A Smart Investment Agenda for Minnesota’s Next Decade

Vision, Measurable Goals, and Strategies for a Decade of Renewal
We Minnesotans have built a good life in this blessed land of abundant lakes and rivers, deep woods, and fertile prairies. We have created both a more prosperous and a more fair society than exists in most other states and nations. And we have accomplished this through a distinctive combination of innovative free enterprise and a communitarian willingness to invest public money for the public good. Call it “the Minnesota Advantage,” and consider it threatened.

We built better schools and got better test scores than most other states. We established plentiful public parks, and recognized early the value of conservation and environmental protection. We ensured affordable higher education opportunities and produced one of the nation’s best workforces. We provided good highways and first-class public works infrastructure and the nation’s first metropolitan government. We greatly valued public health and invested generously to produce some of the best outcomes in the nation. All of this public investing worked hand-in-glove with a generous business and non-profit leadership to produce a diverse economy and a state with a reputation for valuing both economic growth and social justice, a more evenly shared prosperity and a stronger middle class.

This advantage was built intentionally throughout our state’s history by generations of governors from all major political parties and by visionary community and business leaders. But the last decade has been marked by unprecedented disinvestment and unsustainable tax and budget cuts. Signs abound that Minnesota is losing ground, with declining rankings on economic measures and quality-of-life statistics, and increasing economic inequality.

We believe we will lose further ground if we don’t take maximum advantage of our governments’ classic role as strategic investors, with smart and ample investments in human potential and our physical infrastructure.

To that end, Growth & Justice offers this summary of a simple and straightforward investment agenda for Minnesota’s next governor and all candidates for political leadership in the decade of “the teens.” This plan has grown out of several years of Growth & Justice work, and has roots in our Invest for Real Prosperity project. It reflects the wisdom and advice of hundreds of citizens and experts.

This agenda begins with a vision that can be embraced by almost all Minnesotans. We offer measurable demographic goals for end-of-decade progress. And we provide examples of specific strategies that offer the best prospects for achieving that vision and those goals. And finally, we suggest ways that candidates and policymakers can talk about public investment to make the case with voters and citizens.

While this non-partisan proposal is offered in the context of a gubernatorial campaign and crucial election year, governors and governments can’t do it all, and we intend to communicate this investment agenda far and wide. Private-sector and non-profit leaders need to step up, interest groups need to compromise, citizens and voters need to have patience and do their part to advance the cause of sustainable and just economic growth for our beloved North Star State.
Business and job growth is strong and steady.
Minnesota once again leads the Midwest in job and income growth and is a leading place to do business. Investors are attracted to a competitive business environment, reasonable business tax rates, a level playing field and the best workforce in the nation.

Economic justice is improving.
The income gap is closing and middle and lower-income families are making real gains. Working adults earn enough to provide housing, food and health care for their households. Unfair tax incidence is being reversed, with top incomes paying a fair share of state and local taxes.

All our children are getting a stronger start in life.
At every transition from birth through college, children arrive ready to learn and to make steady progress. The school achievement gap between whites and students of color and between middle-income students and poor children is closing.

We are better connected to jobs and other destinations.
Fix-it-first strategies are improving conditions on existing roadways, businesses report benefits from improved freight capacity, and technological innovations in transit and travel are increasing options and slowing congestion growth.

Our economy and our environment are clean.
Our lakes and rivers and our air quality have a growing reputation as among the world’s cleanest. We are a model for other states and nations in developing renewable energy sources, and reducing fossil-fuel dependence and industrial and agricultural pollution.

We lead healthier lives in sustainable communities.
Our distinction as one of the healthiest populations in the world is established, and our reputation as a mecca for health care delivery and technology is growing.

We rank among the top 10 states in average per capita income and are near the top in rate of job growth, business start-ups, and productivity.

We rank among the top 10 in median income and real income growth is being shared by ALL population quintiles, not just those in the top 20 percent of household income.

At least 75 percent of adults have a higher-education credential by age 25, and students of color and American Indian students are making gains toward closing the achievement gap.

Data on transportation conditions and trends show improvements in road surface conditions, mass transit use and metro area traffic congestion, and land-use maps display denser development and slowed sprawl in metro areas.

Nation-leading renewable energy goals adopted in 2007 are being met, federal survey of impaired waters shows improvement, and air quality and greenhouse gas emissions are improving.

