Minnesota has long been known as a great place to do business, perennially high on most national rankings of quality of life, business profitability, innovation, and attractiveness to employers and employees. A record-low unemployment rate and high median income advance a portrait of a growing and dynamic economic ecosystem. Minnesota continues to benefit from a multi-sector economy, stronger than average in agriculture and agribusiness, biotechnology, healthcare, and financial service sectors.

With some important exceptions, Minnesota’s general economic conditions have recovered from the Great Recession of 2008. In 2009, the state’s unemployment rate was 8 percent and 235,000 people were unemployed. As of April 2019, the state’s seasonally adjusted unemployment rate had dropped to 3.3 percent, or 100,533 people. Median household income and annual earnings for all of Minnesota’s workers exceed national figures.

However, economic liabilities abound, and Minnesota faces significant challenges if it is to sustain its success. Lack of opportunity and cultural amenities has rendered some rural and urban regions less attractive to younger workers, workers supporting families and newcomers. Even as Minnesota’s racial and ethnic diversity increases, racial disparities in educational attainment and access to workforce credentialing are fueling the state’s workforce shortage, already shaped by an aging White population. Small businesses and entrepreneurs, particularly when led by business people of color, have limited access to the capital needed to survive. Additionally, regulatory burdens discourage small business start-ups.

This chapter describes some of Minnesota’s most accessible challenges to economic growth and some of the solutions which can be leveraged by state and local governments, as well as through the work of individual communities themselves.

The chapter is organized according to the categories of Business Growth (issues facing employers and would-be employers) and Workforce Equity (issues facing employees and would-be employees). The solutions
recommended after each set of challenges come from the wide variety of sources that make up the Thriving by Design Network’s (TBDN) stakeholders. Throughout this chapter, story boxes illustrate community-based solutions that have successfully addressed an important regional challenge.

Please note that while there are many moral and justice-related reasons for eliminating disparities and creating equity, the language in this chapter emphasizes the economic imperative that points to the same objective. Minnesota’s racial and regional disparities have a profound negative impact on economic and business growth.

While unemployment rates among African American and Native American Minnesotans have declined over the past decade, as Exhibit 1 shows, they are still three to five times the unemployment rate for White Minnesotans.

**Exhibit 1: Improving Employment for People of Color**

*But Income and Poverty Gaps Still Too Wide*

<table>
<thead>
<tr>
<th>Population group</th>
<th>Percent employed (among all persons 16+)</th>
<th>Unemployment rate (among ages 16+ in the labor force)</th>
<th>Median household income (regardless of size)</th>
<th>Percent of people in poverty (all ages)</th>
<th>Percent of children in poverty (ages 0-17)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Minnesotans</td>
<td>67%</td>
<td>4%</td>
<td>$68,400</td>
<td>10%</td>
<td>12%</td>
</tr>
<tr>
<td>American Indian</td>
<td>49%</td>
<td>15%</td>
<td>$36,900</td>
<td>29%</td>
<td>31%</td>
</tr>
<tr>
<td>Asian</td>
<td>67%</td>
<td>4%</td>
<td>$74,800</td>
<td>12%</td>
<td>13%</td>
</tr>
<tr>
<td>Black/African American</td>
<td>66%</td>
<td>8%</td>
<td>$38,100</td>
<td>28%</td>
<td>36%</td>
</tr>
<tr>
<td>Hispanic (of any race)</td>
<td>72%</td>
<td>5%</td>
<td>$50,900</td>
<td>19%</td>
<td>24%</td>
</tr>
<tr>
<td>White, non-Hispanic</td>
<td>67%</td>
<td>3%</td>
<td>$71,900</td>
<td>7%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Furthermore, rising employment alone does not correct income inequities. Exhibit 1 shows that, despite reduced race-based gaps in unemployment, living in poverty continues to afflict American Indian and African American Minnesotans at rates that are about four times the poverty rate for White, non-Hispanic households. Most importantly, Exhibit 1 shows that the poverty rate for Black children is six times the White rate, the poverty rate among Native American children is over five times the White rate, and the poverty rate for Hispanic children is four times the White rate.

