general research had been completed on each state's business start-up requirements, the next step was to develop a reasonable quantitative method for selecting five distinct businesses represented in all five states for comparison purposes. It was determined that use of the North American Industry Classification System (NAICS) would be the most reliable and current resource available that was common to all five states. The codes were obtained using the official United States Census Bureau website, www.census.gov. The NAICS Codes are the standard used by federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data relating to the United States business economy.

NAICS Codes are numerical codes used to organize industry and business classifications. Codes range from two to six digits, increasing in digits as they become more specific. A two digit code is used to identify the most broad business sector. This two digit code places the business into one of twenty industry classifications. The third digit describes the subsector, the fourth digit defines the industry group, the fifth specifically describes a particular type of industry, and the sixth digit represents the specific national industry. Each business is assigned a code based on the primary function of the business (that which brings in the most revenue).

By accessing County Business Patterns for each state and reviewing the state summary, it was possible to compare headcounts for businesses in each. First, the five industries that were common throughout each of the five states were isolated and analyzed. Those five industries and their two digit NAICS Codes are as follows: Retail trade (44), Other Services (81), Manufacturing (31), Health Care and Social Assistance (62), and Accommodation and Food service (72). Through industry research, it was confirmed that these five businesses were the most logical industries to compare one to another. These industries represented sufficient diversity within the business sector to offer reasonable benefit to most business interests comparing states. This would allow an individual to compare a specific sector in each of the five states by allowing them to understand departments, fees, and time associated with the start-up process.

From these five industries, the top four subsector industry groups were identified. The industry classification numbers were expanded to define business sectors with a six digit industry classification. These industries are as follows: Gasoline Station with Convenience Stores (447110), Beauty Salon (812112), Commercial Lithographic Printing (323110), Offices of Dentists (621210), and Full Service Restaurants (722110) (Exhibit 12). These industries had a high concentration of existing establishments common throughout the five-state region.

Issues Common to All Five Businesses Studied

Business Entity Registration

All applications for business entity registration were easily found on-line. In Minnesota, North Dakota, and South Dakota all applications were obtained from the Secretary of State's website. On each of the Secretary of State Websites, there is a specific location dedicated to business registration which made it convenient for Advisor.

Distinction is made between Limited Partnerships, Limited Liability Corporations and C Corporations in Iowa. Upon contacting the Secretary of State, Advisor was informed that these three applications require the applicant to personally write out the plan and develop the contract to submit. After submission of the plan the Secretary of State's office will review and return the verification of application.

In Wisconsin, the Secretary of State no longer handles notaries public or trademarks and trade names. On the home page of the site, it describes that due to the governor's budget passed by the legislature, the Secretary of State's functions have been affected. Now these functions are handled by the Wisconsin Department of Financial Institutions which is an agency separate from the Secretary of State.

The fees associated with each application vary slightly from state to state. There is no specific state that appears to be charging higher fees in the categories listed (Exhibit 13). Overall, gaining information on the process of business formation was easily accomplished with clear, concise details being available for all states.

Relevant Taxes

Through secondary research, Advisor determined that it was necessary to compare the corporate income taxes, personal income taxes, personal property tax, business inventory tax rates and sales and use tax rates (Exhibit 14). Through this comparison, it is evident that South Dakota has the most appealing tax structure with no tax on corporate income or personal income. Minnesota has a corporate income tax of 9.8 percent; whereas Iowa's corporate income tax is as high as 12 percent for income exceeding \$250,000. Iowa has the highest personal income tax at 8.98 percent tax on income of \$64,261 and up. Minnesota's highest personal income tax for single taxpayers is 7.85 percent tax on income of \$74,781 and up, and 7.85 percent tax on taxable income of \$132,221 and up. Wisconsin is the only one of the five states that has a tax on personal property. Business inventory is exempt from tax in all five of the states. Minnesota has the highest base rate for sales & use tax at 6.875 percent and South Dakota is the lowest at 4.0 percent.

Employment Law

Worker's Compensation – Worker's compensation is a mandatory insurance that must be carried by all employers that have three or more employees. It is a "no-fault" system that replaces lost wages and provides medical benefits to workers injured on the job. The "no-fault" system

eliminates the need for employees to prove negligence by the employer to receive benefits. It protects the employee by assuring their livelihood in the event of an accident or injury at work. Workers compensation also protects the employer because a worker who receives compensation forfeits their common law right to sue the employer. Compensation is given only for the cost of medical treatment, wage loss benefits, and certain disability benefits and is usually paid by an insurance company, not the employer (Boop, G).

Companies with appropriate finances have the option to self-insure their worker's compensation with similar protections against torts. If an employee was injured, it is the employer's responsibility to act as an insurance company and pay the claim themselves. Self-insuring is allowed only for large companies due to the potential liability a company could suffer if they had many claims filed simultaneously or an employee was placed on permanent disability and required enormous medical bills. Without worker's compensation, workers would be able to file a tort case and an employer would be unprotected from whatever damages a jury wished to award. North Dakota is the only state in this study that does not allow self-insurance or private insurance. North Dakota is a monopolistic state concerning worker's compensation insurance, requiring every company to buy it through a state-run insurance fund. Companies do not have the option to shop around for lower insurance rates in the private market nor do their companies have the option to self-insure. This could be important to business owners because they aren't offered the price competition the private market can provide.

Premiums for employers are based on three factors: 1) a classification rate is given to the industry the business is in based on the amount of hazard determined to be present. Wisconsin and Minnesota have their own ratings bureaus that classify industry rates. South Dakota and Iowa use the National Council on Compensation Insurance (NCCI) to classify industry rates for them. 2) A rate based on industry classification codes and is multiplied by the company payroll. If the classification rate was .1601 and the company's payroll was \$100,000, then the premium for worker's compensation insurance would be \$16,010. 3) Premiums are adjusted based on claims history. If a company has filed several claims then their premiums will rise, if few claims are filed, the employer may be eligible for discounts. Keeping the policy for a length of time or payment of very large premiums may earn further discounts. Further information can be found at: <http://www.workerscompensationbenefits.org/what-is-workers-compensation/>.

Minimum wage – Currently the federal minimum wage is \$7.25 an hour. Iowa, North Dakota, South Dakota, and Wisconsin have all raised their state minimum wages to match that of the federal minimum. There are exceptions to minimum wage amounts granted in each of these states. Informal positions like babysitting and student labor are permitted to be paid less than minimum wage. Tipped employees, due to tips being considered a part of their wages, can earn a high minimum wage of \$5.15 an hour in Minnesota to a low minimum of \$2.13 per hour in South Dakota. If a worker's wage including tips does not equal at least the federal minimum of \$7.25 an hour, the employer is responsible for paying the difference.

Minnesota is the only state with a minimum wage different than the federal rate. The Minnesota minimum wage rate for smaller companies is \$5.25 per hour. A small company, earning less than \$500,000 annually and conducting no interstate commerce may still pay the small business minimum wage rate of \$ 5.15 an hour. The previous large company minimum of \$6.15 is no

longer valid because the federal rate of \$7.25, for any company earning over \$500,000 annually, takes precedent (“Minimum wage laws,” 2011).

Business Start-up Regulations by Industry

The following section describes the business start-up regulations by industry. Results of Advisor’s research efforts are reported in this section. The purpose of this effort was to uncover the necessary steps, permits, licenses, fees, and time required to establish: 1) convenience stores, 2) full service restaurants, 3) beauty salons, 4) dentist offices, and 5) commercial lithographic printing operations. The information gathered was then recorded in a comparative exhibit to demonstrate the differences throughout each of the five states (Exhibit 15-19). The cost ranges reflected in these exhibits were derived from adding the minimum cost of each component for a specific business for a total minimum cost. The same process was followed to arrive at the maximum figure for each cost summary that shows a cost range.

Convenience Stores

Background – Convenience stores were the first specific industry that was researched for the Project. Trial and error was the primary vehicle used when first trying to contact agencies to gain relevant information on the industry. To obtain cooperation, Advisor introduced himself or herself to the state offices as an individual who was planning to open a convenience store. This approach proved to be helpful in gaining natural and unbiased responses from the staff working in the different departments. Advisor concluded that the cooperation or lack thereof experienced by researchers involved with this would be typical of what would be experienced by anyone probing for information, not knowing the process that would garner the best results.

The descriptions of the process used in obtaining information on starting a convenience store are probably more typical than subsequent businesses researched. Advisor’s team of researchers experienced the validity issues of history and maturation with the subsequent business types based on the learning curve gained with the convenience store research. The reader might note that other business start-ups appear easier to navigate through the various regulations in each state. Much of this is due, in part, to the experiences achieved through the convenience store research, although convenience stores actually had more regulatory requirements than any other business type studied for this report. All searches began using the Google search engine, experimenting with various key words in the search process.

The complexity associated with establishing a convenience store required Advisor to outline specific questioning guidelines to follow in each of the five states so those answering questions were confronted with exactly the same questioning format. The outline included specific elements or offerings that would be included in the established business since each potential product or service generally had specific licensing and permits associated with it. It was assumed that the convenience store would sell gasoline through self-service pumps, beer in sealed containers for carry-out and food products prepared on-premise for consumption as either a carry-out item or to be consumed on-premise. It was further assumed that the convenience store would stock packaged food items, tobacco products, lottery tickets, where appropriate, and refrigerated milk and soft drink products.

State Comparisons– Through secondary research on establishing a specific convenience store business in Minnesota, Advisor determined that the Secretary of State’s website appeared to be a logical starting point. An e-mail was sent to the Secretary of State’s office inquiring about the necessary steps to properly complete the process. The return e-mail advised accessing the Minnesota Service Station and Convenience Store website or The Minnesota Department of Employment and Economic Development (DEED) website to obtain the desired information. The Minnesota Service Station and Convenience Store and DEED websites provided general information but delivered minimal detail regarding licensing and regulations for establishing a convenience store; the main focus of Advisor’s initial question.

The Minnesota Department of Health (MDH) website was visited to obtain the Food Establishment license. This license is required for any establishment offering prepackaged food, food for consumption on-premises or alcoholic beverages; among other food and drink types. Of the five states studied, Minnesota could potentially be the most expensive depending on annual sales. As for South Dakota, the cost of the license varies depending upon seating capacity in the convenience store. Access to the state websites for this information differed. Locating the license on the Minnesota Department of Health website was simple. The Wisconsin Department of Health was also simple but a call was necessary in order to obtain full information. The representative then transferred Advisor twice throughout the process. Since South Dakota’s Retail Food License depended on the seating, Advisor researched seating fees for all five states. It was found that only South Dakota and Minnesota require a seating fee for a convenience store.

The next license researched was the Motor Fuel License. North Dakota is the only state that does not require a Motor Fuel License. This is only required for North Dakota when they are selling to a supplier. Minnesota and Iowa each have a fee for the license at \$25 and \$9 respectively. South Dakota and Wisconsin do not have fees involved with this license. This license in Minnesota is more specific as there are three classes of this license from which to choose.

There are no costs involved for securing a license for the retailing of cigarettes and tobacco in Minnesota, South Dakota or Wisconsin. Iowa has fees for this license, ranging from \$12.50-\$100. North Dakota has license fee of \$15. Advisor assigned to the state of Wisconsin had the most trouble locating this information. Links on the Department of Revenue website were unclear and many transfers and redirections were made. It took this researcher two weeks to receive full information on cigarette and tobacco licensing. Minnesota Department of Revenue had links indicating what was required to apply for a tobacco license which made the process much easier.

Alcohol licensing in Minnesota was difficult and created frustration while researching. The Minnesota Northstar website is helpful only if you are already aware of the required licenses. Since the researcher was not, the licensing staff of the agency was called. They stated that they could not assist with the process and transferred Advisor to the Department of Commerce and the Department of Employment and Economic Development. Eventually, this license was located. The other four states seemed to be much simpler. Iowa appears to have the most expensive alcohol license ranging from \$234-\$2,028 per year. North Dakota requires a floor

plan be submitted with the alcohol license application to determine the license fee. South Dakota requires a specific type of alcohol license for this application entitled, “Malt Beverages – Packaged Retailers, Off-Sale.” This was verified from a representative of the Department of Revenue. Wisconsin demonstrated the same issues with providing information on alcohol licenses as it did with tobacco licensing. The researcher endured telephone transfers and people unwilling to assist.

The licensing for selling lottery tickets consumed a large portion of the research time for convenience stores. Each state basically has its own steps and regulations. Minnesota has a website specifically for the Minnesota State Lottery. This agency was contacted and it was determined that Minnesota requires one application with two contracts along with a payment of \$100. The representative was very helpful and willing to send the application to be reviewed for this study. Iowa and Wisconsin each have application packets to be completed. Iowa’s packet has a fee of \$25 with a \$7.50 weekly communication charge and Wisconsin has a fee of \$75 and another \$25 after the packet is approved. South Dakota has six applications located online to be filled out and sent with a \$50 fee. South Dakota also has a weekly communication charge of \$12.93.

Fees are not a significant part of the convenience store regulation process. Once again, the time and potential for frustration centers around the time requirements for acquiring information needed to fully comply with the regulations.

Full-Service Restaurants

Background – Advisor’s research team determined the restaurant configuration requirements before beginning the research process to ensure comparable data being developed. It was decided the restaurant would be a sit-down establishment that was capable of serving alcohol. Based on these parameters, each researcher pursued information for establishing a restaurant in his or her assigned state involved in the study.

Full-Service Restaurants had many similarities to Convenience Stores related to the research process. Previous research on Convenience Stores assisted with locating information on regulations concerning Full-Service Restaurants since there were similar license and regulations involved; fortunately, there were fewer of them required.

State Comparisons – The Minnesota Northstar website, <http://www.license.mn.gov>, was utilized the same way it was during the previous Convenience Store section of this study. The licenses that are similar to those required for Convenience Stores include, Retail Food License, seating fees, and the liquor license.

Inspections are an important requirement for restaurants. The inspections for Minnesota, Iowa and North Dakota are included with the Retail Food License. South Dakota and Wisconsin have separate categories for the inspections based on the type of restaurant. Each category is also associated with different fees. The fees for Wisconsin inspections were difficult to determine but were located through the Department of Health website. South Dakota’s Department of Health provides a food service licensing packet that incorporates all the inspection requirements.

If a business owner is constructing their own business, Minnesota has a “Plan Review Application” that must be done 30 days prior to building the restaurant. This Application must include a blueprint, location of equipment, manufacturer and model numbers, room interiors, finishes for ceilings, floors and walls, copy of the menu, and a fee which ranges from \$150-\$500.

A Certified Food Manager’s License is required in Minnesota, South Dakota and Wisconsin. Along with this license, it is required that food preparation classes be attended. These classes and training sessions cost anywhere from \$82-\$200. Even though it is not required in Iowa, it is encouraged that managers attend food preparation classes.

The Iowa Department of Economic Development supplied a great website that was used to locate the needed permits. Once the permit or license was found, the website supplied guidelines for completing the license and a description of the use for that particular license. Below the description of the license/permit, the website had links such as, “Processing Time,” “Fee Structure,” and many other tabs with specific information related to the permit or license. Wisconsin was the opposite. The information given on the Department of Revenue website was unclear and scattered. Advisor called a representative of the agency and received no response several times.

Again, fees are not a deciding factor and were considered reasonable with all states in the study.

Beauty Salons

Beauty salons were a much narrower industry than Convenience Stores and Full Service Restaurants. Most states have a specialized agency that deals solely with beauty salons so Advisor knew who was to be contacted to locate information on starting a salon. The Board of Cosmetology or a professional services agency were among the agencies contacted to find and verify this information.

State Comparisons- When contacting representatives of the agencies, it was determined that a Salon License was the primary license needed to start a business in this industry. All states require a floor plan of the building be submitted with the application along with the stated fees. A Minnesota Salon License is most expensive at \$243 compared to the other states ranging from \$60-\$80. Advisor who was researching Iowa found the website to be confusing and difficult to navigate. This led to contacting the Iowa Department of Public Health, who dealt with beauty salon start-ups, and resulted in Advisor being transferred three times and was put on hold twice. South Dakota requires more than a fee and a floor plan; they require documents to show work station locations, toilet and sink locations and entrants and exits to the shop.

Since beauty salons are a professional service, some exams must be passed in order to operate a salon. The Operator’s License must be completed for all five states. In South Dakota, this is the only license required for operating a salon. South Dakota also requires operators to pass three exams, which is the largest number of exams required in the states involved with this study. Each operator must have a specific number of hours of experience working in a salon before they can operate their own salon. South Dakota has the largest number of hours required at 2,100.

A Manager's Operator License is required only in Minnesota, North Dakota and Wisconsin. Iowa and South Dakota do not need this and only need an Operator's License. Hours of practice are also needed for this license. Minnesota and Wisconsin have the highest number at 2,000 hours compared to North Dakota's 1,000 hours under supervision. The fee for this license is most expensive in Wisconsin costing operators \$187 compared to North Dakota's fee of \$25.

Although differences exist in fees, the total dollar amount is not prohibitive to an individual investing in the business start-up. The time requirements once moving on beyond the frustration of transferred calls, incomplete website information and being put on hold; it appears to be within reason with all states involved.

Dentists

Background – The selection of dentists for analysis of specific business types should be considered representative of the professions as a business classification. From this research effort, it is apparent that gaining information concerning licensure for professionals is easier to procure than for businesses requiring less education as a foundation to enter the occupation. Licensure of dentists appears to be very similar within the five states studied although some requirements are more rigorous for some states when compared to others. Those having greater rigor in their requirements could possibly persuade a recently-graduated dentist to more carefully consider where he or she opened a practice. Like beauty salons, dentistry has an examining board within the state to assist in granting licensure for operating a dentist's office. This helped to narrow the research and created a home base where Advisor could go to locate necessary information.

State Comparisons- When applying to operate a dentist office, there are two types of licenses that are sought. A "license by examination," or "license by credential," is the licenses available, each holding separate requirements. With both licenses, a clinical exam must be passed. There are five total clinical exams available and each state has select exams that they will accept. Minnesota is the only state that accepts all five, whereas Iowa only accepts two of the five. The cost of receiving a dentist license by examination ranged from \$150-\$246 for all states except North Dakota. A North Dakota license by examination costs \$440.

"License by credentials" requires a certain number of hours in practice, interviews and records showing experience. Minnesota requires that an oral interview be conducted along with presenting copies of patient records to the board of dentistry. They also require 2,000 hours of practice and a fee of \$797.50. North Dakota and South Dakota both require an applicant to have a current dentistry license for at least five years prior to opening a dentist's office. The cost for the license in each of those states is \$1,200.

There are many medical forms that a dentist needs to possess in order to conduct dental procedures on patients. The most common are the Conscious Sedation form and the General Anesthesia form. These forms were easily found on the Board of Dentistry websites for each state. Minnesota's cost for the Conscious Sedation form is \$250 compared to South Dakota's \$25 charge. Iowa, however, states that the license could cost up to \$500. The General Anesthesia form and the Conscious Sedation form sometimes go hand in hand. All costs were the same with the General Anesthesia form as Conscious Sedation. Both forms require a specific

amount of training before being certified. Iowa and Minnesota require 60 hours of training for Conscious Sedation but one year of training for General Anesthesia.

Commercial Lithographic Printers

An overwhelming amount of information was uncovered during an initial Internet search for state requirements related to establishing a printing company. It quickly became apparent that printing companies have a multitude of environmental requirements related to the equipment and materials commonly used in this industry. To develop a more uniform search among the targeted states, it was determined that commercial lithographic printing would be the most common NAICS code across the five states in the study. Due to the wide variations in the type of printing operations established, guidelines were set to keep consistency between states while securing information.

Secondary data on printing companies was gathered from the Environmental Protection Agency (EPA). The EPA requires that anyone who generates hazardous material must obtain an EPA ID number. For a printing company to obtain this, they must complete a form outlining how much waste is produced by their organization. Those generating hazardous material are put into classifications based on the volume of pollutants they produce. The classification of a small quantity generator of hazardous material was used as a guideline to follow in each state assuming a relatively small operation would occur with a start-up operation.

State Comparisons– The fact that Minnesota had a pollution control agency that dealt with all steps and procedures associated with starting a print shop helped the research process for that state. Other states used the Department of Natural Resources which deals more with a broader selection of issues. An “EPA” license (Environmental Protection Agency license) is a nationwide license that is required to operate a printing business. In Minnesota, the EPA license is actually called the “Notification of Regulated Waste” and this license has no fees involved. Since Advisor was dealing exclusively with small printing shops, there were few licenses that were necessary. The main concern with printing shops is the hazardous waste that is involved. If the minimum limits are exceeded, licenses are required. For example, in Minnesota, a Storm Water Permit is required if the amount exceeds over 200 gallons of volatile organic compounds (VOCs) per year, but if it is under the amount, then the applicant can avoid fees and apply for the No-Exposure Permit. If the operation exceeds 100 pounds or ten gallons of hazardous waste, an operator in Minnesota must register for “Hazardous Waste” which costs about \$413. This registration is not required in any of the other states studied.

Summary

After completing their individual analyses of the specific NAICS codes and the related businesses, each researcher on Advisor’s team scored the process for comparative purposes. The Five State Comparative Ranking Chart was developed and scored based on perceptions of the research process. Steps and requirements were divided into subsections such as: Initial Search, Pre-Qualifications and Requirements, Professional Support Organizations, Creation of Support Documentation, Steps in Starting a Business, County and City Licenses and Permits, and State Licensing and Permits.

The requirements and steps were ranked 1 through 5 and occasionally 0, when the states could not be differentiated. For example, "Dentistry Certificate" (line 10) received 0's because each state has a separate Board of Dentistry that has their own website that is inclusive of all information required for starting a dentistry business. States received a "N/A" if that specific step was not required in that state. The most favorably ranked state received a 1 indicating it was the easiest to complete the stated step and the lowest rated state received a 5 signifying it as being the most difficult. Since a "0" was awarded if the states were not differentiated, then the next easiest factor would receive a "1" so that the scale would be relevant to the "0" classification. Factors that were considered in the ranking process were: 1) the ease of the agency websites and locating full information, 2) the representative's willingness to assist, 3) the time it took to locate information or to speak to a representative and 4) the number of people that necessary to contact for information. Each subsection was added separately and then each state was ranked based on the total number for the state in that subsection, the state with the least degree of difficulty receiving the lowest score. (Exhibit 20).