All residents have access to preventive health care, the percentage of obese and addicted Minnesotans is declining, and rankings on United Health Foundation surveys show improvement or continued high levels for health indicators.

Smart Economic Development for Minnesota presents principles and approaches to increase long-term economic growth. Invest for Real Prosperity provides a framework for public investment that will help boost business growth. Rethinking Minnesota Taxes outlines how a revenue overhaul could reduce regressive business taxes.

Invest for Real Prosperity and Workforce First outline specific strategies to improve economic conditions for middle- and lower-income families.

Smart Investments™ in Minnesota’s Students sets forth comprehensive blueprint and specific interventions, aimed at sharply increasing our higher-education attainment rate by 2020. Specific challenges and policy responses for increasing minority attainment can be found in the 2009 annual report of the Minnesota Minority Education Partnership.

Smart Investments™ in Transportation for Minnesota outlines challenges and strategies for better connecting Minnesotans to jobs and other destinations, improving freight movement, minimizing energy consumption and improving travel choices.

The Midwestern Energy Security and Climate Stewardship Roadmap has been developed by the Midwestern Governors Association. Useful research and prescriptions for smarter investments in a cleaner economy are available at the Minnesota Center for Environmental Advocacy, Fresh Energy, 1000 Friends of Minnesota and Environment Minnesota.

Two groups in Minnesota — Make Health Happen and the Minnesota Universal Health Care Coalition — are leading efforts with comparable plans to expand health care to all Minnesotans. A broad-based Health Care Transformation Task Force offered a comprehensive blueprint for reform in 2008.
Framing the Issues: How to talk about smart public investment and tax fairness

Investing, where it matters most, pays off

Simple math: high-school dropouts, bad roads and people without health care are costing us all billions. Research shows states doing better long-term if they invest tax dollars in education, transportation infrastructure and healthy communities. These public assets support sustained growth, self-sufficiency and prosperity for businesses and all citizens, but the private sector typically does not invest enough in them. If government does not make the investments, workers and employers pay the price.

These principles are important to stress when talking about how to invest where it matters most:

- **Large effects.** We need to target harmful disparities and problems with the most serious future consequences; aim for widespread impact and sustainable, long-term improvement.
- **Capacity-building.** Favor investments that build the wealth-creating capacity and self-reliance of individuals, businesses and communities; e.g. teaching to fish rather than giving away fish.

Especially in times of scarcity, government must make tough choices about where to spend. Failing programs are easy to cut, but if new approaches are required, how should policymakers choose where to redirect funds?

Emphasize that these investment principles should be applied in a smart public investment strategy:

- **Evidence-based.** Base solutions upon inquiry and evidence about what really works, not simply upon who benefits or whether a policy meets certain political tests.
- **Defined outcomes.** Define clear outcomes and select measures of success at the start, so citizens can hold officials and agencies accountable.

Taxpayers resist the idea of investing if they perceive it means simply paying more for the status quo. But voters want governments to work and a reasonable case that their money will improve things is persuasive. Articulating costs and benefits can overcome empty rhetoric about wasteful and ineffective government.

Raising tax money fairly and sufficiently

People disagree about whether tax fairness means progressive (larger percentage for higher incomes) or proportionate (same percentage for all). But Minnesota’s overall state-local tax system now is neither. It is regressive; with those on the top paying a significantly smaller percentage than everyone else. In fact, the top earners have a larger share of income and wealth than they have had since the Great Depression.

Growth & Justice encourages consideration of policy options through an economic lens that focuses on getting the best returns for the public dollar:

- **Cost-effectiveness.** Consider the benefit from both future costs savings and increased value; recognize the impact may not occur immediately and benefits may accrue beyond the people and agencies directly involved.
- **Sufficiency.** Fund solutions adequately; adopting half-measures or using unsustainable funding may be worse than doing nothing.
- **Fairness.** The state’s own 2009 Tax Incidence Study shows that the wealthiest households pay an effective tax rate nearly 3 percentage points lower than an average household. Explaining this key statistic appeals to a sense of fairness and leads to support for a fairer tax system.
- **Sufficiency.** Minnesota’s Price of Government (all state and local revenues as a percentage of income) is two percentage points lower than an average household. This statistic translates to $4.6 billion less in public investments. We now rank only average in public investments, after decades of ranking in the top 10, and taxes and budgets have been cut in Minnesota more than in any other state.