Citizens League

A Plan for Stabilizing (and then Growing) Minnesota's Economy

PROJECT OUTLINE

Ground rules/ understandings

- The economic downturn is a global phenomenon that Minnesota won't escape. However,
  - The potential downside is so dire that we must do what we can, at every level, to help stabilize the economy.
  - Minnesota can be relatively better or worse off depending on the actions we take here in Minnesota.
- In order to avoid extreme economic hardships, Minnesotans from every sector must be prepared to set aside partisanship and ideology, and even short-term personal and institutional interests, in favor of the common good.
  - For many state agencies and nonprofits, the economic situation we find ourselves IS the crucible for achieving their missions. If we cannot act with courage and boldness now keep people in their homes, to help maintain jobs, when would we act?
- Minnesota's state budget is structurally imbalanced and will remain so unless major changes are made. The budget and tax structures may have worked well in the past, but they are predicated on demographic and economic structures that have shifted, and will continue to shift, profoundly.
- In order to develop a realizable and effective plan for shoring up Minnesota's economy in the short and longer terms, we must commit as individuals and institutions to work through difficult and controversial issues and ideas in good faith, which means:
  - No sacred cows
  - Voicing and working through disagreements at the table (literal or virtual)
  - Committing to reaching a consensus position

Process

- Plan must be developed by March 4.
- Weekly meetings, 1.5 hours
- On line review and discussions as appropriate
- Becker and Dorfman to organize/staff
- Begin with 8-10 people, highly committed to above ground rules
- Expand group over time, recruiting new members also committed to above and attracting institutional buy-in to maximum extent possible
- Product of the Citizens League

The Plan and its Policy Proposals

The sort of stuff we're talking about… (not that any of these will be in the final plan, but they are the types of things we need to be prepared to put forward)

- Legislation that halts/ slows/ puts conditions on foreclosures and possibly interest rate resets.
- New financing vehicle for long-term care—perhaps some type of mandatory annuity with reinsurance or catastrophic insurance
- Using welfare grants and unemployment insurance as wage subsidies to retain and grow new jobs
- Rethinking tax expenditures—perhaps prorating the federal deductions one might be able to apply in MN by income
- Higher (much) gas tax to provide incentives to move beyond current dependency on petroleum
- Rethinking how health care is paid for
- *Your favorite here…*
- *And here*

As a starting point for consideration….

Citizens League Design Principles for Better Value

There are only a few strategies that orient people to accomplish public purposes while meeting their own interests and that systematically link spending with results. Think of these principles as rules of thumb to guide public sector spending.

Principle 1. Target public subsidies directly to people who are financially needy. Provide subsidies only to individuals who have low incomes and wealth, and ensure that subsidies follow individuals who qualify for them. Redistribute resources explicitly rather than through indirect methods, and only to ensure equal access to basic services in where is a compelling state interest.

Principle 2. Use competition to align institutional self-interest with the public interest in the quality and cost of services. Break up the monopoly elements of public services by separating the different interests of institutions and the public, and by forcing service producers to win the public's business. This does not mean privatization; competing producers may be public organizations. Competition may be introduced in three ways:

> **Create citizen markets.** Give citizens their allotment of public dollars (or equivalent) and allow them to choose their public services from among competing public and private providers.
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> **Split the roles of purchaser and producer of public service.** Now, school boards, city councils and other governing bodies plan, make policies and decide how public services will be provided. What is often overlooked is that these boards are also *purchasers of the service*. They represent the public by purchasing services from producers on behalf of citizens.
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> For most services today, both functions, purchasing and producing, are accomplished by the same body and this results in an inherent conflict of interest. Rather than purchasing the services (snowplowing, teaching or firefighting, for example) that respond to the concern of their constituents, boards instead assign constituents to receive services from the only snowplowing, teaching or firefighting business in town – themselves. Government should ensure that the purchaser is a different entity from the producer. When purchasers have choices, producers risk failing if they don't serve their customers well.
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> **Pay for performance.** When the Legislature makes grants to school districts, cities and institutions, it should make the grants contingent upon performance.

Principle 3. Allow prices of public services to reflect true costs, including the social cost of individual decisions. Current policies often disguise the true cost of public services and distort citizens' choices about how to spend their money. Public policies should give citizens an economic stake in their personal decisions.

Principle 4. Meet more public responsibilities through non-governmental communities in which people already have relationships of mutual obligations. Citizens are not merely consumers of government programs. Families, ethnic organizations and neighborhoods perform a variety of public purposes, including child rearing, caring for the infirm, and education. They are producers and problem-solvers. Government can make use of the motivations generated in these private communities by carrying out some of its responsibilities through them.

Principle 5. Consider long-term economic growth to be one of the objectives of state spending. To get the best long-term return from state expenditures, policy makers should take seriously their role as investors. Doing so means making sure that expenditures on infrastructure, research and education are met with measurable, demonstrated results, which in turn requires that results be evaluated rigorously and impartially. For other items of spending, "good investing" simply means getting the most value from every dollar of state expenditures.