Section Three

Primary Survey Results

A total of 15,000 surveys were sent to the five states involved in the study. Analysis of the surveys indicated that 5,762 were sent to businesses in Minnesota, 5,128 to Wisconsin enterprises, 2,547 to Iowa, 789 to North Dakota and 774 to South Dakota.

To determine the validity of this level of return, the confidence interval was calculated. The confidence interval (also called margin of error) is the plus-or-minus figure usually reported with survey results. For example, if a confidence interval of 4 is determined and 47 percent of your sample picks an answer, you can be "sure" that if you had asked the question of the entire relevant population between 43 percent (47-4) and 51 percent (47+4) would have picked that answer. Accuracy also depends on the percentage of your sample that picks a particular answer. If 99 percent of your sample said "Yes" and one percent said "No," the chances of error are remote, irrespective of sample size. However, if the percentages are 51 percent and 49 percent, the chances of error are much greater. To develop the most conservative confidence interval, it is assumed that only half of the respondents provided the same answers.

When determining the sample size needed for a given level of accuracy you should use the worst case percentage (50 percent). You should also use this percentage if you want to determine a general level of accuracy for a sample you already have, such as this study.

A total of 876 surveys were returned for a 5.8 percent return rate. Based on valid returns, the overall confidence interval was 3.61 at the 95 percent confidence level, assuming a 50 percent worst-case answer consistency (thus providing the most conservative confidence interval). Minnesota had 287 total returns resulting in a confidence interval of 5.8 based on valid returns (Exhibit 21).

Analysis of the survey returns were compared with the findings of the research team that pursued primary research on each of the states involved in the study. Mean scores from the survey were compared to ordinal rankings compiled by the team members to determine correlation between the two study approaches.

Demographics

Of the 704 valid respondents, 39 percent initially started their business in Minnesota, 33 percent in Wisconsin, 17 percent in Iowa and six percent each in both South Dakota and North Dakota. Due to the volume of information, demographics will be discussed collectively, finally referencing a detailed table found in Exhibit 22.

Concerning the issue of gender, 72 percent of total respondents were male and only 28 percent female. The largest representations of male respondents were from South Dakota with 80 percent

followed by Minnesota with 75 percent. Female respondents were represented with the largest percentage in North Dakota with 34 percent, followed by Wisconsin at 31 percent.

Age breakdown of the respondents saw a high representation of ages 50 to 69 years with 62 percent, followed by 31 percent for those 30 to 49 years old. North Dakota featured the highest percentage of 50 to 69 year olds with 68 percent. South Dakota had the largest percentage of 30 to 49 age category with 44 percent.

The majority of respondents obtained a Bachelor's Degree (30 percent), as their highest level of education, while 22 percent stated that they received some college to assist in their business endeavors. Percentage breakdowns for each of the five states were similar for this category. After completing their degree, 30 percent of respondents worked as an employee in a company for 10 to less than 20 years, while 20 percent worked five to less than 10 years. Breakdown of percentages for each of the five states were once again similar concerning this issue.

The annual household income was \$50,001 to \$75,000 for 22 percent of the total respondents, with \$100,001 to \$150,000 coming in a close second at 21 percent. The two states with the highest individual percentages for these two were North Dakota and Wisconsin respectively. Typical of these five states, the majority of respondents were Caucasian at 96 percent. The table in Exhibit 22, provides a breakdown of all percentages by state for each of the discussed demographic categories.

The primary reason 32 percent chose to start their business was their passion for this type of business, while 29 percent wanted to be their own boss (Exhibit 23). The additional reasons for starting a business were to develop a better product or service, loss of job, to achieve financial goals and "other," which accounted for 9-11 percent of respondents (Exhibit 24).

The majority of respondents, 60 percent, chose to start their business in their hometown (Exhibit 25, 26 and 27). When respondents were asked what type of business they operated, 46 percent stated some form of service organization (Exhibit 28 and 29).

Concerning the organizational structure of their business, 34 percent initially started as a sole proprietorship, 28 percent as an S corporation, 18 percent started as a limited liability corporation and two percent responded with "other" (Exhibit 30 and 31).

Of all the respondents, 48 percent stated they had 2 - 10 employees when they opened their business. Forty-seven percent started with no other employees.

The differences between Minnesota and the other states are not statistically significant concerning demographic issues. Advisor was able to demographically analyze this information since respondents were able to state the City and Zip Code for their location of business (Exhibit 32).

The differences between states are most notable in the perception issues concerning the ease of successfully completing the regulations related to their business. This point will be analyzed in depth later in the report.

Time Requirements and Costs

Of all the respondents, 84 percent answered one to six months when asked, "What was the time spent to satisfy the state legal and regulatory requirements from time of inception to being fully operational" (Exhibit 33). Analyzing individual states and the time requirements, there were minimal differences in the percentage of respondents indicating one to six months (Exhibit 34a). At the other extreme for time requirements, Wisconsin and Iowa were the only states with any respondents indicating more than four years to complete the requirements for establishing a service business. The highest percentage of respondents, at seven percent, reporting a time requirement in excess of four years was for establishing professional services in Minnesota (Exhibit 34b).

Based on the complexity of the start-up requirements (licensing, inspection, certificates, fees, etc.) 56 percent of respondents felt it necessary to acquire the services of an attorney (Exhibit 35 and 36), and 52 percent of respondents felt it necessary to acquire a CPA. To satisfy all state legal regulatory requirements 33 percent of respondents invested \$0 - \$500 to get their business started, while the second highest percentage, at 22 percent, invested \$5,001 or more (Exhibit 37 and 38).

Concerning helpful sources to receive business start-up information, other small business owners was selected by 52 percent of respondents while "other," was selected by 28 percent. The Secretary of State was selected by 20 percent with Department of Revenue, State Office of Economic Development, Small Business Development Center and Chamber of Commerce receiving 19, 13, 12 and 11 percent respectively (Exhibit 39 and 40). When analyzing each of these sources of support for small business start-ups, the percentage of respondents in that state selecting a specific source varied significantly. Analyzing the highest state percentage response for each source and comparing it to Minnesota provides some insight into its effectiveness in Minnesota compared to the others. "Obtaining help from other small business owners," found Wisconsin business owners selecting it 56 percent of the time with Minnesota selecting it 52 percent. The choice "Other" was selected by Iowa businesses 34 percent of the time while Minnesota selected it 26 percent. "Secretary of State" was selected 33 percent of the time by Minnesota businesses; the highest percentage of the five-states involved. Twenty-nine percent of Wisconsin respondents selected the "Department of Revenue while 13 percent of Minnesota respondents selected it. The "State Office of Economic Development" was selected by 24 percent of South Dakota respondents while only 13 percent of Minnesota respondents selected it. A significant difference in the use of "Small Business Development Center," revealed that 19 percent of North Dakota's respondents accessed their services while only 8 percent of Minnesota respondents used that service. Local Chamber of Commerce's were utilized by 17 percent of Iowa respondents while 7 percent of Minnesota respondents availed themselves to this service. Only those with more than ten percent response are discussed in this section. The full spectrum of respondents is shown in Exhibits 39 and 40.

The top three sources of information for all states compared to Minnesota reveals basically the same relationship except the Secretary of State is the second most helpful compared to the five-state average indicating "Other" (Exhibit 41). Previously, it was indicated that business start-ups in all states required one to six months to complete legal and regulatory requirements. The actual time working with specific organizations during that time generally only amounted to less than

one week 35 percent of the time and less than one month 26 percent (Exhibit 42). The significant difference in time would seem to indicate delays in processing paperwork and waiting for approvals.

It would seem advisable to analyze the functional differences of the states with the highest percentage of use for each supporting source compared to the same source in Minnesota. It would be a form of benchmarking to determine best practices to enhance the impact of each of these sources in Minnesota, thus enhancing the overall impact of supporting sources for new business start-ups in the state. For additional comments from respondents see Exhibit 43.

Findings

Opinion and perception questions used a Likert scale for determining the extent of the respondent's feelings. This was achieved by the respondent selecting a response from "Strongly Agree" to "Strongly Disagree" with a neutral center point. The means of the selected values were used to indicate the significance of the responses (Exhibit 44).

Both the survey results and the direct research by Advisor's staff indicated that the more populous the state, the more departments and steps that were required to clear all regulatory requirements in establishing a new business. Respondent's satisfaction with the process also seemed in proportion to the population size of the state with the more populous states enjoying a lower level of satisfaction than the less populous states. When survey respondents were asked about their overall satisfaction with their business start-up experience on a scale of 1 to 10, Minnesota respondents' mean score was 6.6 while Wisconsin, Iowa, North Dakota, South Dakota and Wisconsin's mean scores were 6.6, 6.8, 7.2 and 7.5 respectively.

When asked to respond to their overall satisfaction with the stated requirements for licenses, permits and/or inspections, the larger populated states did not fare as well as the less populated ones. Minnesota and Wisconsin received mean scores of 5.9 and 6.0 on a 10-point scale; the remaining states of Iowa, North Dakota and South Dakota received mean scores of 6.2, 6.8 and 7.1 respectively.

To the question, "Licensing, permits and required inspections were easily obtained from the state," Minnesota and Wisconsin (the two most populous states) had the lowest levels of agreement at 72 and 73 percent respectively compared to Iowa at 80 percent, North Dakota at 81 percent and South Dakota at 100 percent. This would indicate that the acquisition process was not as favorably perceived by those seeking the information in the more populous states (Exhibit 45).

Advisor's direct attempts at securing information on regulations required in each of the five states were evaluated as a team to develop an ordinal ranking of the states based on difficulty. To the same questions that were asked of the survey respondents, overall satisfaction with the process had the Advisor's team ranking the states from most favorable to least favorable as follows: South Dakota, North Dakota, Wisconsin, Iowa and Minnesota. Concerning acquiring licenses, permits and inspections required, the research team ranked in order of preference: South Dakota, North Dakota, Minnesota, Iowa and Wisconsin.

Concerning the costs associated with satisfying the regulatory requirements, it was difficult to pinpoint the states that have predominantly higher or lower costs associated with establishing a specific type of business. This is due largely to the inconsistencies in the naming and identification of specific licenses and permits from state to state. This situation is further frustrated by the high variation in business classifications. Specific details by business classifications, where determinable, are illustrated in Exhibits 15 through 19.

The same difficulty was encountered concerning the delay associated with establishing a business. This appears to be attributed to numerous factors, such as: 1) the experience base and level of understanding of the person requesting information, and 2) the variation in the background and understanding of policies possessed by the state representative talking to the business start-up prospect. Depending on each party's understanding, the communication process will either be hindered or accelerated on issues that affect the time necessary to process required applications. Another factor that directly affects the time requirement for starting a business is the type of business involved. To properly represent the impact of time requirements, the five specific business types previously discussed were analyzed for the time required to establish. The ranges of time required for each business type in each state is detailed in Exhibit 34b.

It appears that the following relationships are verified by the study's findings; the greater the state's population: 1) the greater the number of departments requiring satisfaction of regulations, 2) the more numerous the requirements for starting a business, 3) the more difficult it is to receive assistance on specific issues, 3) the greater the number of individuals that must be accessed to gain needed information, 4) the higher the standards that must be met in order to qualify to start the business, and 5) the longer it takes to access all necessary information to comply with regulators. Since Minnesota is the second most populous state in this study, the satisfaction with the process was relatively low compared to most of the other states involved.

It is interesting to note that the survey respondents' attitude toward regulations and the process involved satisfying those requirements decreased as the state's population increased in size. The lower ratings were in relation to the discovery process and the inconsistent information received from various state sources.

General Perceptions of the Start-up Process

The analyzed data indicates that most respondents did not have negative feelings about the regulations per se, but did have complaints concerning the process used in securing the needed information about the regulations and reassuring themselves that they were successfully meeting the requirements imposed by the state. All of the respondents from the five states had similar complaints about the search for regulatory information. Those complaints centered around the following issues: 1) incomplete information on the state websites concerning regulatory requirements, 2) individuals in state offices answering phone numbers listed on the websites not always knowing the required information, and 3) state employees not having a general overview of the requirements; they only knew about their specific area of concern with limited ability to explain the overall process required for start-up approval.

If Minnesota were to pursue two improvements to the present system, most of the negative impressions quantitatively documented would be eliminated or greatly reduced; improve the present website structure and have specific, trained individuals available to act in behalf of prospective business owners.

The present, “www.license.mn.gov” doesn’t convey its potential for information. A new website designed only for furnishing specific business start-up information that was a comprehensive one-stop shop might rectify a problem that presently exists in all five-states studied. Entering, “how to start a business in Minnesota,” in the search engine resulted in finding a site entitled, “Starting a Business in Minnesota,” appearing on the first page of search results. This was the DEED site that offered some information, but was not a complete source. “How to” searches will generally always deliver hits on the first page of the search with sites specializing in that function. To take full advantage of this type of search will require a more comprehensive website being furnished under a “how to” title. Expansion of the DEED site will result in a more comprehensive and meaningful delivery of needed information that appears within the first ten websites listed.

Expanding the use of the SBDC regional offices for the specific purpose of guiding new business start-ups would greatly enhance the perceptions of individuals pursuing this activity. Rather than invest in a new function with its related costs, simply expanding the promotion and support of the SBDC would rectify many of the limitations presently being experienced. This could effectively place Minnesota in a league by itself for being known as a friendly location for an entrepreneurial venture to begin.

Section Four

DISCUSSION

In the present competitive climate for attracting new business entities, states have tried various incentives to attract the would-be successful entrepreneur. Previous studies, often commissioned by various states, have had mixed results in determining characteristics that attract new businesses with no one state in the upper Midwest scoring a decisive victory in all categories generally considered as benchmark factors. These previous studies have concluded with various ranking strategies depending on the measure incorporated in the study. Some of these studies were previously discussed in this report; none were based on the number or intensity of regulations to determine their effect in either encouraging or rejecting that state from consideration in establishing a business. This study appears to be the first to explore this variable and its effects on business formation.

This research pursued two approaches: 1) a survey of business owners in five states to find their impressions of regulations and their effect on the start-up process, and 2) an independent effort to gather information on regulatory requirements to establish specific businesses in the same five states. The two approaches delivered correlated findings. The survey responses indicated an overall score for satisfaction with the start-up process and with the required regulations, inspections and permits required. Based on the mean scores from the surveys, the overall satisfaction with the start-up process indicated South Dakota had the highest level of overall satisfaction at 75 percent, followed by North Dakota at 72 percent, Iowa at 68 percent and Wisconsin and Minnesota each receiving a 66 percent acceptance rating (Exhibit 46). Concerning the required licenses, permits and inspections required, South Dakota had the highest level of satisfaction at 71 percent, followed by North Dakota, Iowa, Wisconsin and Minnesota at 68, 62, 60 and 59 percent respectively (Exhibit 47). Advisor's researchers ranked the states on basically these same issues. Overall satisfaction with the process ranked the states from most favorable to least favorable as follows: South Dakota, North Dakota, Wisconsin, Iowa and Minnesota. Concerning acquiring licenses, permits and inspections required, the research team ranked in order of preference: South Dakota, North Dakota, Minnesota, Iowa and Wisconsin.

During the debriefing of each researcher concerning their assigned state, the following issues were common among all of the states involved in the study:

- Websites for each state only provided partial information regarding business start-up requirements. If complete information was to be obtained, each researcher needed to pursue telephone contact with various state departments to fill in the missing information.
- No state offered a single agency resource to answer relevant questions. Multiple phone calls were required to gain a complete picture of the state requirements for a new business venture.
- There was significant variance in the knowledge base of those responding to phone calls. As part of the research process, the same agency would be contacted on a different day

with the same question and the researcher would receive a different answer, would be put on indefinite hold, transferred to a new location, or would be told the information was not available at this number. On the previous day, the state representative had successfully answered the question.

- No agency could offer information concerning other state requirements outside their immediate jurisdiction. The larger the population base of the state, the more this silo effect was evident. The less populated states were staffed by individuals possessing a much broader base of information on multiple disciplines.

In general terms, it appears that the more populous states in the study, Minnesota and Wisconsin, had greater subdivisions of regulatory bodies necessitating more numerous phone calls, web searches and hours required to insure that all bases were covered in securing the necessary understanding of regulatory demands. The variance in the answers received from the same state agency could partially explain why the survey results often had similar “agree” and “disagree” levels of responses to the same Likert scale question. It could very well have depended on who the survey respondent conversed with when the call was made to the agency. In summary, it appears that the greater the state’s population:

- the greater the number of departments requiring satisfaction of regulations
- the more numerous the requirements for starting a business
- the more difficult it is to receive assistance on specific issues
- the greater the number of individuals that must be accessed to gain needed information
- the higher the standards that must be met in order to start a business
- the longer it takes to access all necessary information to comply with regulators

It is important to remember that Minnesota is the second most populous state in this study. The results of the study would seem to imply that regulations and the numerous hoops a prospective business owner must jump through make this state appear to be somehow less desirable for implementing the startup process pertaining to regulatory requirements.

Minnesota’s unemployment insurance tax rate is lower than all the other states in the study except North Dakota (Exhibit 48). The percentage of Minnesota students attaining a high school diploma far outpaces the other states at 92 percent (Exhibit 49). Unfortunately, other issues that might be considered by a start-up organization include: Minnesota’s unionization rate is the highest of the five states at 16 percent and the per capita taxation rate is second only to North Dakota (Exhibit 50). Finally, the worker’s compensation premiums for manufacturing jobs are the highest in the five states studied at \$3.62 per \$100 of payroll; however, the national average is \$3.71 (Exhibit 51).

The attitudes of survey respondents concerning the difficulty of determining related regulations to their start-up plans did seem to change over the years. Advisor was able to analyze three distinct time periods within which the respondent’s start-up occurred: before 1985, 1985-1999, or 2000- present (Exhibit 52). There was a significant increase in the percentage of respondents rating the process as high at “10” on a 10-point scale between

these three time periods; increasing from 4.2% to 9.2% to 11.2% respectively. Those rating the process as a “5” on the same 10-point scale changed from 12.5% to 16.2% to 14.6% respectively. There seems to be a general uptrend in the attitudes toward the regulatory process by those who perceived the process at the highest level possible. This could either be the result of lower expectations or an improvement in customer service as perceived by those seeking the information. The role of the website and the quality of the information it contains has probably enjoyed significant improvement over that same three time periods.

It would appear from this study that regulations; neither the quantity, difficulty surrounding securing information or the volume of licenses, permits or inspections required; are detrimental to Minnesota in being a leader in the five-state area for the start-up or existence of business entities. Business start-ups continue to be relatively strong in Minnesota when compared to surrounding states. When looking at the total number of small businesses from 2004 to 2008, each state showed an increase in percentages. The two states with the highest percentage increase were South Dakota and Iowa; while the state with the lowest increase was Wisconsin. Although Minnesota is not showing the largest percent of increase during this period, they did have the largest numeric increase with 29,842 new start-ups. Between 2008 and 2009, all five states experienced an economic downturn that adversely affected the survival of small businesses. It hit Minnesota the hardest with a decrease of 3.31 percent, followed by Wisconsin at 2.76 percent. South Dakota had the lowest percentage of decrease with 1.19 percent (Exhibit 53).

Since this study did not pursue other potential reasons for this continued strength, Advisor can only speculate based on other studies completed during the past ten years for other clients. Reasons such as a more educated workforce or greater employment opportunities that initially attracted subsequent small business entrepreneurs to take the leap into self-employment could be drivers in the process. Regulations seem to be accepted by survey respondents as a necessary part of the business start-up process. The perceptions surrounding the process however, are greeted with greater skepticism.

Analysis of issues common to all five states that are perceived as constraints to the process of establishing a business, it would appear that Minnesota could make marked improvements in assisting the entrepreneur without compromising its current required processes. Presently, all states suffer from the same issues:

- Incomplete information on their websites
- Referrals to phone numbers not always covered by knowledgeable employees
- Lack of employee knowledge outside of their immediate area of responsibility

Minnesota could take cognitive action to enhance their present design of the DEED website that would be more comprehensive in explaining the steps necessary and walk a perspective individual pursuing a business start-up through not only the regulatory requirements, but the total process for a successful undertaking in a majority of the business classes likely to be undertaken in the state. The website should link to the appropriate forms with links strategically located within the website’s discussion of the process for that specific business. The website should be designed by those knowledgeable of the steps required. Since the

number one choice for assistance indicated by the survey respondents was other small business owners, the logical source for technical support in the construction of this website would logically be small business owners operating in that specific classification. The state's network of regional SBDC offices could be a source of support in this process.

Additionally, Minnesota could consider designating individuals whose primary responsibility is walking a prospective business start-up individual through the process when questions arise that are not answered by the website. The suggested websites would refer the person to the appropriate phone number for the designee. Rather than looking at the phone calls as interruptions from regularly assigned tasks, the responsibility of this individual is strictly supporting the start-up process. Based on the questions fielded by this position, this individual can make recommendations for website additions and modifications. Again, the regional offices of the SBDC could be a source of this form of support.

These two moves should overcome the vast majority of negative impressions that individuals presently risk encountering when going through the process of uncovering all of the regulatory requirements they must successfully meet.

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Exhibit 1

ML 2010, Ch 347, Art 1, Sec 33**COMPARATIVE STUDY OF STATE REGULATION AFFECTING SMALL BUSINESS START-UPS.**

a) \$65,000 is appropriated for fiscal year 2011 from the general fund to the Legislative Coordinating Commission to fund a comparative study of the effects of state regulation on the cost and delay associated with starting a typical small business in Minnesota, Iowa, North Dakota, South Dakota, and Wisconsin. The Legislative Coordinating Commission must also apply for a grant to fund the study. This is a onetime appropriation.

(b) The study, to be conducted by a higher education institution, must examine the typical cost and delay required by state regulation in the five states to start a typical small services business, small retail business, and small manufacturing business. Within each of those three categories, the study must choose to study similar types of businesses and follow the start-up process in the five states from beginning to end, including formation, financing, licensing, permits, reporting requirements, employment laws, and state and local taxes. The study must result in a written report submitted to the Legislative Coordinating Commission no later than December 1, 2011.

