We Minnesotans have built a good life in this 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 generous business and nonprofit 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 economic difficulty and dislocation, along with unprecedented disinvestment and unsustainable tax and budget cuts. Signs abound that Minnesota is losing ground, with declining rankings on some economic measures and quality-of-life statistics, and increasing economic inequality.

We will continue to lose ground unless we 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 current and future policymakers. This plan has grown out of several years of Growth & Justice work, with roots in our Invest for Real Prosperity project. It reflects the wisdom and advice of hundreds of ordinary citizens, policy experts, and community and business leaders.

This agenda begins with a vision that can be embraced by all Minnesotans. We offer measurable demographic goals for progress. We provide examples of specific strategies that offer the best prospects for achieving that vision and those goals. And finally, we suggest ways that policymakers and citizens can make the case for smart public investments for Minnesota’s future.

While this nonpartisan proposal is offered in the context of the current legislative session, lawmakers can’t do it all, and we will communicate this investment agenda far and wide. Private-sector and nonprofit leaders need to step up, interest groups need to compromise, and citizens and voters need to 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 continues to lead the Midwest and the nation 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 one of the best and most competitive workforces in the world.

### Economic justice is improving.
Income inequality is lessening, with lower- and middle-income families 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 stage from birth through higher education, children are ready to learn and to make steady progress. The school achievement gap for students of color and low-income students is eliminated.

### 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 movement, 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 are 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.
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<th><strong>Measurable Goals</strong></th>
<th><strong>Strategic Blueprints</strong></th>
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<td>We rank among the top 10 states in <em>average</em> per capita income and are near the top in rate of job growth, business start-ups, and productivity.</td>
<td><em>Smart Economic Development for Minnesota</em> presents principles and approaches for long-term economic growth. <em>Invest for Real Prosperity</em> provides a framework for public investment that will help boost business growth. <em>Rethinking Minnesota Taxes</em> outlines how a revenue overhaul could reduce regressive business taxes.</td>
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<td>We rank among the top 10 in <em>median</em> income, and real income growth is occurring in all population quintiles, not just the top 20 percent of households.</td>
<td><em>Invest for Real Prosperity</em> and <em>Workforce First</em> outline specific strategies to improve economic conditions for middle- and lower-income families.</td>
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<td>At least 75 percent of adults have a higher-education credential by age 25, and the achievement gap for students of color and American Indian students is shrinking.</td>
<td><em>Smart Investments in Minnesota’s Students</em> sets forth a comprehensive blueprint and specific interventions, aimed at sharply increasing our higher-education attainment rate by 2020. Detailed challenges and policy responses for increasing minority attainment can be found in the 2012 annual report of the Minnesota Minority Education Partnership.</td>
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<td>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.</td>
<td><em>Smart Investments in Transportation for Minnesota</em> outlines challenges and strategies for better connecting Minnesotans to jobs and other destinations, improving freight movement, minimizing energy consumption and improving travel choices.</td>
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<td>Nation-leading renewable energy goals adopted in 2007 are being met, federal survey of impaired waters shows improvement, and air quality and greenhouse gas emission levels are improving</td>
<td><em>The Midwestern Energy Security and Climate Stewardship Roadmap</em> 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, Envision Minnesota and Environment Minnesota.</td>
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<td>All residents have access to preventive health care, and rankings on United Health Foundation surveys show improvement or continued high levels for health indicators.</td>
<td><em>Beyond the Affordable Care Act: An Economic Analysis of a Unified System of Health Care for Minnesota</em> demonstrates that a unified statewide insurance program can expand health care to all Minnesotans while reducing state spending on health care.</td>
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Investing, where it matters most, pays off

Simple math: high-school dropouts, deteriorating roads and people without affordable health care cost all of us 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 are important principles 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 and far-reaching 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.

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 must be applied in a smart public investment strategy:

- **Evidence-based.** Rely on inquiry and evidence about what really works, not simply on 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.
Investing cost-effectively for results

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 revenue 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 effective rate than everyone else. In fact, the highest earners have a larger share of all 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 that impacts 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 2011 Tax Incidence Study shows that the wealthiest households pay an effective tax rate more than two 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 15 years ago, which translates to about $5 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.
Growth & Justice is a nonprofit, nonpartisan, public policy research organization and a leading progressive voice on state economic issues. Growth & Justice advocates for fair taxation and smart public sector investment — fiscally responsible, accountable investment that advances prosperity for all Minnesotans. A sustainable economy provides the foundation for a just society.