If Minnesota’s economy is to continue to grow, the entire state must work together to support the economic and social enrichment of its people of color (including new immigrants and refugees), who are projected to be a principle source of the state’s future population and workforce growth. The state must also alter laws, policies, and regulations that impede the return to employment for people with felony histories, a population that is disproportionately people of color, and especially Black and Indigenous people. Furthermore, these initiatives will not be effective unless they are linked with other objectives, such as increasing income mobility, creating a cleaner, more climate resilient environment, and encouraging civic participation.
MADO and DevelopMN Provide a Practical and Inclusive Guidebook

Minnesota’s 10 regional development organizations (RDOs) have their origins in federal legislation in 1969, which created a national system of local economic development agencies to provide coordination and technical assistance to local employers and government. After 50 years, Minnesota’s RDOs have proven resilient and adaptable. They provide a strong and unified voice for a sustainable and equitable approach to economic development in Greater Minnesota.

The day-to-day work of each RDO reflects the dramatic differences between Minnesota’s four diverse biomes and the economies they sustain, from forestry and mining in the northeast to farm commodities and agriculture processing plants in the southwest. Amid growing awareness of common community needs uniting all regions, the Minnesota Association of Development Organizations (MADO) in 2016 produced “DevelopMN, a comprehensive development strategy that has application for all of Greater Minnesota.” Few source documents have been more helpful to Thriving by Design Network and The Minnesota Equity Blueprint than DevelopMN.

In a Star Tribune commentary focusing on some of the innovative initiatives by RDOs, Cheryal Hills of Region Five Development Commission and Growth & Justice Senior Fellow Dane Smith noted that “the regional strategies that have evolved in recent years involve a more holistic, creative, and community-centered approach to economic development.”

The DevelopMN framework is a comprehensive approach, pinpointing 17 goals and 58 strategies for economic growth and community vitality. These goals aim to encourage local businesses, while developing and maintaining a welcoming and attractive environment for all Minnesotans.

“In order for rural Minnesota to succeed, there needs to be a strong, collective, and credible voice that can create and move forward an economic agenda at the local, state, and federal levels. . . . Regional Development Organizations are committed to providing that collective leadership for rural Minnesota.”

— DevelopMN
BUSINESS GROWTH: SMALL FIRMS AND ENTREPRENEURS, AGRICULTURE, AND PLACEMAKING

Vulnerabilities to Minnesota’s business growth include insufficient nurturing of small businesses and entrepreneurs, threats to Minnesota’s agricultural sector, and inadequate investment in placemaking outside of the Twin Cities. The state’s low impact in supporting the success and drive of small business owners from communities of color is especially problematic.

Despite the fact that between 2007 and 2012, businesses owned by people of color out-performed the state’s average rates in terms of new business formations, job growth, payroll growth, and sales growth, the potential economic contributions of entrepreneurs of color and businesses owned by people of color, have not been fully tapped.

Yet another vulnerability stems from the lack of diverse perspectives usually included in shaping business-related policy decisions. By relying primarily on the perspectives of non-Hispanic White business owners, Twin Cities urban business interests and a select number of the state’s largest firms, Minnesota continues to leave money on the table. By including more small business voices and more entrepreneurs of color in the state’s economic policy development, greater growth and more shared prosperity will result.

To create increased and equitably shared economic prosperity, Minnesota needs a boost in the number of new and small businesses (especially businesses owned by people of color), improved stability for farms and farming communities, and focused investment in arts and placemaking programs, especially in Greater Minnesota and communities of color. Inclusive business development means better outcomes for people of color and among Greater Minnesotans. Inclusion is good for business.