(c) The Legislative Coordinating Commission shall request proposals and choose the recipient of the grant from among higher education institutions that have a graduate program in business, business administration, or a similar field. The Legislative Coordinating Commission shall periodically monitor the recipient's progress on the study and written report. The Legislative Coordinating Commission shall submit the written report as a report to the legislature in compliance with Minnesota Statutes, sections 3.195 and 3.197.

(d) If the funds appropriated in this section are unexpended, the remaining balance must be transferred to the Science and Technology Authority.

<https://www.revisor.mn.gov/laws/?id=347&year=2010&type=0>

Friday 19 Nov 2010

Exhibit 2

SBDC Interviewers Guide

1. Region Questions:
 - a. How much experience do you have in your office's region?
 - b. What is the general industry distribution in your region? What primary types of business make-up SBDC clients in your region (tourism, manufacturing, retail, etc.)?
 - c. What are some of the local issues (tax regulations/ tax breaks) that would have an effect on small businesses in your region?
2. Starting the Process:
 - a. What is the initial starting point (first step) for a small business? What do you recommend?
 - b. From a small business start-up perspective, when someone wants to start a business, what are the initial costs involved before the business is even running (time and money due to regulations, licensing and permits)?
 - c. What is the most prominent constraint or requirement that affects small businesses?
 - d. Is there a central location (one-stop resource) where you refer small business start-ups when beginning the process? Is there a source that includes a step-by-step process (permits, licenses, fees, schedules, etc.)? Could you supply this information to us?
 - e. What are the most noticeable obstacles among small business start-ups from the inception of the idea to becoming fully operational?
 - f. What do you feel are the most important factors that a small business start-up should be prepared for when starting the creation process of a small business (business plan, financing, etc.)?
3. Business Formation:
 - a. What is the general distribution of business formations that you see among small business start-ups in your office (sole proprietorship, general/limited partnership, LLC, S/C corporations)?
 - b. What is the least attractive/frequent business formation in small business start-ups in your office? Why is this the case? (Tight regulation, constraints)?
4. Incentives/Advantages:
 - a. Are you aware of any advantages or disadvantages to opening a small business in a specific region? Specific state? Are the clients you work with aware of any advantages or disadvantages?
 - b. What are some of the possible advantages or incentives to opening a small business in your region compared to other regions? Compared to other states?
5. Funding:
 - a. Is there a specific form of financing that is recommended for/preferred by small business owners when they are starting a business?
 - b. Is there any grant money for business start-ups?
 - c. Where do people go to get financing in your region (SBDC loan guaranty, commercial/independent bank loans, community development programs, venture capital, 504 loan program, government grants/Small Business Innovation Research (SBIR) program, etc.)?
 - d. What are the local taxes, region/county taxes and state taxes a small business owner will face? (Can this information be provided in written form)?
6. Wrap-Up Questions:
 - a. Have you noticed any business trends affecting small business start-ups in the past five years? If so, what is the trend and why do you think it exists?
 - b. Is there any other overall advice/suggestions that you give to potential small business owners?

Exhibit 3

SBDC - Minnesota

Exhibit 4

SBDC - Iowa

Exhibit 5

SBDC – North Dakota

Exhibit 6

SBDC – South Dakota

Exhibit 7

SBDC - Wisconsin

Exhibit 8

Relevant Interviews

These interviews were conducted to gain greater insight into the research problem and to gain opinions from individuals familiar with the objectives of the research. These interviews aided Advisor in determining direction in the initial stages of the study.

Charles Schaffer – In an attempt to gain insight from experts in the field, Advisor contacted Charles Schaffer from the Department of Employment and Economic Development (DEED). He fully understood the difficulties associated with finding the required information online or in publications for starting a business. He also emphasized the importance of using the correct terminology when obtaining information from various state department websites. According to Mr. Schaffer, the incorrect use of terminology makes it difficult to gather the sought-after information since the search engines are definitional specific, reducing the possibility of performing a parameter search.

Mr. Schaffer indicated it is rare for a smaller entrepreneur to move somewhere to establish a business. Typically, when a person decides to pursue an entrepreneurial opportunity or simply establish a small business of a type common in communities, they pursue it where they are presently located. Often, the individual is employed or just recently became unemployed when considering a business start-up. Since most start-ups occur in or near where the entrepreneur lives at the time, then the focus should be on attracting or expanding businesses within the state to ensure a supply of future independent business types. If there are opportunities that bring people to locations in Minnesota and they lose their job or decide to leave it, they are most likely to open a business in the area where they are living. People rarely move to a new, unfamiliar location to establish a business.

Alex Cirillo – It was just after Advisor began the Five-State Industry Comparison that this interview was completed. It was valuable in that it verified the steps and procedures that needed to be followed in gathering information for this study; it was beneficial at this point since his vision of the study was very similar to the approach Advisor planned on pursuing.

Advisor had the opportunity to conduct this telephone interview with Dr. Cirillo, a retired vice president from 3M, who initially suggested the idea of The Five-State Comparative Study. Dr. Cirillo mentioned that the idea was triggered by senators' general belief that the regulations and legal burdens in Minnesota were harder than those of the surrounding states (North Dakota, South Dakota, Iowa, and Wisconsin), even though there was no actual empirical data to support their position.

This study should assist in determining any empirical evidence as to the relative difficulty of establishing a business in Minnesota compared to the contiguous states. The initial process that Dr. Cirillo envisioned was to take three or four examples of specific business types and compare each of the five states. Questions that would be addressed were: 1) who do you contact?, 2) where do you find the information?, and 3) how do you know what you need? Dr. Cirillo also mentioned that items to be researched included licensing requirements, permit requirements,

insurance needs, workman's compensation requirements, tax levels, assistance availability, and time requirements to complete the process.

Bill Blazar – Mr. Blazar has been with the Minnesota Chamber of Commerce for nineteen years. His perception is that over the years it has become much harder to set up a business due to increased legal issues. Many new business owners feel that they need to hire a lawyer or other professionals with expertise to gain sufficient information about workers' compensation, name registration, protecting against potential liabilities, among other things. Based on the five states that were studied, he didn't think that Minnesota was more difficult in which to establish a business; however, he did feel that there may be more steps and forms required in Minnesota than the others. It was felt that many of the obstacles encountered could be attributed to the state staff member that answers the telephone when calling for information. Each industry was discussed with Bill and he shared his perceptions on the ease of starting a business in that specific industry. He suspected that convenience stores would be more difficult for a business owner because of the tanks that are put in the ground for storing fuel and the multitude of regulations associated with handling food.

Bill gave his suggestions on how the state (MN) can help business owners. He believes it will be beneficial to keep applicants better informed on the status of their applications. To accommodate small business owners, Mr. Blazar suggested having a common location or source where initial and ongoing help would continually be available to the inquiring individual. Bill said that the Chamber's Grow Minnesota! Program has experimented with this type of service. It, in partnership with DEED, operates the www.MNBizConnect.com website which attempts to answer inquiries about doing business in Minnesota. Most come from small businesses. After 3+ years of operating this site, the Chamber is about to revamp it. BusinessConnection could become the clearinghouse for information on how to start a business in Minnesota and how to clear certain operating requirements with proper training and support from the state. The statement from the previous interview with Charles Schaeffer was discussed concerning starting a business where you live. Bill's thoughts were that the statement is true for someone starting a basic business such as a convenience store or a beauty salon. But, if the business concept is a new and innovative project requiring time and research, the entrepreneur may feel the need to move to the most beneficial area for that specific process.

Kristy Brusven – An interview was conducted with Kristy Brusven who recently opened a salon in October 2011, in Minnesota. She explained that funding was tough and the only money that was available was for larger businesses with many employees; no funding was available for small businesses. She thought the reasoning for this was larger businesses employ more people and generate more jobs thus justifying financial support. The Southwest Regional office of the SBDC was the most helpful agency for Kristy, making the process easier and more understandable. She also sought assistance from the Small Business Administration but found working with them was difficult because of the preconditions that had to be met in order to receive assistance from this national agency.

Concerning state requirements, Kristy ran into a problem as the opening date was nearing. She perceived that due to the lack of knowledge and assistance from agencies, she had to push back the opening date of her salon. Being unaware of recent changes in the regulations for beauty

salons, she was unable to receive her Salon Manager's License in a timely manner. When she traveled to St. Paul to receive the license, she was informed that it would take at least fifteen days to complete the process. Previously, salon managers simply went to St. Paul, handed in the paperwork and received the license within a matter of minutes. She was told that there was a small notification in a newsletter about the new law but was not aware of it. Advisor then asked why she had chosen the Marshall area to open the salon; she replied that her husband owns a farm nearby and that she never considered opening a salon anywhere else. This logic coincides with the premise previously mentioned by Charlie Schaffer of DEED; most people opening a business are going to open it in the area where they live and where their family is located rather than empirically search for an area with less regulations, taxes or restrictions.

Lastly, when asked how the process could have been made easier, she indicated that the Board of Cosmetology was the most helpful out of any of the other state agencies because of their more comprehensive coverage of requirements and regulations. Her findings concerning other state agencies indicated that they would only focus on one specific area of opening the salon and would not expand further. This was an issue that Advisor also found when researching the various industries; most agencies take a silo approach and only deal with their specific area of concern. She said a checklist from the SBDC would have been extremely helpful; her experience left her with the impression that the SBDC only guided in the process but did not get as involved as she would have liked. Kristy had to seek assistance from an accountant and an attorney for other steps and procedures.

Exhibit 9

Small Business Interviewers Guide

1. Education/Experience
 - a. What is your highest level of education?
 - b. What type of special education or training have you completed related to your business?
 - c. What was your occupation prior to establishing this business?
2. Starting
 - a. What was the very first step you took to starting your business?
 - b. Where did you obtain the majority of the information to establish this business?
 - c. What is the legal structure of your business? Why did you choose this?
 - d. Did you ever look into establishing your business as a franchise?
 - e. What state governmental departments or websites did you use when starting your business?
 - f. What other assistance did you seek when establishing your business?
 - g. How long did it take from inception of the idea to becoming fully operational?
 - h. Were you surprised by the ease or difficulty of any aspects of the start-up process?
3. Financing
 - a. Were you under the impression that you would receive loans and grants for your business?
 - b. What was the most helpful financial resource you pursued?
4. Expenses
 - a. What expenses do you feel are the most significant burdens to your business?
 - b. Besides wages, what other expenses related to employment did/do you face (workers comp, unemployment, etc.)?
 - c. How many employees did you have when starting your business, if any?
5. Incentives/Advantages
 - a. What advantages are there to establishing your business where you did?
 - b. What disadvantages come with locating your business where you did?
 - c. Were local regulating offices helpful in the process?
 - d. What other locations did you consider for your business? Why?
6. Regulations
 - a. What licenses or permits are required for your business?
 - b. What do you feel is the most prominent restriction or regulation you faced?
 - c. What could have made meeting any specific regulations easier?
 - d. How long did it take to receive licenses after you filed for them?
 - e. Why did you choose this area to start your business? Family? Taxes? Other regulations?

Exhibit 10

Survey

Exhibit 11

PREVIOUS STUDIES

As part of the secondary research for this endeavor, Advisor subsequently pursued an examination of previously completed studies to determine what, if any, correlation existed between previous efforts and this undertaking. Previous studies were not examined until after conclusions had been reached concerning the present pursuit; this order of events was necessary to avoid any bias that might be created by approaches and findings of earlier research efforts.

Small Business Survival Index

The Small Business and Entrepreneurship Council has conducted an annual study since 1995 entitled, “Small Business Survival Index.” The study’s purpose is to expose whether state and local government’s policies benefit or harm entrepreneurial decision-making. The study includes financial factors important to most businesses. The criteria considered for this study are the direct rates applied to personal income tax, capital gains tax, corporate income tax, state and local property taxes, local sales and excise taxes and state gas taxes. The effects of right to work legislation, death tax impact, unemployment tax rate, health care costs, utility costs, internet taxes, workers compensation premiums, and the number of bureaucratic steps involved are also considered. The states are ranked in order of desirability for entrepreneurial and small business start-ups with the state ranked as number one being the most desirable. Interestingly, South Dakota has been ranked number one every year since the study began. North Dakota is currently ranked number 18, Wisconsin 31, Iowa 40, and Minnesota 42.

Also considered is the net domestic or internal migration; the movement of people between states, excluding births, deaths and international migration. The study captures the migration trend of people desiring to establish their businesses where there is a more business friendly environment. From 2000 to 2009, the top 25 states on the “Small Business Survival Index” netted a 4.9 million population increase at the expense of the bottom 25 states. Based on their findings, the Council concluded, “Some elected officials, policymakers and special interests believe that taxes, regulations and other governmental costs can be increased with impunity. Economic reality tells a different story. Ever-mounting burdens placed on entrepreneurs and small business by government negatively affects economic opportunity. People go where economic opportunity is, in turn, bring more opportunity with them (Keating, 2010).”

The Best States for Business

Conversely, when factors other than monetary statistics are considered, a difference in findings emerges. In 2011, Forbes magazine conducted a similar study entitled, “The Best States for Business.” They used slightly different criteria with a dramatic difference in outcome. They used Business Costs, Labor Supply, Regulatory Environment, Economic Climate, Prospect for Growth and Quality of Life as criteria. The state ranks from best to worst are as follows: (4) North Dakota, (10) Iowa, (15) Minnesota, (17) South Dakota and (40) Wisconsin (Badenhausen, 2011).

In both of the studies, looking strictly at costs, South Dakota was ranked as the lowest cost for doing business in the nation; however, with a poor labor supply and being ranked 48th in the nation in growth potential, it may not be the most enticing place to start a business. It is important for entrepreneurs to fully understand the characteristics important to them when selecting a location to undertake a business activity.

America’s Top States for Business: 2011

CNBC conducted a study entitled, “America’s Top States for Business 2011”. Ten different categories were used to rank the states. CNBC considered 49 separate areas affecting business, grouped them into ten broad categories and weighted each. The criteria considered were: Cost of Business, Workforce Availability, Quality of life, Economy, Transportation and Infrastructure, Technology, Education, Business Friendliness, Access to capital, and Cost of Living. Based on their criteria, Minnesota was the 7th business friendly state in the nation. Iowa was 9th, South and North Dakota tied for 13th place and Wisconsin was 25th (“America’s Top States,” 2011).

Entrepreneurship in Nebraska

Finally a fourth study was conducted by the University of Nebraska in 2010. The five criteria considered in their study were the percent growth in employer establishments, percent growth in employer establishments’ per capita, business formation rate, patents per thousand references, and gross receipts of sole proprietorships and partnerships per capita. According to their findings, North Dakota placed 11th in the nation, followed by Minnesota at 25th, South Dakota 27th, Wisconsin 32nd and Iowa at 38th. The University concluded that the first two

criteria: percent growth in employer establishments and percent growth in employer establishments per capita, were the two most vital factors that affected a state's ranking (Tran, Thompson & Walstad, 2011).

Best/Worst State for Business

The results of the seventh annual report on the best and worst states in which to do business in the magazine, *Chief Executive*, expressed the views of 550 CEOs concerning how they would rank states based on taxation, regulation, workforce quality and living environment. Those CEOs interviewed for this study indicated states should not overtax businesses. Make sure your tax scheme does not drive business to another state. Have a regulatory environment and regulators that encourage good business – not one that punishes businesses for minor infractions. Good employment laws help too. The leading states in this study all demonstrated low taxes. The leading state, Texas, created 250,000 new jobs in 2010, and had the highest inward net migration rate of any state. Minnesota was recognized as having a good Midwestern work ethic, great stability and good schools. Unfortunately, Minnesota ranked 29th (up from 31st year before) in the study, the lowest ranking of the five states studied. Wisconsin had the greatest gains in this most recent study, moving from 41st to 24th in 2011.

Summary of Previous Studies

Each of the four studies mentioned previously were thoroughly researched and found to have proper data collection techniques and accurate rationale for their choices. None of the studies were flawed; however, they had different interpretations of the same issue based on the criteria selected in each study. This fact illustrates that findings from any study are as dependent on the chosen criteria and methods of collection as they are on the facts derived.

Exhibit 12

Researched Industries with NAICS codes

Type of Business	NAICS Code	IA	MN	ND	SD	WI
Gasoline Stations with Convenience Stores	447110	1,526	1,892	305	514	2,226
Beauty Salons	812112	903	1,676	275	196	2,083
Commercial Lithographic Printing	323110	120	317	31	38	297
Offices of Dentists	621210	1,050	2,025	265	279	2,069
Full-Service Restaurant	722110	2,396	3,568	546	692	4,718

Exhibit 13

Entity and Registration Costs

Business Entity Selection	Iowa	Minnesota	North Dakota	South Dakota	Wisconsin
Reservation of Name	\$10	\$35	\$10	\$25	\$15
	Application	Application	Application	Application	Name Look-Up
Fictitious/Assumed/Firm Business Name Registration	\$5	\$25	\$25	\$10	\$50
	Application	Application	Filing Form	Name Registration	Application
Limited Partnerships - Certificate of Limited Partnerships	\$100	\$100	\$110	\$125	\$70
	N/A	N/A	N/A	Filing Form	Filing Form
Limited Liability Company (LLC) - Articles of Organization	\$50	\$135	\$135	\$150	\$130 or \$170
	N/A	Filing Form	Filing Form	Filing Form	Filing Form
					Online Form
Corporation (stock, for-profit) - Articles of Incorporation	\$20	\$135	\$100	\$150	\$100
	N/A	Filing Form	Filing Form	Filing Form	Filing Form

Exhibit 14

Tax Chart

Exhibit 15

5 State Comparison

Exhibit 16

5 State Comparison

Exhibit 17

5 State Comparison

Exhibit 18

5 State Comparison

Exhibit 19

5 State Comparison

Exhibit 20

Ranking Chart

Exhibit 21

Survey Response Rates:

Total Survey Responses	
Total Surveys Sent Out	15,000
Total Surveys Received	876
Less: Respondent Error Surveys	31 (Returned Mailed Survey Error)
Total Surveys Entered	845
Less: Unqualified Surveys	121
Less: Respondent Error Surveys	20 (Online Computer Error)
Total Valid Surveys	704
Total Response Rate = 5.84%	
Total Valid Response Rate = 4.69%	

States	Population	Total Surveys Sent Out	Total Responses	Total Response Rate	Total Valid Responses	Valid Response Rate
IA	3,008,000	2,547	121	4.75%	116	96%
MN	5,266,000	5,762	287	4.98%	274	95%
ND	646,844	789	41	5.20%	40	98%
SD	812,383	774	41	5.30%	39	95%
WI	5,655,000	5,128	244	4.76%	235	96%
Totals	15,388,227	15,000	734	4.89%	704	96%

Exhibit 22

Demographics						
Survey Question	<u>IA</u>	<u>MN</u>	<u>ND</u>	<u>SD</u>	<u>WI</u>	Combined Results
#36 I am:						
Male	72%	75%	66%	80%	69%	72%
Female	28%	25%	34%	20%	31%	28%
#37 I am _____ years old.						
18 to 29	3%	2%	2%	2%	3%	3%
30 to 49	31%	31%	24%	44%	29%	31%
50 to 69	63%	60%	68%	54%	65%	62%
70 and older	3%	7%	5%	0%	3%	4%
#39 My highest level of education is _____.						
Less than High School	0%	2%	0%	7%	0%	1%
High School Graduate	14%	10%	10%	27%	17%	14%
Some College	28%	25%	10%	12%	21%	22%
One or Two Year Degree	14%	12%	18%	15%	14%	13%
Bachelor's Degree	24%	36%	40%	24%	26%	30%
Master's Degree	10%	9%	13%	2%	12%	10%
Doctorate	9%	5%	5%	5%	8%	7%
Other:	1%	2%	5%	7%	2%	2%
#40 After completing my highest level of education, I worked as an employee in a company for _____ years before starting my own business.						
0 Years	10%	6%	15%	7%	10%	8%
1 to less than 2 years	6%	5%	7%	10%	5%	5%
2 to less than 5 years	15%	22%	12%	17%	17%	18%
5 to less than 10 years	25%	21%	15%	20%	19%	20%
10 to less than 20 years	28%	28%	39%	22%	33%	30%
20 or more years	16%	19%	12%	24%	18%	18%
#41 Our annual household income is _____.						
Less than \$20,000	1%	4%	3%	7%	4%	3%
\$20,001 to \$50,000	23%	15%	8%	12%	16%	16%
\$50,001 to \$75,000	19%	22%	29%	22%	23%	22%
\$75,001 to \$100,000	23%	17%	21%	27%	15%	18%
\$100,001 to \$150,000	19%	19%	21%	15%	25%	21%
More than \$150,001	15%	23%	18%	17%	18%	19%

#42 My ethnicity is _____.						
Asian	3%	1%	0%	0%	0%	1%
Hispanic/Latino	0%	1%	0%	0%	1%	1%
Two or more races	1%	0%	0%	3%	0%	0%
Black/African American	1%	0%	0%	0%	1%	1%
White Caucasian	92%	96%	100%	98%	95%	96%
Native American	1%	1%	0%	0%	0%	0%
Other:	2%	0%	0%	0%	2%	1%

Exhibit 23

Survey Question #7

I chose to start my business because:	
I developed a better product/service	9%
I had a passion for this type of business	32%
I lost my job	10%
I wanted to be my own boss	29%
I wanted to achieve personal financial goals	11%
Other	10%

