

A Citizen's Guide to Invest for Real Prosperity

The prosperity many Minnesotans enjoy rests on a foundation of public investment that supports a healthy state economy. We want this prosperity to continue and to be shared more widely so that all Minnesotans benefit.

“Invest for Real Prosperity” is a strategy for a more prosperous, just and sustainable Minnesota. It starts with a vision for Minnesota’s future that we believe a very substantial majority of Minnesotans will support, a place where:

- All children get a strong start in life
- Families earn enough to meet their basic needs
- We enjoy healthy lives in healthy, sustainable communities
- We are a leading place to do business
- We can easily get where we need and want to go.

Living in such a place means experiencing *real* prosperity — where economic growth benefits all income levels and includes civic health, not just personal wealth.

Government can contribute to fulfilling this vision, through its role as strategic investor in Minnesota’s people and places. Investing in human and physical capital pays off twice: By increasing overall economic growth and making the rewards of growth more accessible to all.

The “Invest for Real Prosperity” framework consists of three elements:

1. **Investing in people and places** to increase our capacity to create wealth and to increase each individual’s chance of participating in that growth.

2. **Raising the money fairly**, which means people who earn the most (and who are not now paying their proportional share) pay the most and people who are just getting by are not expected to pay more than today.
3. **Maintaining fiscal discipline and accountability**, with a stable price of government, honest budgeting that adjusts to the economy’s ups and downs, a few key measures of long-term success and accountability for achieving results.

How YOU can help make the case.

1. **Learn more.** Read about the Invest for Real Prosperity framework or attend one of our public forums.
2. **Connect the dots.** Other organizations can use our fiscal framework to tie their specific policy goals to shared principles of investment, tax fairness and accountability.
3. **Speak up.** Elected officials need to see clear public support for change. Make sure they know you’re an advocate of more investment, even if it means a tax increase on those who can afford to pay.
4. **Support our work.** Your contribution will advance our continued community outreach and communications about Invest for Real Prosperity and help launch our Rethinking Public Education project.

Making a Case for Investment

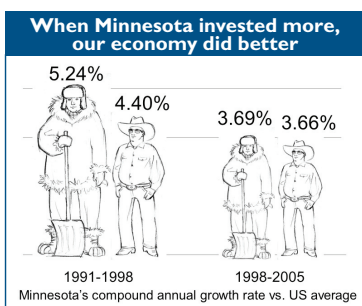
Some persistent myths have become entrenched in Minnesota to create resistance to the idea of spending more for state government. For more information and studies that debunk these myths, visit www.growthandjustice.com.

Myth 1: There's nothing to worry about.

Fact: While Minnesota still ranks high on many measures of quality of life, there are numerous signs that the state is starting to slip:

- Minnesota ranks 36th in access to public early childhood education
- High school graduation rates have declined, with minority graduation rates declining at a faster rate than for white students
- The number of Minnesotans without health care has doubled
- Transportation congestion has increased by one-third

Myth 2: Low taxes are the best way to create economic growth.



Fact: Throughout most of 1990s, the state's economy outperformed the nation by nearly 1 percentage point of annual per capita income growth. However, in the last eight years — exactly coinciding with the period in which we lowered

our taxes substantially compared with other states — we have become at best an average state economy.

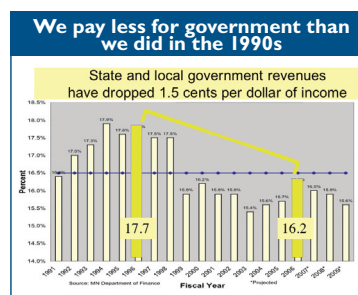
This pattern applies to other states that cut taxes substantially. The Center on Budget and Policy Priorities studied the 16 states, including Minnesota, that did the most tax-cutting from 1994 to 2001, and found that those states have had noticeably worse economic performance from 2001 to 2006 on average than the other 34 states.



Myth 3: State spending is out of control.

Fact: Measured properly — total state and local taxes and fees as a percentage of total income earned by Minnesotans — we pay about 1.5 percentage points *less* for government than we did in the 1990s.

Raising the Money: How much — and how?



The average price of government over the past two decades has been about 17 percent — i.e., 17 cents of state and local taxes and fees for every dollar earned by Minnesotans.

Establishing this as a target would create an adequate level of investment that we know Minnesotans will support, and reassure Minnesotans that government will work to stay within that range. As the added investment rebuilds Minnesota's economic strength, it will create a virtuous circle of additional government tax revenue for further investment.

Fairness in how the money is raised would be an essential requirement to gain support for increased investment. For most Minnesotans, fair means proportional. Right now, the people with the highest incomes in Minnesota are not paying their proportional share of taxes and fees.

The state can raise an additional \$2 billion a year in a way that substantially reduces the tax gap, and does not create a burden for those just able to support their families. A fair new revenue plan should:

- Restore proportionality of our tax system at the top (especially the top-earning 5%), as measured by the state's tax incidence analysis;
- Use credits to avoid new taxes on families with below-average earnings
- Reduce the ratio of fees to taxes, since fees are more regressive.