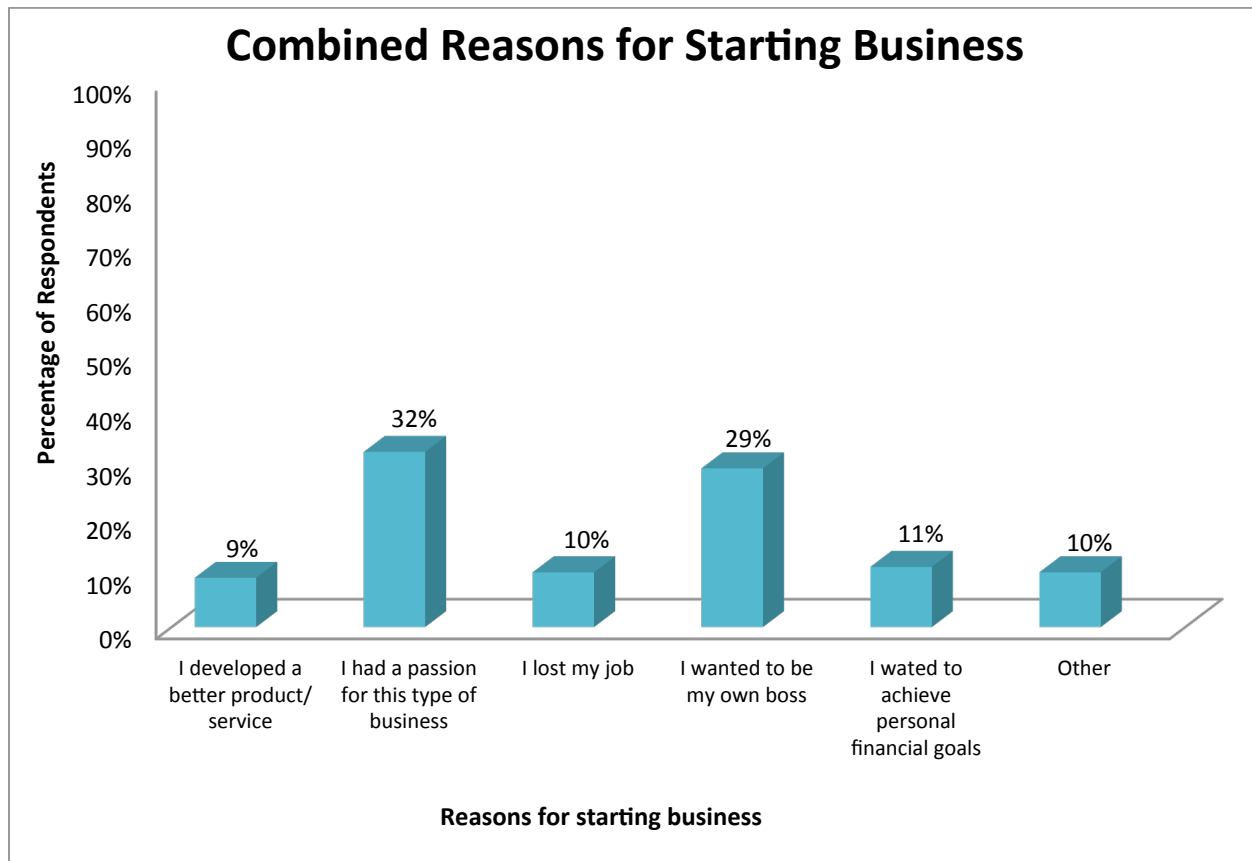


Exhibit 24

#8. I chose this state to start my business because: (Check All that Apply) Other:

wind resource	Strong Economy
I live here (x4)	Region of Country
Unique Idea	Student
location	already working here
Area I knew	less taxes
business has been here for 100 plus years	Previous business I purchased 22 years ago
I saw a need.	I wanted to live here
thought Minnesota was the best place to live	Great Bus. Town
I own other businesses and property here.	Area w/ good potential
Area Available	Recommendation from friends
work ethic of employee pool	Personal
Its where I went to college and I love it	Previous company went bankrupt
Native Iowan	moved here before we started business
Nice area (x2)	General Mill's Incorporation
passion	familiar with market
there was a practice for sale here	close to family
existing customers	just moved to town (x2)
location	Building was available
Home state (x5)	
Laid off by employer but asked to continue with projects in process if went on own	
District leadership designated clintonville as a church plant	

Exhibit 25

Survey Question #8

I chose this state to start my business because:	
High Demand for my product/ service in this area	11%
It's my hometown	60%
Lower level of state legal and regulatory requirements	2%
My spouse or family members are from here	17%
Previous employment opportunity initially brought me here	20%
Other	7%

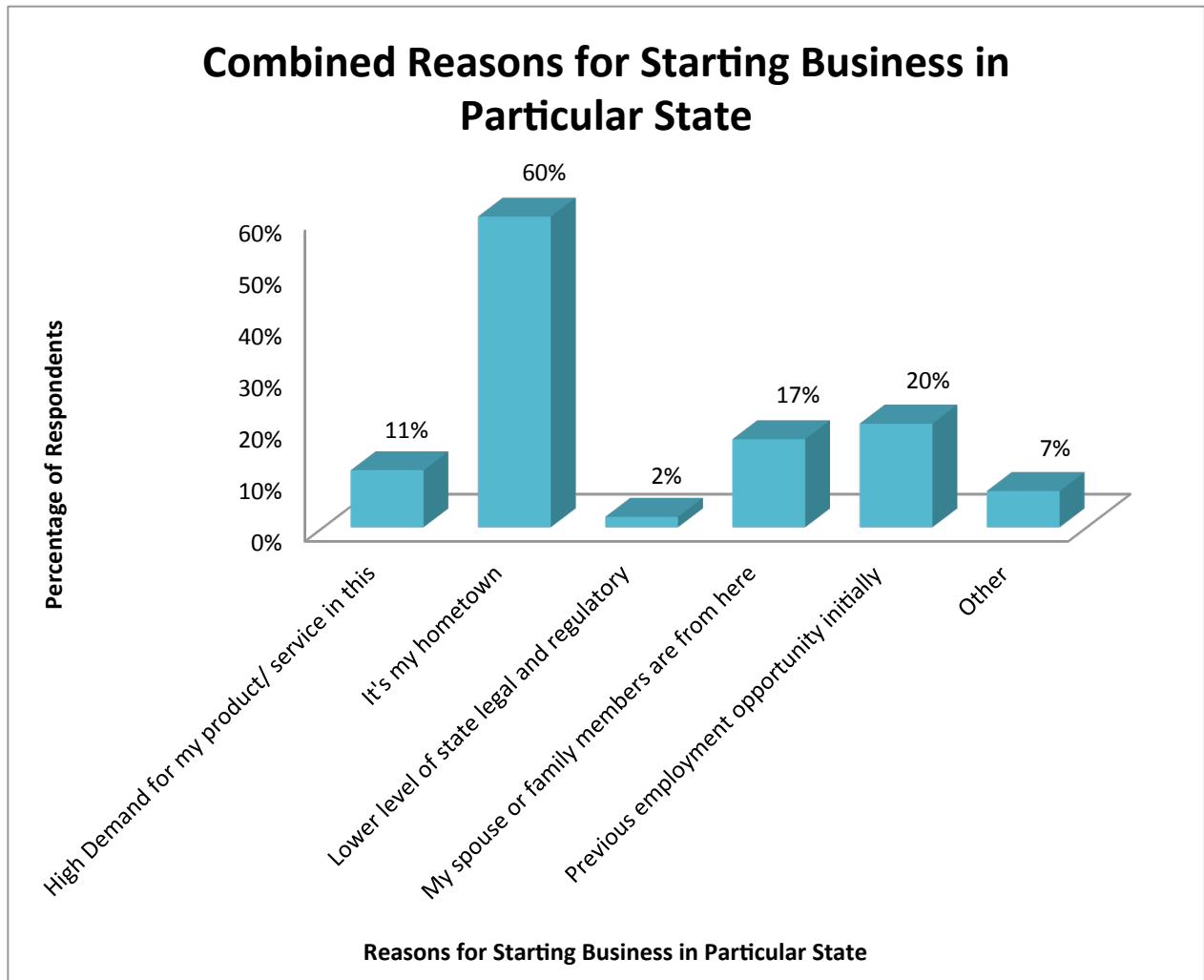


Exhibit 26

Survey Question #8

I chose this state to start my business because: It's my hometown					
	Iowa	Minnesota	North Dakota	South Dakota	Wisconsin
It's my hometown	53%	67%	66%	44%	56%

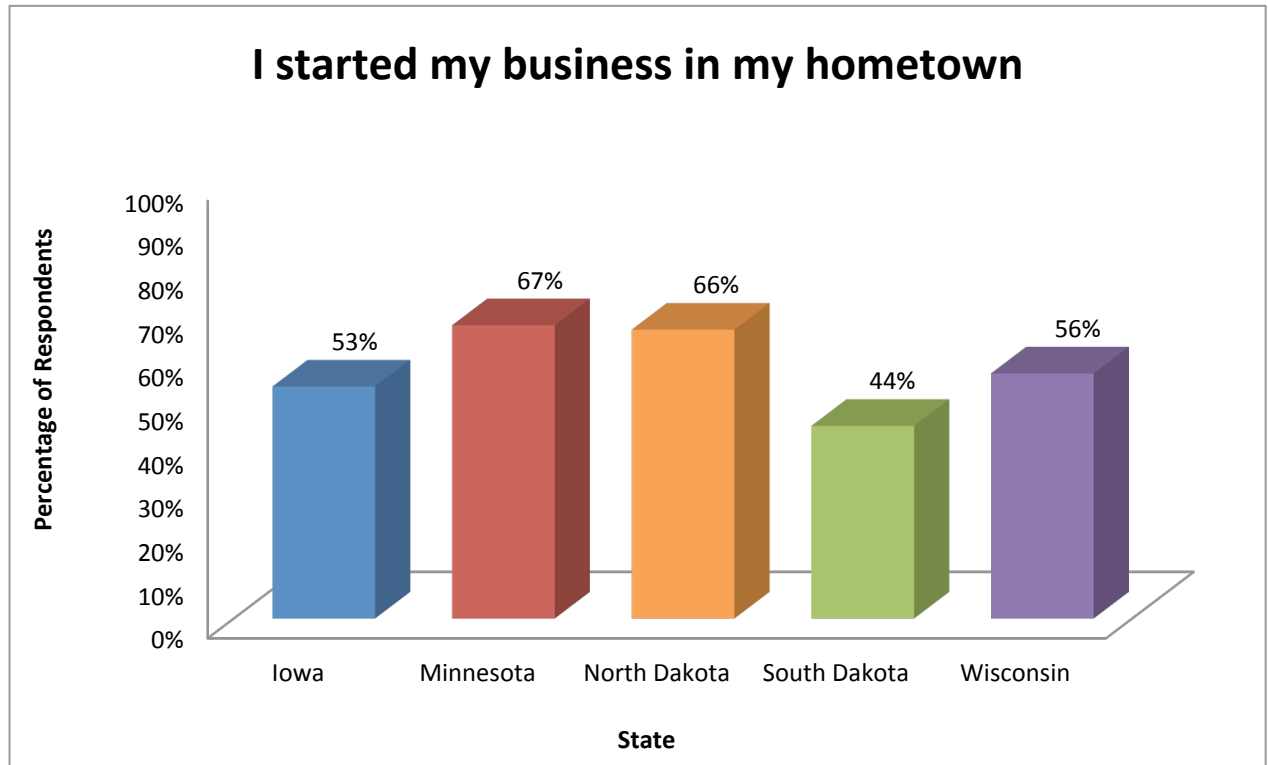


Exhibit 27

#7. I chose to start my business because: Other:

I purchased patents and manufacturing technology

My dad asked me to start it

reacquired the business from someone we had previously sold to
opportunity

I saw that there was a need for this operation (x8)

It was offered to me

Natural Logical Expansion on Entertainment

started own clinic

moved to area-couldn't get a job

I felt it was a good opportunity.

No driver license

I retired but got bored

second career for my husband and myself

I wanted to provide employment for my family

I wanted to work from home as I had young children

Demand in the area

Profession

I wanted to achieve personal financial goals and provide a business for my children

My job was moving across the state

I developed a better product/service & I wanted to be my own boss

I had a passion for this type of business, wanted to achieve personal financial goals, and no one
doing bat work in area

I developed a better product/service & enjoy starting new biz

left existing family business to start competing one--Dad wouldn't retire!

No one else offering service

I had a passion for this type of business & I wanted to be my own boss

I wanted to treat people the way I thought was proper

I had a passion for this type of business & I wanted to be my own boss

I had a passion for this type of business, I lost my job & I wanted to achieve personal financial goals

Wanted to have my own company which is different than wanting to be the boss

Part Time Job

Recession, out of school, no jobs

Laid off in winter

I had a passion, personal financial goals and be my own boss

It was what I wanted to do for years

It matched personal & professional goals

Tax Reasons

Job Security

Company buyout and had opportunity to re-open same business

Loved the Brand

I wanted to see my business ran the way I felt it should be.

we did not like the direction our employer was going.

new technology

I had a passion for this type of business & I wanted to be my own boss

family

diversify business portfolio

job stability

moved to be closer to family

Had previous businesses

Exhibit 28

Survey Question #9

The type of business I am operating is:			
Retail	14%	Manufacturing	14%
Service	46%	Other	11%
Professional	14%		

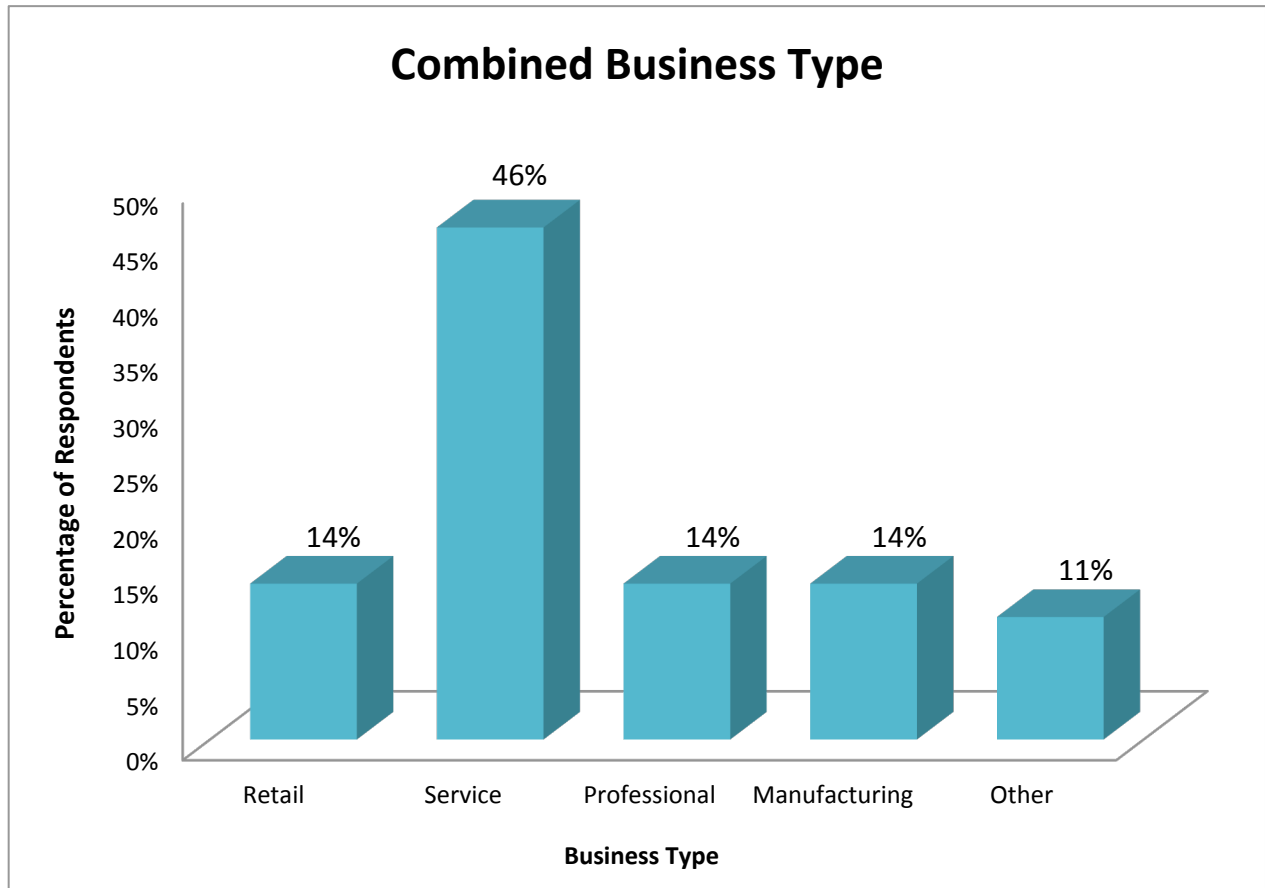


Exhibit 29

#9. The type of business I am operating is _____? **Other:**

Restaurant	Liquidations
Technology	Wholesale (x2)
utility	Childcare Preschool
Distribution (x3)	Church
Retail/Manufacturing (x4)	Printing
Real Estate LLC (x2)	Massage Therapist
artwork	Non-profit consulting
Retail/Service (x7)	Ecological Consulting
Retail/Wholesale	Contracting
Artist	Funeral Home (Service &
Service & Manufacturing (x5)	Professional)
Product	yoga center
Software (x2)	medical device development
Construction (x5)	Signs
manufacturer rep	equipment rental
service/professional (x2)	Non-Profit Educational Organized
Erosion Control	501(c)3
Studio with retail gallery space	Dairy farm
photography	Publishing (x2)
Rental	Travel Agency
service - nuisance animal control	Process Plastic
Hospitality	home builder
lodging	Taxidermist
non-profit - social service	on-line sales
Consulting	forestry
Marine Repair	direct sales
Farm (x2)	Plumber
Environmental Consulting	

Exhibit 30

Survey Question #12

What type of organizational structure did you use when first opening your business?			
Sole Proprietorship	34%	Limited Liability Partnership	1%
Partnership	6%	C Corporation	12%
Limited Liability Corporation	18%	Other	2%
S Corporation	28%		

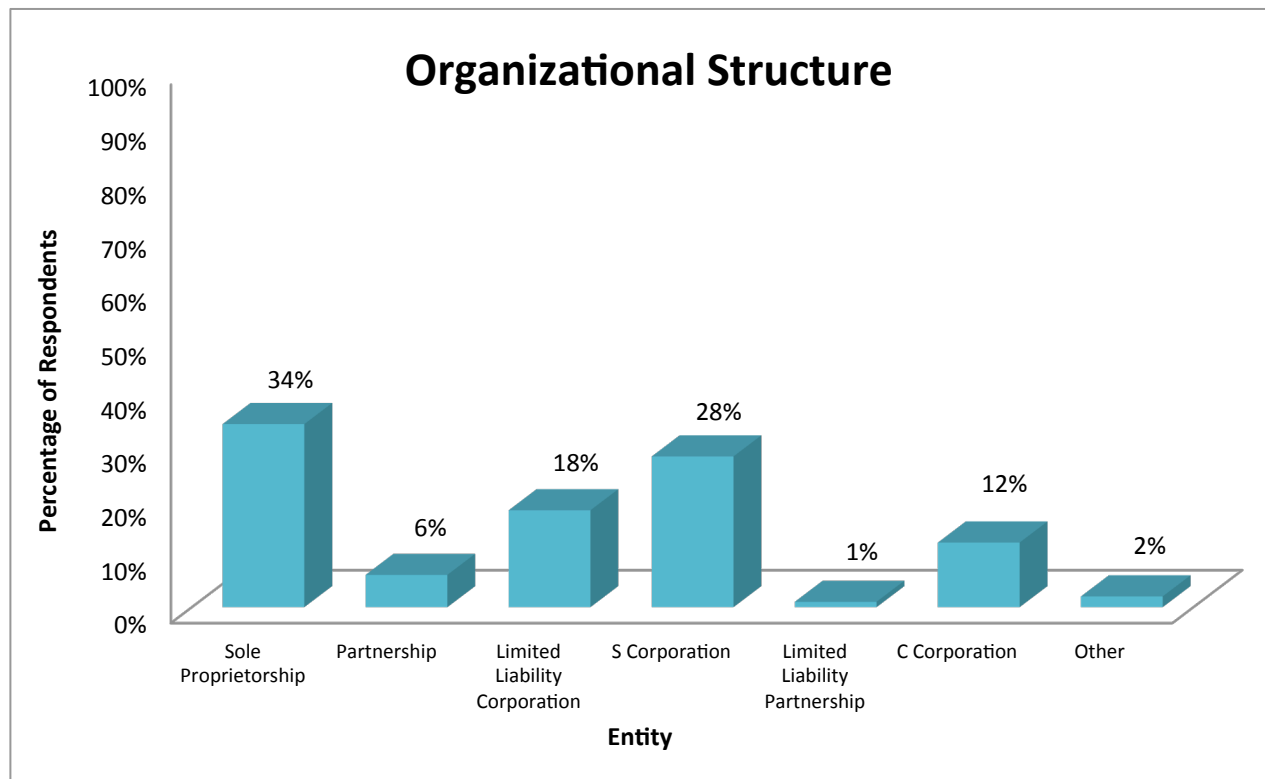


Exhibit 31

#12. What type of organizational structure did you use when first opening your business? (Check One) Other:

Non-profit 502(c)(3)

city owned

P.C.

Nonprofit (x3)

Non-profit corporation

None

LLC & S Corporation (x2)

501 Corp

not selected yet

Exhibit 32

#5. City and Zip Code: (Fill in the Blank)

Delafield, WI 53018	Dawson 56252 (x2)	Detroit Lakes
52345	Watertown 55388 (x2)	Lemmon 57638
Merrill 54452	Wells 56097	Grand Forks 58200
55124 (x3)	55359	Mitchell 57301
57022	Watkins 55389	Benson 56215 (x2)
Ottertail 56571	Holdingsford, 56340	Hickson 58047
Redwood Falls, mn	Minneapolis 55406 (x4)	56588
minneapolis, 55415	56320	Pelican Rapids MN 56572
55413 (x2)	55304 (x2)	58042
Sauk Rapids, MN (x2)	St. Louis Park	56520
56258	56175	56232
brooklyn park 55428 (x2)	Minneapolis 55427	Lead 57754
Cedar Rapids – 52402 (x4)	Canistota SD 57012	Pequot Lakes 56472 (x2)
Sioux Falls, 57108 (x3)	Edina 55410	55330
Minneapolis 55423 (x2)	Willmar 56201 (x4)	58078 (x3)
58103 (x3)	Fargo 58104 (x2)	55318 (x3)
atwater 56209	Fargo 58102 (x5)	Golden Valley 55427 (x3)
Cresco 52136	Madison SD	Rapid City, SD 57702
Eden Prairie, MN 55344 (x4)	Underwood 56586	Mitchell SD
51331	Richardton ND	Rock Rapids 51246
Dubuque 52002 (x2)	Hutchinson 55350 (x6)	Morris 56267
55376 (x4)	56379	Madelia 56062
Iowa City 52245	Tea 57064	Plymouth 55441
Hopkins 55343	Aitkin 56431	55420 (x2)
Ames IA 50010 (x4)	56441	Coon Rapids, 55433
Bemidji 56601 (x7)	Devils Lake 58301	Oregon 53575
Mankato 56001 (x3)	56271	Mayville 58257 (x2)
Minneapolis 55402 (x2)	Watertown, SD 57201	55372

Maple Grove 55369	Fertile 50434	Cedar Rapids 52404 (x5)
St. Paul 5516	Waterloo 50701 (x3)	52042
Minneapolis 55101	Grand Forks 58201 (x4)	Wheatland 52777
Golden Valley	58501	Fort Dodge 50501 (x4)
Alexandria	Whitehall 54773	51334
Blue Earth 56013	new brighton 55112	Grand Rapids 55744 (x4)
Brooklyn Park 55445	Dixon 52745	Forest City, 50436
Champlin, MN	52722 (x2)	Cedar Rapids 52411
53545 (x2)	Neche, ND 58265	Marion 52302 (x4)
55371	56093	52403 Cedar Rapids
Sioux Falls 57104 (x2)	Sioux City 51106	Vinton 52349
Minneapolis 55414 (x2)	Mankato 56003	Aberdeen 57401 (x2)
Sioux Falls 57101	menasha 54956	St. Charles 57571
Hartford 57033	Waverly 50677 (x2)	Bloomington 55425
Waveryly, MN 55390	Cedar Falls, IA 50613 (x2)	50443
Sioux Falls 57105 (x5)	Henning 56551	Minneapolis 55405
Canistota 57102	Minneapolis 55412 (x2)	55401 (x3)
Eden Prarie 55346 (x2)	West Burlington 52655	Grand Rapids
55443	Becker 55308	54763 Ridgeland
New prague 56071	Burnsville 55337 (x3)	Eau Claire 54701 (x4)
Edina 55439	Howard Lake 55349	Nevada, 50201
Park Rapids 56170	56470	54814
58270	57041	53703 (x2)
Deerwood 56444	50309 (x2)	Duluth 55806
Alexandria, 56308 (x3)	56378	Red Lake Falls 56750
Gregory 57533	50627 Eldora	Mpls – 55421 (x4)
58078 & 58102	Edina 55424 (x2)	Mpls
Rosholt 57260	50630	Mpls 55409
Mandan 58554 (x2)	52807	55614
50665	52732	Chippewa Falls 54729 (x2)
Verona, 53593 (x4)	Clarence 52216	54827

54313 Green Bay	55127	Milwaukee, 53201
53208 Milwaukee	54829	Appleton 54911 (x2)
Milwaukee 53204 (x2)	53523 (x2)	54130
Waukesha 53189	Milwaukee 53211	Clintonville WI 54929 (x2)
55429	West Bend 53095 (x2)	51501 - Council Bluffs (x2)
St. Paul 55105 (x2)	Des Moines, IA 50311 (x2)	53713 (x2)
Monticello 55362	Paynette 53955	54166 (x2)
Minneapolis, 55419 (x2)	Shullsburg 53586	56230
St. Cloud 56301 (x3)	53528	Minnertonka 55343
50023	53572	Monticello 52310 (x2)
Ames 50014	53562 (x4)	Hills 56138
52531	53597	Rogers 55374
Des Moines, 50310	Sun Prairie, 53590	Zombrota 55992 (x2)
Madison 53711	Madison 53716 (x2)	Fountain, 55935
50036 (x3)	54981	Tipton 53772
Green Bay 54311 (x3)	Baxter MN 56425 (x2)	Buffalo
Little Canada, MN	Menasha 54952 (x3)	Mason City, IA 50401 (x2)
St. Germain 54558	Northfield, 55057	Plymouth 55447
Sioux City 51105	New York Mills, MN 56567	50616
Orange City, 51041	56387	55311
Sharon 53585	Sleepy Eye, 56085	Duluth 55807 (x2)
Green Bay 54303 (x2)	54837	Minneapolis 55343
Appleton 54914 (x2)	St. Paul 55104 (x3)	Rock Valley 51247
DeForest 53532	53218	55439
50312 (x2)	Milwaukee 53207 (x2)	Dubuque 52001 (x2)
55906	Shorewood WI 53211	Stoughton 53589 (x2)
InverGrove Heights 55077	Packwood 52580	50325
Faribault 55021 (x2)	Viroqua	Des Moines 50313 (x4)
St. Paul 55107	54110	50622
Lakeville 55044 (x2)	Cedar Falls IA	Ossian 52161
56401 (x2)	53103	St. Cloud 56302

Bloomington 55439	55712	53081
Rochester 55902	Little Chute, 54140	Rochester 55904 (x2)
Peshtigo	54913 (x2)	Norwalk 50211
Forestville 54213	Cambridge 55008	Reasnor 50232
E.C. 54703	St. Paul 55102	50046
54001	Sheboygan Falls 53085	58401
Cottage Grove 55016 (x2)	Bollo Fourcho 57717	Milwaukee, 53219
Urbandale 50322	Milwaukee 53202 (x2)	Lake Geneva 53147 (x2)
54937	North Branch 55056	Penaukee, 53072
oshkosh 54901 (x3)	Greenfield 53221	Muskeys WI
54902 Oshkosh (x2)	54557	Iowa Falls 50126
Madison 53714	La Crescent 55947	Hartford 53027
Webster City 50595	Woodward 50276	Milwaukee
55305	Madison 53705	Muskego, WI
55114	Des Moines 50314 (x2)	Milwaukee 53220
Des Moines, IA 50316	Dodge Center 55927	Kiel 53042
55106	West Des Moines Iowa	Beefield 58622
Arden Hills, 55112	Lacrosse 54603	Elkhorn 53121
Duluth, 55802 (x2)	St. Paul 55113 (x2)	Sheboygan 53083
55379	Stillwater 55082 (x2)	Racine 53403
Beaver Bay 55601	Madison, 53704	Richland Center 53581 (x2)
Duluth 55812	58701 (x2)	Eagle River 54521 (x2)
Buffalo, MN	Woodbury, MN 55125 (x2)	Wausau 54403 (x2)
Alden 56009	Duluth 55803 (x2)	Rochester
Byron 55920 (x2)	Algona 50511	55731
Maplewood 55109	Ladysmith 54848	Elysian, MN 56028
Medford 55049	Moorland 50566	Newton, IA 50208
Cedar Rapids 52341	Green Bay 54301	50213 Osceola (x2)
Minneapolis 55454	Waukesha 53188 (x2)	Centerville 52549
Clare 50524	Milwaukee 53222	57718
Plato 55370	Menomonee Falls 53051	Bismarck ND

Owatonna 55060	55110 (x3)	53066 (x2)
50047	Mosinee, 54455 (x2)	53210
Milwaukee 53221	Gwinner 58040	Duluth
Wautoma 54982	Wisconsin Rapids, 54495	55404
Milwaukee 53212	Racine, 53406 (x2)	Fairfield 52556
54548	53226	Redfield 57469
53217	Juneau, 53039	50324
54501 (x3)	54021	Bloomington 55437
Crandon 54520	Owatonna, MN	Muscatine 52761
54494 (x4)	54755	West Bend 53090
54487 Tomahawk	56303	Madison
54401 Wausau (x2)	53221	Colfax, WI 54730
Fergus Falls 56537	54304 (x2)	53717
Elm Grove 53122	55760	554002
53150 (x2)	Ft. Atkinson 53538	Cato, 54230
56031	53574	Iron River 54847
55408 (x2)	Franklin 53123	Spoooner 54801
Beaver Dam 53916 (x2)	West Allis 53219	Winona, MN 55987
53820	Racine 53402 (x2)	53954 Pardeeville
55012 North Branch	53008	Nashotah, WI 53058
55130	Argyle 53504	54601 Lacrosse, WI
Robbinsdale 55422	57783	55063
Minnetonka, Minnesota	Sioux Falls	55103
53002	Milwaukee 53213	Augusta 54722
53015	Des Moines	Neillsville 54456
Cuba City 53807	Brookings 57006	Duluth 55811
50450	Brownsville 55919	55398 Zimmerman
54115	53177	Carlton, 55718

Exhibit 33

Survey Question #23

What was the time spent to satisfy the state legal and regulatory requirements from time of inception to being fully operational?			
1 to 6 months	84%	2 to less than 4 years	1%
7 to 11 months	10%	4 or more years	1%
1 to less than 2 years	4%		

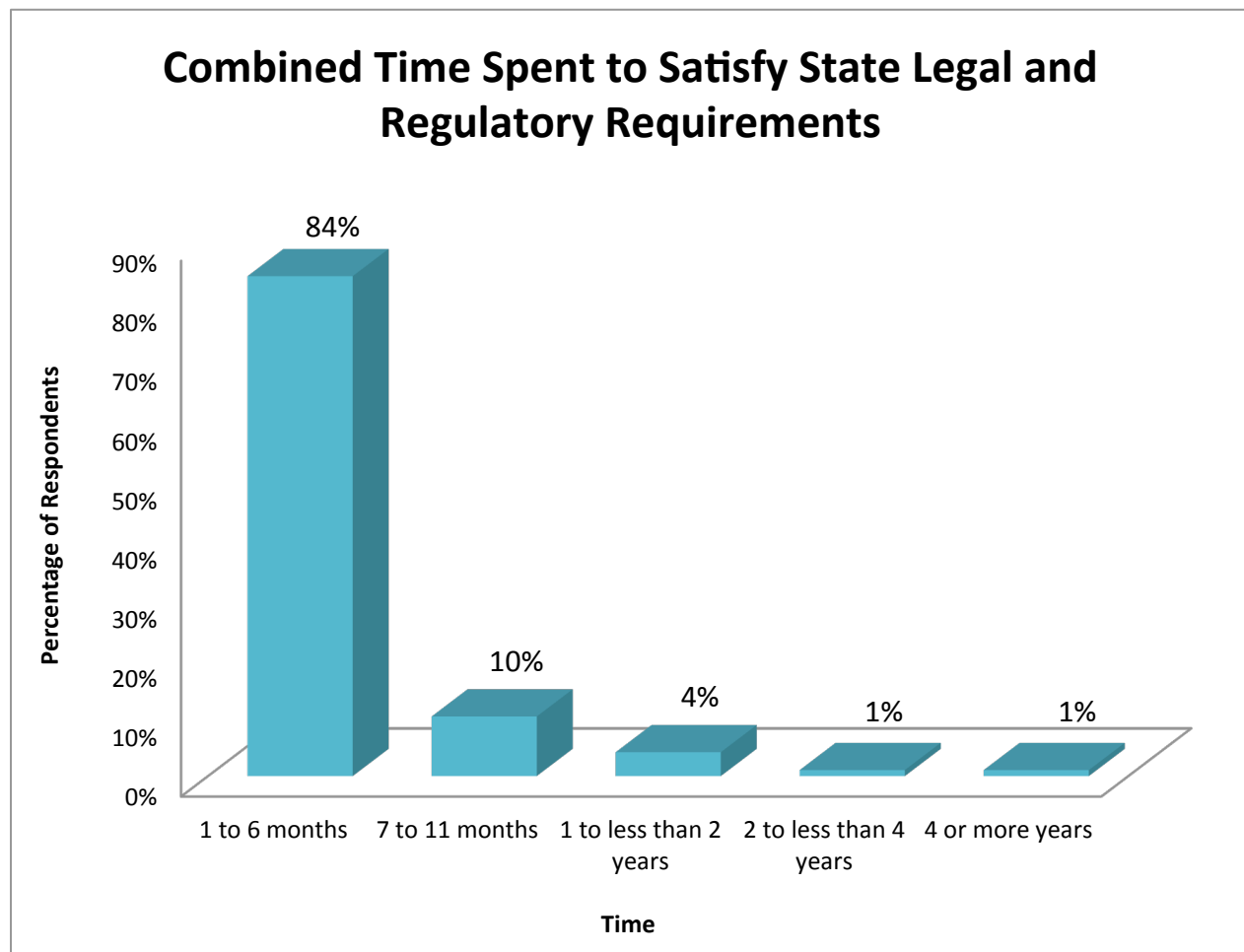


Exhibit 34a

Survey Question #23

What was the time spent to satisfy the state legal and regulatory requirements from time of inception to being fully operational: 1-6 Months					
	Iowa	Minnesota	North Dakota	South Dakota	Wisconsin
1 - 6 Months	81%	85%	83%	85%	85%

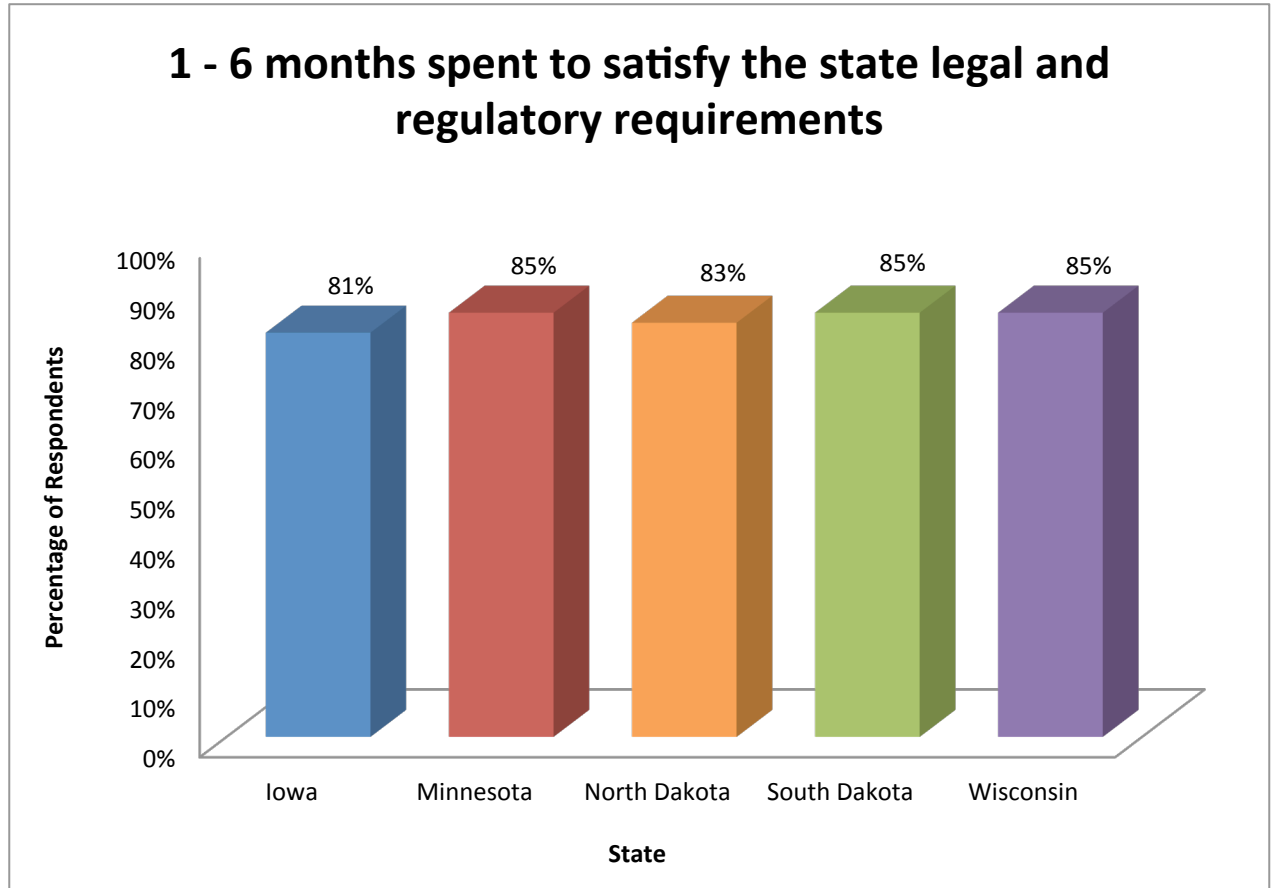


Exhibit 34b

Time by operation chart

Exhibit 35

Survey Question #24

Based on the complexity of the start-up requirements (licensing, inspection, certificates, fees, etc.) I felt it necessary to acquire the services of:			
Attorney	56%	Business Consultant	12%
Financial Advisor	6%	CPA	52%
Banker	35%	Other	13%
3rd party financial resources	13%		

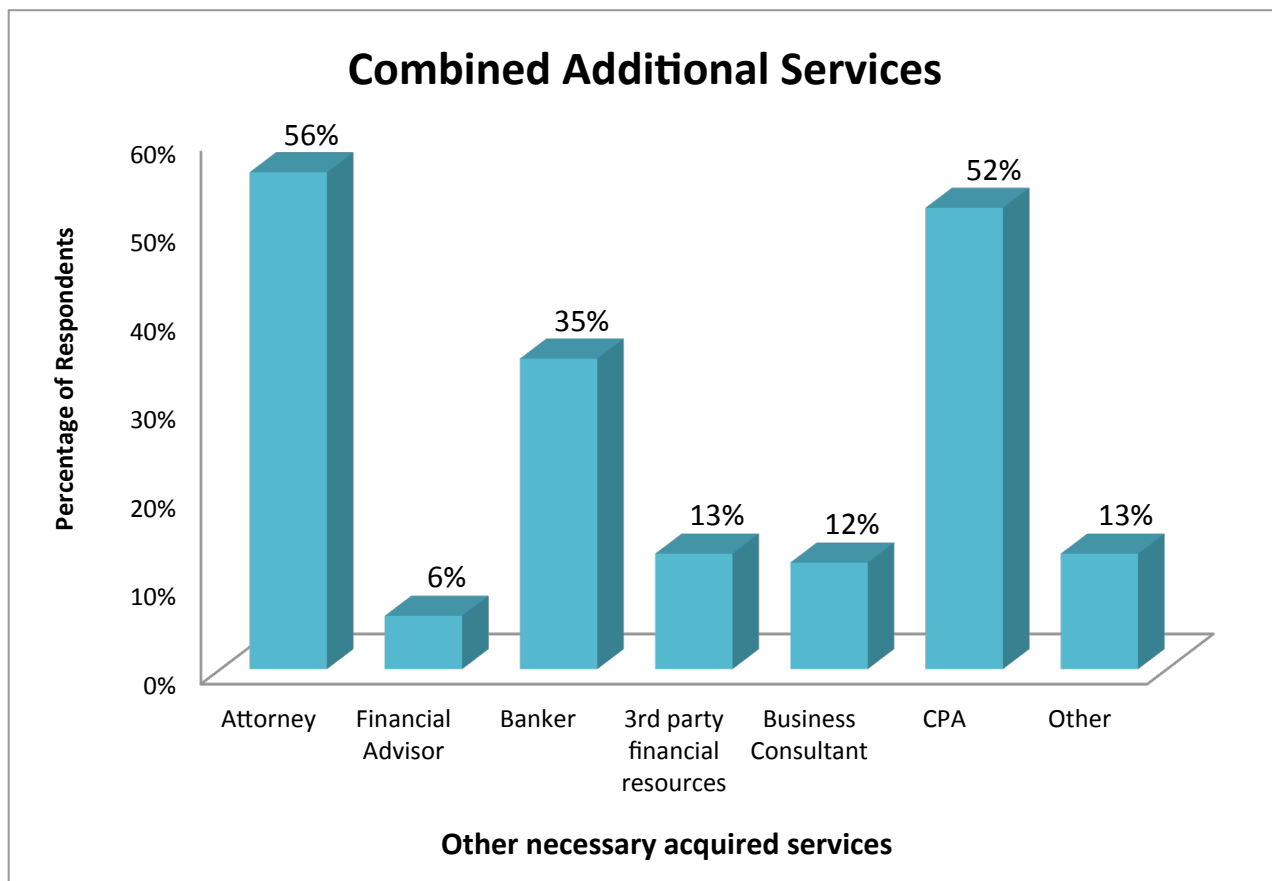


Exhibit 36

#24. Based on the complexity of the start-up requirements (licensing, inception, certificates, fees, etc.) I felt it necessary to acquire the services of : (Check All that Apply) Other:

None (x38)

Business Insurance Professional (x2)

SCORE & SBA

Inspectors

POD

borrow money

Hiring these are sound business practices

Mentor (x3)

Friends

Accountant (x4)

SBA (x2)

Myself (x9)

Environmental engineer

Councilman

Personal

Tech School Small Business Class

Partner

Trail by Fire

Community College Small Business Start-up Courses

architect

Tax Advisor

Exhibit 37

Survey Question #25

To satisfy all state legal and regulatory requirements I had to invest \$_____ to get my business started.			
\$0 to \$500	33%	\$2,501 to \$5,000	12%
\$501 to \$1,000	18%	\$5,0001 or more	21%
\$1,001 to \$2,500	16%		

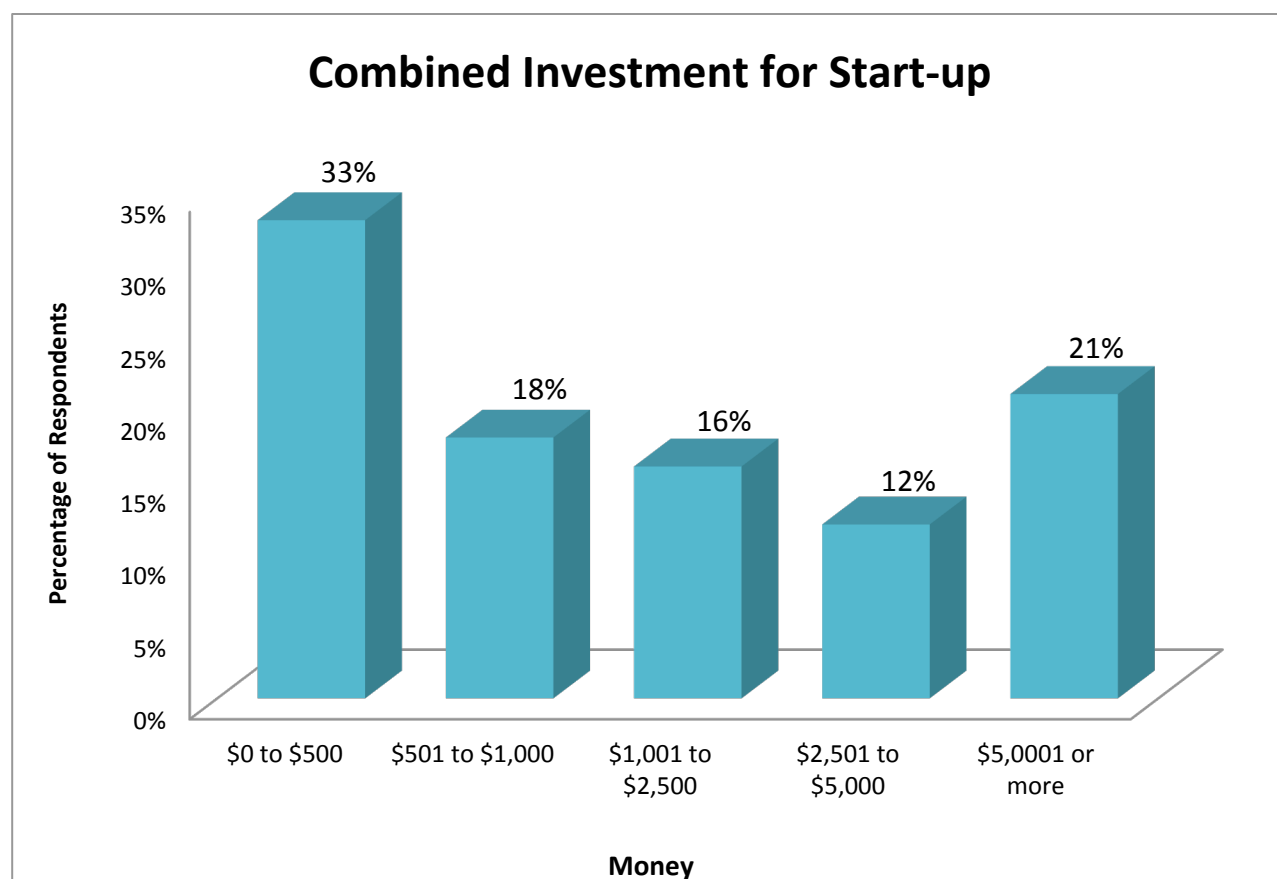


Exhibit 38

Survey Question #25

To satisfy all state legal and regulatory requirements I had to invest _____ to get my business started.					
Money Spent	Iowa	Minnesota	North Dakota	South Dakota	Wisconsin
\$0 to \$500	35%	31%	36%	32%	34%
\$500 to \$1,000	19%	20%	15%	10%	17%
\$1,001 to \$2,500	7%	16%	23%	22%	17%
\$2,501 to \$5,000	13%	13%	8%	12%	11%
\$5,001 or more	25%	19%	18%	24%	21%

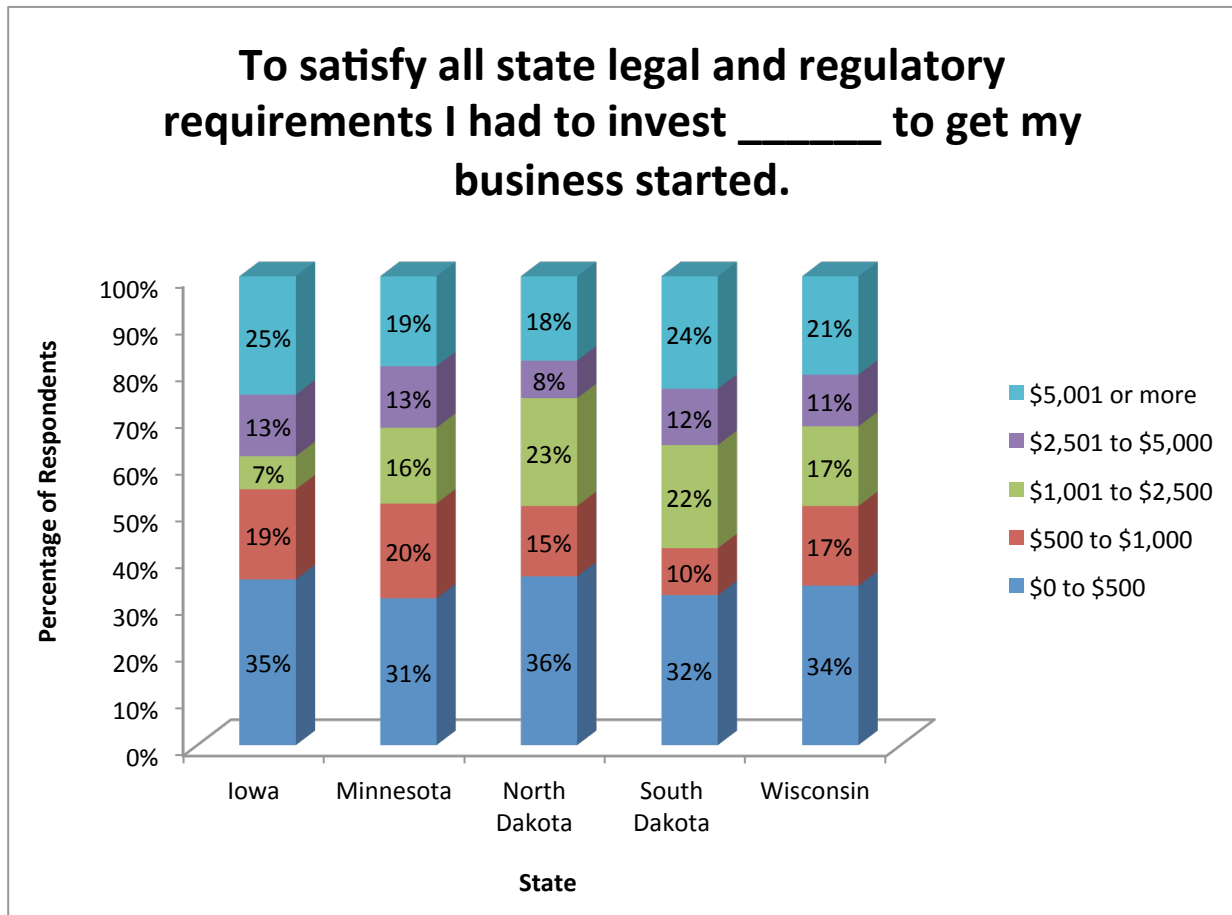


Exhibit 39

Survey Question	<u>IA</u>	<u>MN</u>	<u>ND</u>	<u>SD</u>	<u>WI</u>	Combined Results
#33	I obtained helpful information about starting my business from: <i>(Check all that apply)</i>					
A state office of Economic Development	12%	13%	5%	24%	12%	13%
Chamber of Commerce	17%	7%	14%	16%	12%	11%
Department of Revenue	19%	13%	3%	27%	29%	19%
Local Economic Development Administration Office (EDA)	7%	7%	5%	3%	6%	6%
Other Small Business Owners	44%	52%	51%	41%	56%	52%
Secretary of State	14%	33%	27%	16%	6%	20%
Small Business Assistance Office (MN only)	2%	13%	3%	0%	0%	5%
Small Business Development Center (SBDC)	16%	8%	19%	16%	12%	12%
Other:	34%	26%	22%	22%	31%	28%

Exhibit 40

#33. I obtained helpful information about starting my business from: (Check All that Apply) Other:

None (x24)	Others in the business
The advisors I hired	Iowa dental association, Iowa board of dentistry
individuals	Economic Development
this was 1972 do not remember	community college
Google Search Engine	SBA (x2)
Internet	Dept of Human Services
SCORE & SBA	N/A
Dept. of Commerce	Magazine AD
Attorneys and Acct.	Board of Barber/ Cosmetology
Personal Experience (x6)	Library (x2)
Self (x6)	IA DOT & a licensing company
Pride of Dakota ND Ag Dept.	BK - Starting of Business Govern Sponsored
Cpa (X12)	Accountant (x4)
didn't ask	started 25 years ago before many were around
Family member	own education
Book	Friends/Family
Associates in Entertainment	ASMP.org
Banker (x2)	State Bar (x3)
Professional	MN Dept. of Health
No one (x2)	Attorney, banker, accountant
SCORE (X8)	County Clerk
Attorney (x15)	Own research
Health Dept	my bank
Company Resources	Local City Hall
personal hired business consultant	CCSA
Iowa University Posting	UNI
Friend (x4)	comm. college class

college education and personal experience

another business owner

cpa and attorney

family members that owned business

Previous Owner

VA

Iowa Dept. of Cosmetology

Seeked info on my own

DNR

my father

MBA in Entrepreneurship

Dept. of Commerce

Technical College Small Business Center

Electrolysis Institution I attended

business incubator

state licenser

bank

NIACC

Business Start-Up Manuals

lender

womens business association

SBA/ WWBIC

my wife

Dept of Agriculture

Business Owners

Department of Health & Human Services

Business Consultant

Filled a void in market

The state cop that pulled me over and told me something completely different than the
WI DOT

WCTC Small Business Center, Also Oconomowoc Rep. at Mayor's Office

Small Business Association Non-Profit Resource Center

My own persistence to overcome government red tape!

Medical and bought practice from another and local bank

Exhibit 41

Please rank the top three sources that were the most helpful during your start-up process.					
Source	Combined	Minnesota	Source	Combined	Minnesota
Other Small Business Owners	36%	35%	SBDC Office	7%	6%
Other:	17%	16%	Economic Development	4%	4%
Dept. of Rev.	11%	9%	EDA Office	4%	4%
SOS	11%	17%	SBA Office	3%	4%
Chamber of Commerce	7%	5%			

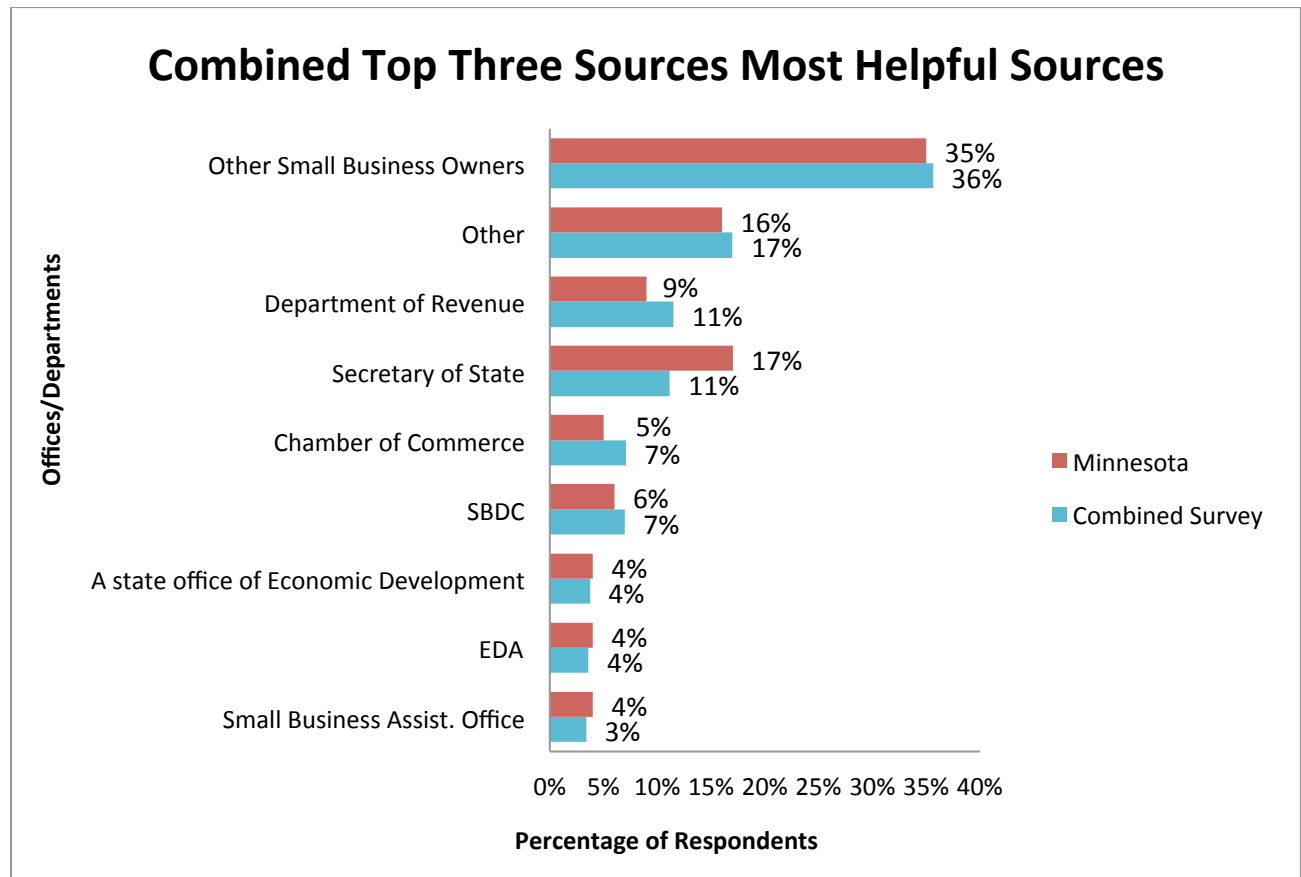


Exhibit 42

Survey Question #35

Approximately, how much time did you spend working with these offices (Refer to Question 34)?			
Less than 1 week	35%	7 to 11 months	4%
Less than 1 month	26%	1 year or more	6%
1 to 6 months	30%		

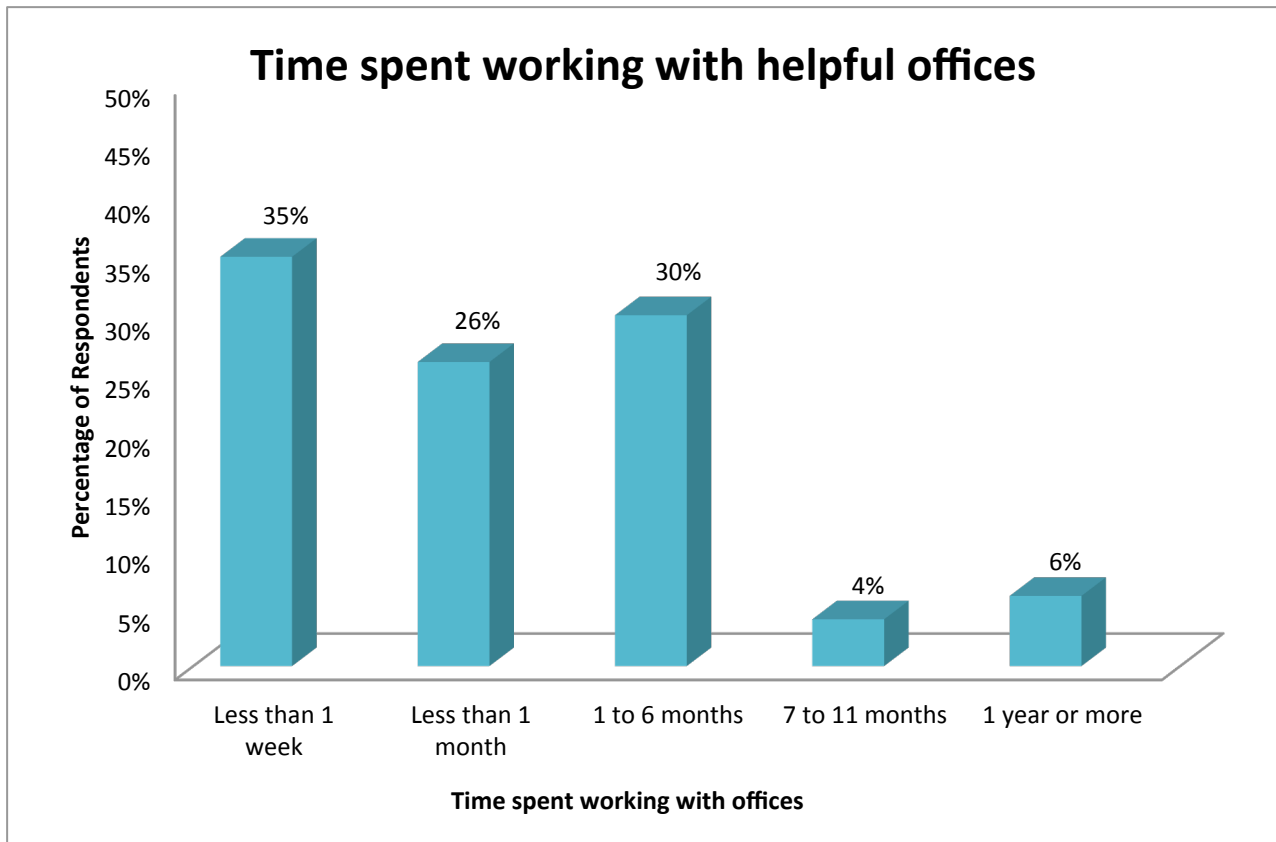


Exhibit 43

Additional Comments:

The State of Minnesota has a book on starting a business. It is hundreds of pages of dense copy. I have it, didn't read it, got it long after we started. Wouldn't it be better if the resources were easier to start? Conversely, I wish there was some requirements made on the industry (advertising) to keep minimally qualified from entering. Why a barber has a licence and marketing agencies don't...huh? Both or neither.

MN doesn't offer good assistance to new start ups uness you're a minority, disabled, vet, etc. Most start ups are middle class white people trying to better themselves, taking complete risk

I'm white caucasian but not from the caucases - stalin was from the caucases.

High income and self-employment taxes drain a lot of cash out of the business that could be used to grow and hire employees

At completion of this survey our office has been open for 45 days.

SCORE has been very helpful in the start-up phase and no that we been around for 20 years we use them to help guide us in growing our business. I am also a member and active with business road tables/peer groups; and the local chamber of commerce. Call me if you have questions Dennis Werneke 612-522-4707

State, Federal and Income tax laws and regulation are a major deterrent to our continued success. Minnesota is far from a "Business Friendly" state. In fact, we are considering moving the business to Wisconsin!

Nobody would lend me money when I started so I did it on a shoestring. Good Advise!

Laws and regulations are now much worse than when I started the business. If my business was not local oriented I would not choose Minnesota to work and start a business.

Financing after being established has been the biggest hurdle. Interest paid is always not fair -

cost over prime seems to be biggest issue not government entities

my wife and I started the business, at the time we didn't know anything about (SBA or any other government or city program that could help us)

Tried to get help from small business instructor at local college-absolutely no help what so ever- know it all.

I purchased my biz from a friend of a friend who worked out of hishome. Changing rules at the supply level forced me to move biz to downtown. My bank took from early September until Dec. 16 to approve a \$20,000 loan

After being in business for years, I did some research for small business loans grants and was overwhelmed by all red tape and too confusing and seemed hard to receive anything. So I didn't go forward with any and did it all on my own!

Our bed & breakfast is run as a part-time business at the present time.

My experience is from 1972 so it may be of no use to your study.

My husband and I love our business even though we struggle daily to pay the overhead. He lost his regular job after 20 years so we've had to cut back more to keep business going. We had to sell our home to keep the business. So our passion is great and people really like our business! Just wish we didn't ahve to work so hard and get no where. Property taxes have been outrageous for us!

We bought land, built our own building and opened up our kennel. there are no inspections other than the building inspections and permits. Fargo implemented an annual fee for kennels only after we opened. There are still no regulations here.

Have been entertaining since '88 as costs & revenues increased, changing the status from "hobby" to a business was a no-brainer. Requests to continue performing kept coming along w/ expenses and revenues. Have always had a home office. 17% of my house is set apart as office

and deducted according for tax purposes.

Sorry a lot of this did not apply to my circumstances. Thanks for your interest. I will happily fill out another survey - if I can be of assistance.

I feel more can be done to start small businesses. It was a lot of hard work and determination that I started practice. For my business I went through 5 banks before I got an 18,000 dollar loan, which was less than half of what I asked for. But I did it and paid it off in 2 years.

it would be nice if banks could lend money to new business owners. We had a 30 page business plan (that took us a year to develop) examples of work (recent) 15 spreadsheets to support findings based on previous employment in same field COULD NOT get financing "we were a risk" and we cannot lend to you. we tried with 7 different banks! Yea Obama! Way to Go!! :-)

we found no assistance at any time because we neer wanted a whole of money. In order to get any help we would have needed to borrow hundreds of thousands of dollars. We took a 2nd mortgage on our property to fund the building and start up equipment.

If you could find a more difficult, unfriendly place to start a busines than Wisconsin I would like to see it. If you could find a more difficult, unfriendly place in Wisconsin than Janesville I would love to see it.

The most difficult area to get information from is MN Dpt of Revenue, especially sales tax div. Classes are always full.

I did not talk to any public employees

Don't try to start a business in New Prague, MN, the Chamber of Commerce is bunch of assholes.

Our state taxes small businesses too much!!

I believe most states hinder start ups more than help. We were paying taxes and other items

before we opened the doors.

Best thing I ever done is go on my own- got all licenses and tax papers correct- same people around her try to work cheaper than me.- and there not even licensed to do anything.

I have found no state or federal agency helpful in starting my business. My business could have been up and running in less than half the time had the state been interested and the excise tax of 11% of all sales been less at start-up. It took years to pay the IRS the excise tax. I could not pay during start. There should have been a way to rebate or reduce this repressive tax on a start-up.

It is a myth that taxes & regulation inhibit or discourage small business growth & success.

Iowa is very unfriendly to small businesses

I starte my business in 1986

we do not need more regulations- refrain from interfering with owners

Still looking for cost effective ways to market my business on the internet.

high taxes in Minnesota negatively impact businesses in this state. I have been singled out by the local assessor to pay higher taxes.

State of MN needs to do less, too much red tape, lay people off and reduce taxes, small business development is too much time and red tabe. -economic development is a joke - only for those who have time to play the system.

I incorporated our business in 1996, but did not start until 1998 for start up. I may have forgotten some of the assistance, or may have been unaware of its existance.

worked in warehouse for 13 years, to school, then started business

Absolutely without question that if my family ties to Minnesota were not very strong, I would

have not chosen Minnesota as a location for a start up. I personally know 3 co-workers who started veterinary clinics and left Minnesota to do it primarily due to regulatory and tax burden. They can see Minnesota from their businesses.

Not a good survey

This business is a home based side business and not our primary income source.

Being a white male - I could not get help from anyone - Because I'm a white male and not a minority - I still have it used against me. If you don't want to discriminate - then don't ask sex or ethnicity. If I was a black/African Female - I would rule the world.

Graduated college after establishing business (in my 30's)

When I started my company the business climate was much more friendly. It is getting much more difficult to operate a profitable business free of government constraints!

short survey???

As a small business I am too small to be recognized by govt. Thus cannot reasonably get tax grants like mercury marine/ Kohls corp (Meno Falls Wi) the few programs we did investigate were too cumbersome/expensive to utilize. There are numerous examples of governmental agencies pandering to larger industries who can benefit due to economies of scale.

Great resource: A guide to starting a business in Minnesota

Operate a very small business - supplement to retirement income - for a very specific targeted population

I feel the biggest benefit for start-ups and other is to reduce both property and state - federal tax burdens. Local property taxes have to be paid whether you make any money or not. There were many years I ran at a loss but still had to dig up these taxes.

There are not many requirements needed for a home based dog kennel. Building had general

building inspection, setting up with the state for taxes, getting insurance, advertising

Took longer than 4 minutes

You are asking the wrong questions if you're measuring state performance in startup and maintaining during start-up. There should be more questions about how the states perform in sharing employee issues and unemployment. Unemployment insurance and benefits should be explained in detail by each state. This totally caught us by surprise during our first couple months in business. There were at least 2 times we were considering closing our business during the first couple of months (and actually to this day). We made critical mistakes because of Minnesota's lack of information on unemployment benefits and qualifications. Also, the wording and explanation of unemployment benefits and rulings and process' are extremely complex and vague. I'm disappointed in the deception provided in those state documents.

It is difficult to get any help from the state when offices are empty and when you call, all you get is a phone tree.

The time and paper work is not worth the benefits, when dealing with government.

Good luck

I am now Semi-Retired

Accrual accounting rather than cash basis for other business, and depreciation rather than expensing all right away for machinery destroy the solvency, renew incentive of a growing mfg firm also concentrate oneship to the wealthy only to borrow money to pay taxes

I want to thank John Tobin from the small business program at Riverland Tech College in Faribault. He gave me lots encouragement when I started my business 20 years ago.

I am co-owner of the business. We felt that the state requirements for opening the business were difficult to obtain. It was difficult to find answers to questions that we felt were important. Even now, 2 years down the road, it is still difficult to find some of the answers to

questions that come up (complex questions).

Changes in sign permits/laws in St. Paul has drastically impacted our business and hurt businesses in the St. Paul/Midway area.

Very poor questionnaire: question with y/n answers should not be graduated i.e. 18, 28-32

Start up in 1985 was very much different than in today's small business climate

The State and Local Chamber are useless

Starting a business was easy enough. Taxes and regulations are tough to keep up with. A "one stop" source of requirements would be great. Tax breaks for small start ups don't seem to exist.

Question 42 does not figure out what start up business makes, my wife makes 80-90% of our household income * less than 20k from business

I am just now starting a 2nd business, Great Lakes Capital Group, to help small & medium size businesses obtain funds & working capital they cannot obtain at the bank.

www.greatlakescapitalgroup.com

After building my place, city gave me money problems. Even took some of the land and had to sign and would not sure them. That is why the main plant is in a different county.

(16 yrs ago) My initial start up was done without help, except for family financial help. (2008) After the flood, the local EDC gave relief in the form of financial and support. They helped me get in touch with state agencies for more financial support. Their support was so appreciated. After the flood it seemed so gloom & doom, the EDC came through. Every cent of my reserve was spent, the grant/loan could not have come at a better time. We have really great people here in River City, Really Great!

Currently we are experiencing the absolute worst anti-business environment in my nearly 40 years of working.

If I wasn't self deficient before starting this you can't make it. To this day I do not take any wage out. Put all money back in business.

good luck with your study- Minnesota needs to be more competitive in the way it helps new small companies get started.

started business, built building with help from contractors and family only credit union loaned money.

SD is a good state to operate a business in. We now employ 20 people. I do have some concern regarding state and city inspectors leaning towards UL listing or equivalent. If this business becomes a mandate, I would move my business out of SD.

Government is the biggest challenge of all.

Starting a new business is tricky in our line of work. We had a very limited resources available. It is almost that the state and federal government set you up to fail.

Most questions do not apply. I answered the best I could. I had no help from no state, city or town office.

Sometimes life just happens and you need to try and make you own way. Small business ownership is hard an risky. Not for the faint of heart.

I have never received federal, state or legal government assistance of any sort in either of my businesses. To think they want to make it easier seems like a JOKE to me!

Survey doesn't address those who start small business w/o any government assistance - gov't is more of a hindrance with permitting & fees

There wasn't any regulations from the state to start my business back in 1987. It seems like it's a lot harder to start any kind of business now, too many regulations. I also don't want employees either- too risky and confusing with all the legan regulations. Government needs to deregulate so people are free to start businesses.

Most of my dealings were with the Dept. of Ag.- local agents were helpful but the state was a joke! If you are a small company they don't have time to help- it took me over 5 months just to get them to look at my plans. The food industry is a tough one to start in- so many of the regulations make no sense if you are a small business- everything is written for large business. I did not know what services were available to help, so I did it all on my own.

I chose a great industry; little start-up cost, little governing authority involved. All I really had to do was get a certificated of Assumed Name, a checking account, and I was in business! :-) I later added business liability insurance, but it was not a requirement at start-up.

City offices gave me most advice & steps to proceed through to begin company. State Agencies were like pulling teeth.

Doli has a system that is broken, while meant well they need implementation of the internet and different departments need to work together versus against each other. Dolu lost my license application for 9 weeks while we had 26 guys on the UA. They took an additional 9 weeks to approve the license. I called my state representative for help after 18 weeks, she called down to Doli and my license was issued 3 hours later.

I found local requirements to be more cumbersome than state requirements. My biggest issue of state was amount of time it took to get inspections required for licensure. Time is money & the delay hurt.

Dept. of Rev told us we didn't need to charge sales tax. Ten years later we were audited and told we should have been charging tax. Didn't matter that we talked w/ rep from DOR, charged \$70,000 in back taxes. Help from DOR for startup was useless since they didn't stand behind what they told us. Now we are struggling because money saved for tough times is gone and time are tough.

call if you want more insight to state regulatory processes. 651-674-2988. Grant money from MNDNR not available. MNDOH ongoing testing is a waste of time.

I feel that all states should give small business more tax breaks- as this can be a hard ship at times. Also when it come to workers comp look at the type of business before coming up with eperience rates. It is only fair as to some small business have a very low infury risk. Thank you, Doug

After 3 years into business I got into the link program with the state and it helped tremendously

State offices through the internet are more user-friendly now than they were 5-10 years ago

Start up was a long time ago don't remember all the particulars

Nobody wanted to lend money to such a small business. Now here I am 23 years later. Still doing well. I must have gone to 10 banks before one took a chance on me. They are still my bank today. The state doesn't do much for small businesses but if you are big business they roll out the red carpet & give you tax breaks. NOT FAIR AT ALL.

Good luck- it ain't easy- but if you hang in there long enough it does get a little easier. Put your trust in Jesus! From whom all blessings flow.

Thanks for gathering information on the true "small business" owners.

Still growing, Flooded out

I would rather start a new business in any state other than MN. -Most business unfriendly state that I know. Iowa, where I have 3 companies, is the best state I have worked in. Wisc. ranks w/ MN FYI

my primary business is an independent insurance agency. I have owned and operated for 15 years. No state funding for that business.

Chamber of Commerce was of no help.

Started in 1986 one man shop now have 15 employees government doesn't help small business. They try to regulate them to death.

Business start up is hard. Be prepared to do it on your own. I do not want granted tax money. Not solving any problems. Banks need to be more independent. Not always wanting government funding.

Would not do it again not in this state maybe in this country

Again I felt the banks by being pessimistic kept me from investing more in Jamestown - econ dev. was present & helpful D/N use ... (Two Rivers Inn) Former Ranch Hse Motel

Although Government regulations were not a problem in 1986, they have become extremely cumbersome, and I probably would be discouraged from starting a business today.

I started my business on my own, using funds from my own savings. No help at all from any city, county or state agency. And no city, county or state agency helps me now. They just tax me and collect fees. When the economy improves, I'm selling my house in Wisconsin and moving my business to a lower taxed state.

Business start up wasn't difficult except for dealing with our trucks. Dealing with the WI DOT is a joke. Everyone you talk to gives you a different answer. Problems still persist with them to this day. Federal DOT is not any better.

Sorry I couldn't answer more re: the help the local and state folks offered, I just started with \$700 and started fixing computers, really cheap!!! Didn't need the help/didn't look for much

Once adding employees things become a lot more complicated. I'm constantly afraid of being audited, even though I believe I am doing everything correctly. Business book work is an entire new aspect of the work I do.

My business is a travel agency - so needed the help of ARC and ASTA to start this business.

Our business started in the Owatonna business incubator in March of 1992. It was a great help to get us started.

With current regulations, income taxes, property taxes, personal property tax etc. I would never start another business here in WI.

I believe regulations today would be more consuming than in 1992 when we started.

The liberal media and politicians up our state of our state and federal government led to the problems we have today. Governor Doyle was the biggest loser and his policies. We need more start-up businesses less government forever. Less people in education as well. More people that make things with their hands not sit behind a computer and put in charge of a survey. What the hell do you do all day, and what do you accomplish.

You need to do a start-up before a questionnaire.

I am not a good candidate for you. I really didn't use any outside organizations. I got a sellers permit did their paper work and went with it. Sorry I couldn't help you more.

When I started my business in 1988 I used very few resources to start-up but I should have gotten more help and hired more experts to help me. I have used a variety of governmental and private companies to help my business grow over the past 10 years.

Basically started business on my own - knew the business so borrowed some money from bank w/o business plan - 25k and opened business in 30 days - 25 years ago - still like it ! Life is good

Found it difficult to get lines of credit with the banks.

I feel there are no state or legal obstacles to starting and maintaining a business. Everything works to being able to generate money with your product.

Had horrible experience with financing, local smaller bank was the best.

We are now hoping to be the one to survive. Maybe then I can draw a paycheck.

Rarely do I meet someone working for the state who has any practical business experience.

veteran

I never found any resources from the government. I had the help of an accountant otherwise setting up the business would have been tough. Never realized the taxes involved or other expenses, etc.

Once in business it seems resources dry up unless you spend big bucks for consults and no forgiveness for not being informed. There should have been a checklist for general start up information for different areas of business.

during these current challenging times I would like to find financial assistance in terms of grants or loans- having a hard time with that. Any advice?

Reading statutes and regulations is incredibly difficult for the average person. Hiring an attorney to figure out amendments and changes is not affordable by small business owners who want to do things properly.

The taxes suck and wish I knew before I started.

The language for the state is confusing. We wanted to expand our business but were told if we were a minority we could get grant money. We were told to go get a personal loan (at 10.5%) from the local bank. The state is terrible for small businesses. Our business is going under because there are no jobs in our area so no one has money to spend.

I started operation in 1988 as a sole proprietorship. Changed to a LCC around 2007. In the last 10 years my business income has dropped to about 10% of what it was then. There are 10x's as many competitors now in my area. And the market and technology have changed.

Because I took over another automotive repair shop I did not have to go through licensing and other red tape.

I have founded or co-founded 5 companies since 1989, three of which continue to operate independently today. Except for questions 4, 10 & 12 and the Zip code all answers apply to all

5 companies.

Federal Regulations & Reporting were much harder to find easily - too much federal regulation today - no small business loans are available without putting up your personal assets - Loans are not based on ability for business revenue to repay!!!! Very tired of political retort about how small business will create jobs - Banks are not helping now less helpful than ever for financially!

FYI: Minnesota electrical master license testing has been horrible. National reputation as being the worst state to successfully pass the test. Minnesota seems to not want new businesses.

High taxes - state audit judge said never should have happened and illegals have almost put us out of business!!

I closed my business on December 17, 2010 because of 1. Lack of work too little income per job. 2. Too much expense in taxes, insurance, overhead. 3. Competition bidding too cheap.

Easy as sole proprietor - however if you look at what it would take to establish payroll for one employee, just one even part-time, it is very costly, plus time consuming. See if you can fix that ! likely 40 hours of work, although less once established.

The state needs to speed up process for "white Americans" to get help and get business started! No more free rides for other ethnic groups- no 7 year free taxes, loans - ETC Unless ALL get this and no illegals!! No one gave us a dam dime to get our business started except family!!

The state of Minnesota constantly creates more rules and regulations and in turn more and more fees and costs to us small businesses. In these economic times, we CANNOT simply pass these fees along, we are losing money and it is getting so that it is not worth staying in business. Minnesota does NOT seem to get it or care to help make us small businesses succeed, they only want to put the tax burden on us!

The customers don't have to pay their bills and they can get away with it. In order to serve my

customers properly, I need to get paid by everyone who gets services. Consumer protection goes too far where plumbers are concerned. There needs to be a better balance between getting paid for a service/ improvement and the costs of and time involved collecting that payment.

Exhibit 44

Explanation of Likert Scale Modifications

Respondents were asked to state their level of agreement on a five-point Likert scale from Strongly Disagree to Strongly Agree. Since many respondents had trouble remembering their experiences based on the information requested, they would pick the neutral response for many of the questions. Additionally, research has been conducted over the years into those who pick a neutral response; results indicate that many of them have a slight disagreement with the Likert scale question so rather than selecting a negative response, they simply take a neutral position. To more accurately capture the views of those who did have an opinion and to reflect a somewhat more conservative analysis, the neutral responses were eliminated, the two levels of agree were combined as well as the two levels of disagree and a new total for respondents was calculated based on the removal of the neutral responses. The percentages for agree and disagree were then calculated for the questions subsequently detailed in this section.

Exhibit 45

Start-up Process					
Survey Question	<u>IA</u>	<u>MN</u>	<u>ND</u>	<u>SD</u>	<u>WI</u>
#13 The internet and telephone resources provided by the state made it easy to determine all of the requirements to start my business.					
Agree	39%	49%	59%	57%	46%
Disagree	61%	51%	41%	43%	54%
#14 Once contacted, various state offices were helpful in the start-up process.					
Agree	60%	63%	70%	77%	48%
Disagree	40%	37%	30%	23%	52%
#15 Licensing, permits, and required inspections were easily obtained from the state.					
Agree	80%	72%	81%	100%	73%
Disagree	20%	28%	19%	0%	27%
#16 Licensing, permits, and required inspections were easily obtained locally.					
Agree	82%	72%	79%	91%	72%
Disagree	18%	28%	21%	9%	28%
#17 I feel that the start-up requirements were fair in the state that my business was established.					
Agree	88%	85%	97%	97%	87%
Disagree	12%	15%	3%	3%	13%
#18 I located my business in its current location because of tax incentives I received.					
Agree	5%	4%	6%	11%	2%
Disagree	95%	96%	94%	89%	98%
#19 I found the business tax rates where my business is located to be fair.					
Agree	34%	22%	70%	88%	27%
Disagree	66%	78%	30%	12%	73%

#20 I located my business in its current location because it was easy to accomplish all of the state requirements (including regulations).

Agree	31%	21%	47%	58%	19%
Disagree	69%	79%	53%	42%	81%

#21 I do not feel the regulations that were required by the state were excessive considering the nature of my business.

Agree	76%	73%	86%	93%	65%
Disagree	24%	27%	14%	7%	35%

#22 The legal requirements locally were easier to complete than the legal requirements from the state.

Agree	60%	59%	62%	43%	62%
Disagree	40%	41%	38%	57%	38%

#28 I was under the impression that there was always grant money available for start-up businesses.

Agree	31%	34%	32%	24%	31%
Disagree	69%	66%	68%	76%	69%

#29 I could not find any grant money when starting my business.

Agree	88%	90%	92%	88%	92%
Disagree	12%	10%	8%	12%	8%

#30 I found that bank financing was readily available for my business.

Agree	52%	52%	67%	55%	44%
Disagree	48%	48%	33%	45%	56%

#31 I discovered financing sources other than banks during my start-up process.

Agree	53%	63%	69%	50%	63%
Disagree	47%	37%	31%	50%	37%

#32 Most or all of my financing came from personal savings, relatives and/or friends.

Agree	79%	85%	77%	68%	80%
Disagree	21%	15%	23%	32%	20%

Exhibit 46

Survey Question #26

Please circle the number that best represents your overall satisfaction with your business start-up experience.					
	Iowa	Minnesota	North Dakota	South Dakota	Wisconsin
Question Mean	68%	66%	72%	75%	66%

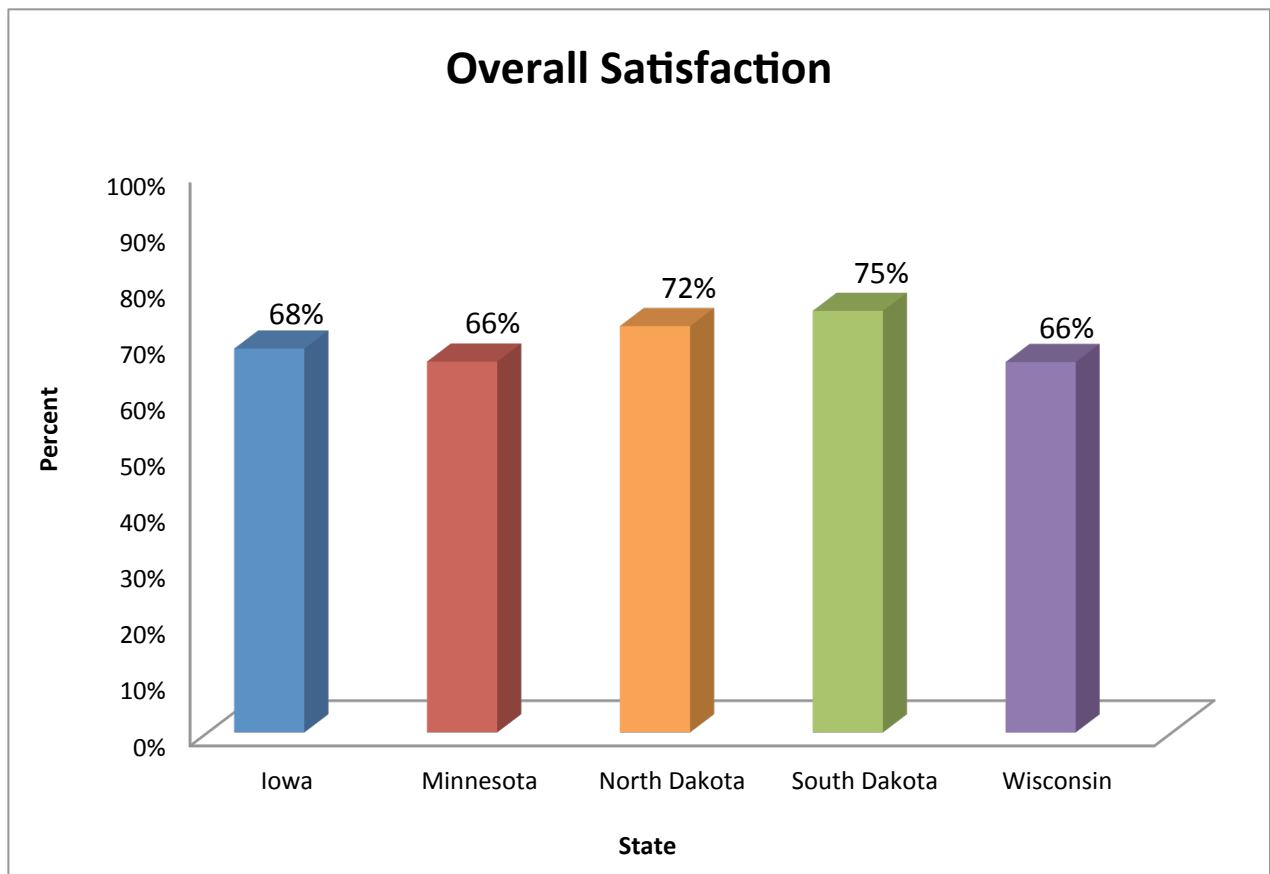


Exhibit 47

Survey Question #27

Please circle the number that best represents your overall satisfaction with the <u>stated requirements for licenses, permits, and/or inspections</u> required before you could open your business.					
	Iowa	Minnesota	North Dakota	South Dakota	Wisconsin
Question Mean	62%	59%	68%	71%	60%

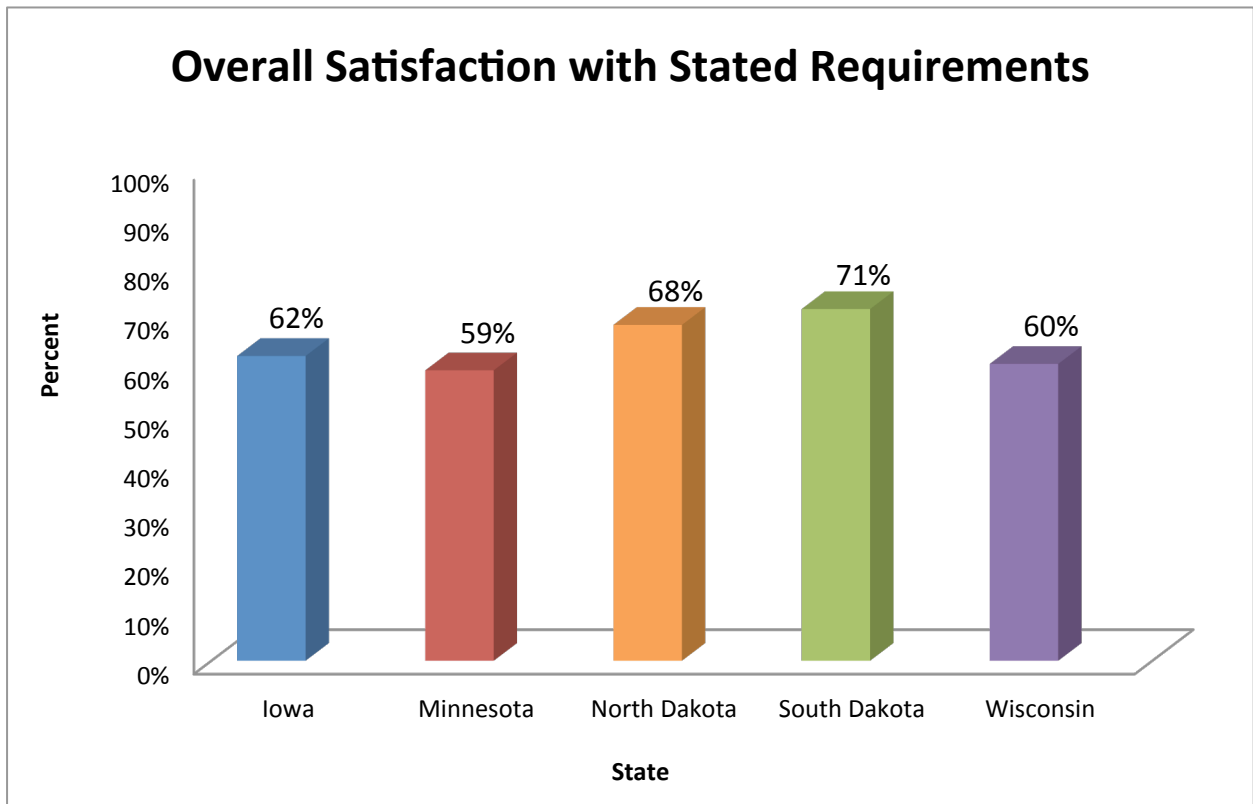
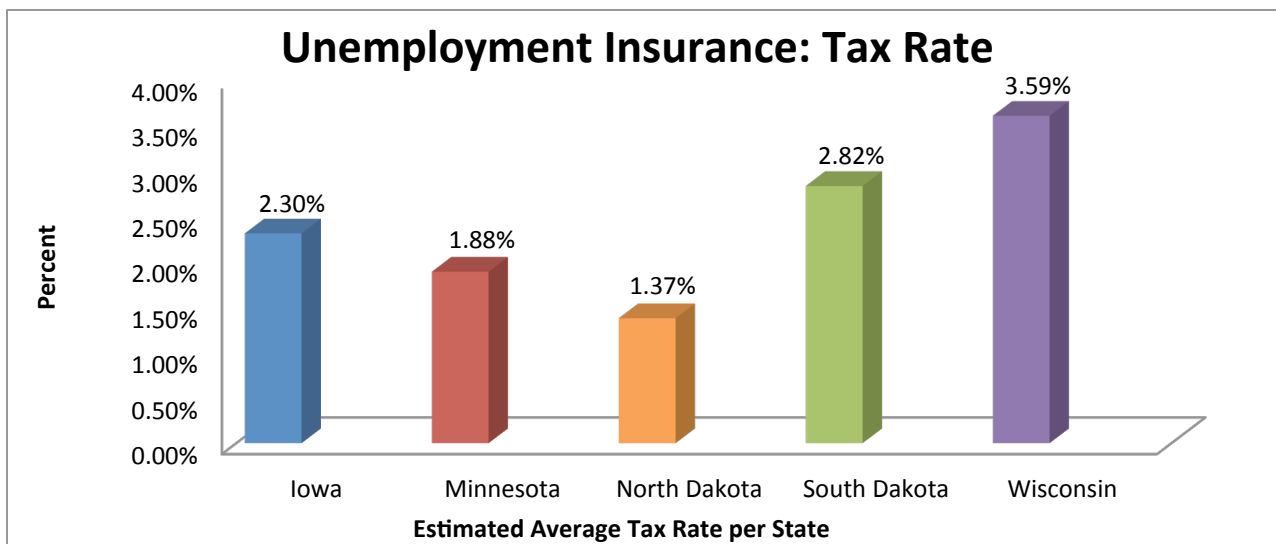
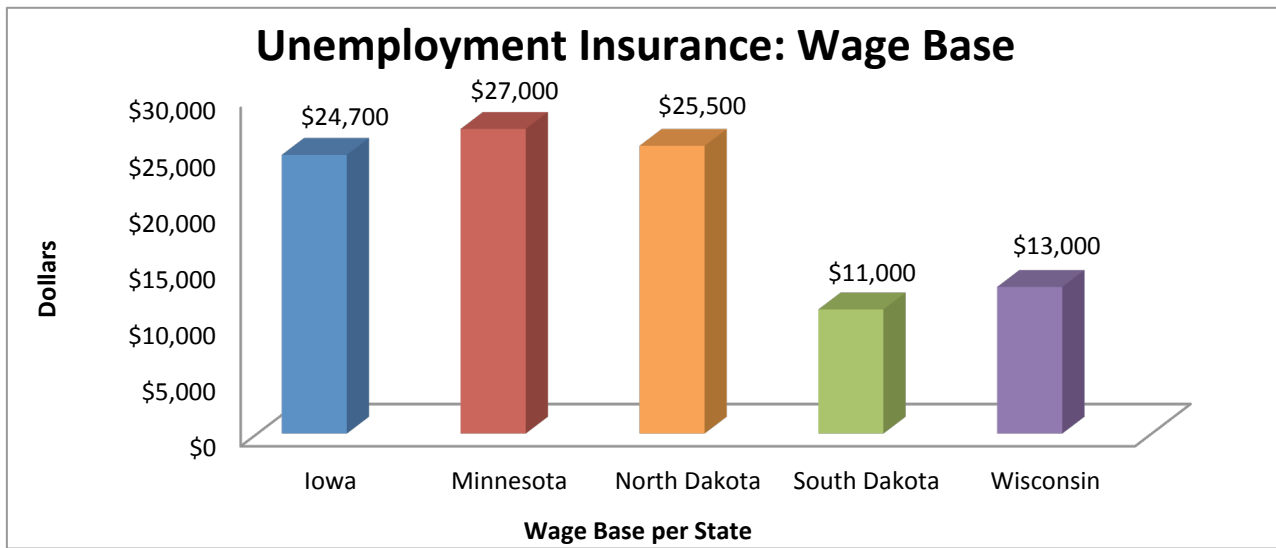


Exhibit 48

Unemployment Insurance

Unemployment insurance rates are compared for 2010/2011.		
	Wage Base	Estimated Average Tax Rate
Iowa	\$24,700	2.30%
Minnesota	\$27,000	1.88%
North Dakota	\$25,500	1.37%
South Dakota	\$11,000	2.82%
Wisconsin	\$13,000	3.59%

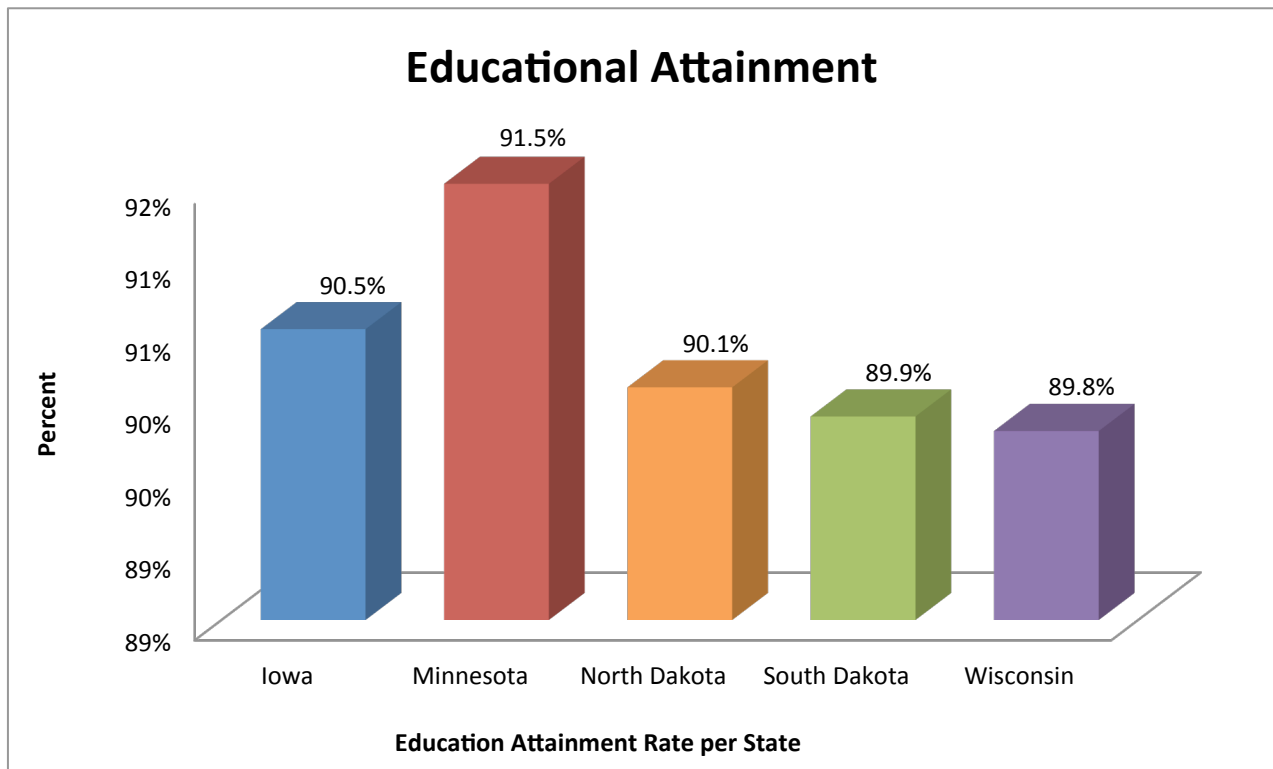


Sources: U.S. Dept. of Labor, Employment & Training Administration: "Average Employer Contribution Rates, by State, Calendar Year 2010" and "Comparison of State UI Laws, Calendar Year 2011." Last updated September 2011.

Exhibit 49

Educational Attainment

Percent of 25 years and over that have completed high school.		
State	Rank	Rate
Iowa	7	90.5%
Minnesota	2	91.5%
North Dakota	11	90.1%
South Dakota	12	89.9%
Wisconsin	13	89.8%

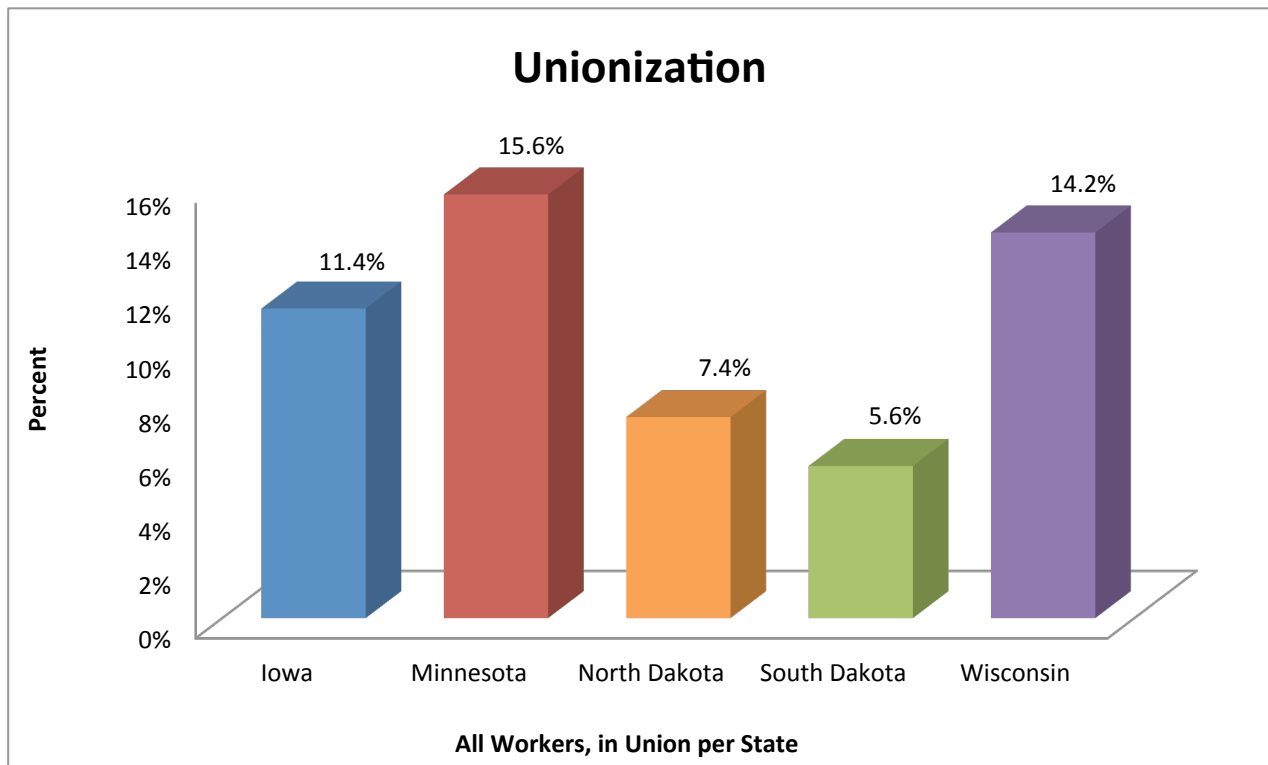


Sources: US Census Bureau, 2009 American Community Survey 1-Year Estimates, Percent of People 25 Years and Over Who Have Completed High School (Includes Equivalency, State Rankings 2010).

Exhibit 50

Unionization

Percent of Unionized Workers per State			
State	Rank	Right To Work	Percent of All Workers, in Union
Iowa	28	Yes	11.4%
Minnesota	41	No	15.6%
North Dakota	19	Yes	7.4%
South Dakota	11	Yes	5.6%
Wisconsin	35	No	14.2%



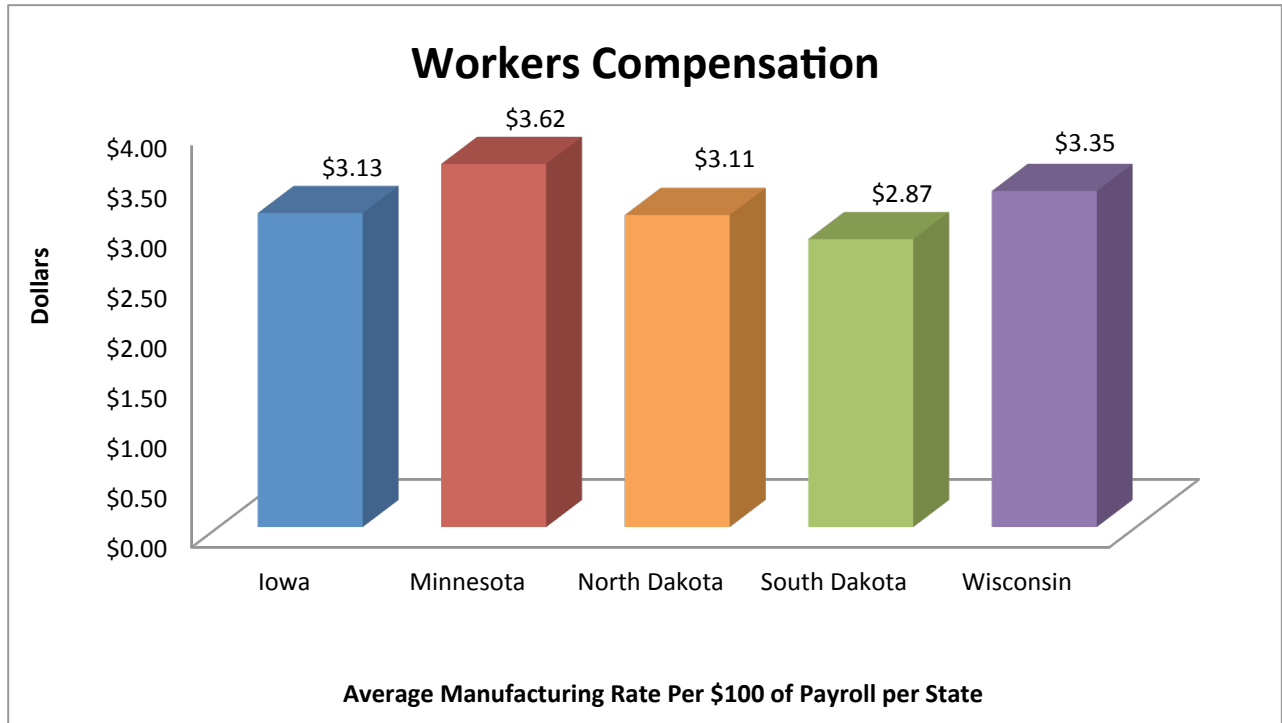
Sources: US Dept. of Labor, Bureau of Labor Statistics, Table 5: Union Affiliation of Employed Wage & Salary Workers by State, 2010.

Exhibit 51

Workers Compensation

Workers compensation net insurance costs for manufacturers were compared for calendar year 2009. The national average for manufacturers is \$3.71. *North Dakota has its own system for calculating workers compensation.

State	Rank	Average Manufacturing Rate Per \$100 of Payroll
Iowa	12	\$3.13
Minnesota	23	\$3.62
North Dakota	11*	3.11
South Dakota	9	\$2.87
Wisconsin	17	\$3.35



Source: Actuarial and Technical Solutions, Inc., Workers Compensation State Rankings, Manufacturing Industry Rates and Statutory Benefit Provisions, 2009 Edition

*State controlled workman's compensation plan with no private insurance companies involved. Rate is estimated based on rate charge.

Exhibit 52

Survey Question #4

The business I started was officially operational in the year _____ .					
	Iowa	Minnesota	North Dakota	South Dakota	Wisconsin
Before 1985	6%	8%	10%	7%	7%
1985-1999	57%	50%	51%	44%	50%
2000 - Present	37%	42%	39%	49%	43%
Total	100%	100%	100%	100%	100%

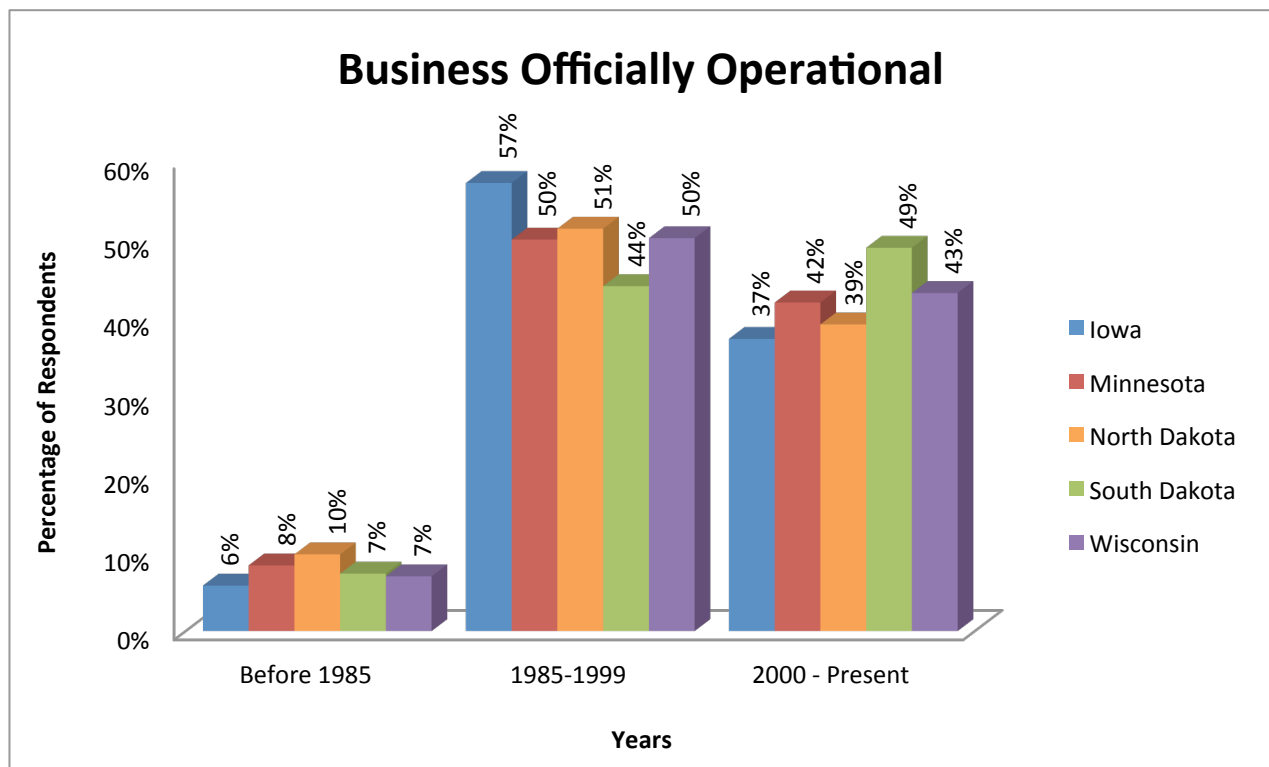


Exhibit 53

Small Business Establishments per State for 2004 - 2009

	2004	2008	# of Increase	% Increase	2009	# of Decrease	% Decrease
Minnesota	464,946	494,788	29,842	6.03%	478,948	(15,840)	-3.31%
Wisconsin	406,766	431,099	24,333	5.64%	419,525	(11,574)	-2.76%
Iowa	243,932	261,262	17,330	6.63%	257,376	(3,886)	-1.51%
South Dakota	72,949	78,151	5,202	6.66%	77,234	(917)	-1.19%
North Dakota	59,158	63,267	4,109	6.49%	61,760	(1,507)	-2.44%

Source: www.sba.gov/advocacy/848. "State Economic Profile".