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1 “Leaving money on the table” is an idiom for not fully exploiting a financial opportunity. It means that potential financial gains have been left behind.
**Challenge — Declining numbers of small and medium-sized businesses limit Minnesota’s economic growth**

More than 94 percent of businesses in Minnesota are officially classified as small, meaning they employ fewer than 50 employees. There are also almost 400,000 non-employer businesses (where individuals are self-employed). Exhibit 2 shows the distribution of Minnesota’s business establishments, with cross-hatched highlighting on those counties where more than 80 percent of all establishments are very small businesses, employing fewer than 10 employees.

*Exhibit 2: Counties in Greater Minnesota are more reliant on very small businesses.*
Self-employed people and very small business are particularly critical to the regional economies in some parts of Greater Minnesota, because in aggregate, they employ the most workers. They also represent enough diversity in industry sector to protect the local economics from risks associated with overreliance on one industry.

Except for businesses founded by entrepreneurs of color, small business start-ups have been on a long-term decline, although it appears to have plateaued over the last couple years. Had Minnesota’s 2014 startup rate been as high as it was in 1977, the state would have over 8,600 additional firms. The decrease in new startups is particularly notable in Greater Minnesota. In 1977, new businesses in the Twin Cities accounted for approximately 52 percent of all Minnesota startups, but by 2014, Twin Cities startups had grown to roughly 70 percent of the entire state. Greater Minnesota’s small businesses accounted for fewer employees in 2014 than they did in 1995.

Associated with the long-term decline of entrepreneurship is a drop in the number of existing small and medium-sized businesses. As Exhibit 3 shows, the 2008-2012 financial crisis reduced the ranks of Minnesota’s small and medium sized businesses (businesses with fewer than 100 employees) by over 6,400 firms. By 2014, the state still had 5,170 fewer small and medium-sized firms than before the recession.

Exhibit 3: The total number of Minnesota’s small and medium-sized businesses has not recovered since the Great Recession.

Why is this decline taking place? Several factors feed into this general decrease in small and medium-sized business vitality. First, Minnesota’s smaller businesses have limited access to capital. Business of all sizes rely upon capital which is obtained via personal assets, the sale of equity or bonds, venture capital investments and/or loans. However, unlike large corporations, smaller businesses do not have ready access to equity and bond markets. In 2017, only 48 Minnesota companies received venture capital investment, of which one firm received a third of the total amount. This means that smaller businesses are reliant on either bank lending or the personal assets/savings of the company owner.

Recent consolidation in the banking industry has resulted in fewer opportunities for smaller businesses to obtain bank loans. According to the American Bankers Association, Minnesota had 448 distinct banking institutions
in 2006. By 2018, Minnesota had 293 such institutions. According to data from the Federal Deposit Insurance Corporation (FDIC), U.S. Bank and Wells Fargo Bank each had about 31.3% share of the entire Minnesota banking market. The next highest market share belonged to Bremer Bank, with 3.5% of the state’s market share.

The concentration of banking services has had very negative implications for Minnesota’s small business lending. Small businesses tend to turn to local banks, where the entrepreneur is more likely to already have a relationship with, or at least a reputation known by, the potential lender. National retail banks tend not to have as many of those relationships, which makes obtaining a loan much more difficult. Data from the 2017 Federal Reserve’s Small Business Credit Survey shows that 72% of Minnesota small businesses had applied for a loan or line of credit from a small bank (instead of a large bank, an online lender, a credit union or a community development financial institution). Community banks are responsible for around 40 percent of lending to small businesses.

Entrepreneurs and small business owners of color face the greatest barriers to accessing capital. The national loan denial rate for African American business owners is two and a half times the loan denial rate for White business owners. This disparity is especially disconcerting because Minnesota’s businesses founded by entrepreneurs of color exhibit several relative strengths when compared with firms founded by non-Hispanic Whites, including higher rates of growth in start-ups, gross receipts, number of employees, and total annual payroll.

Many small businesses also struggle to provide the benefits upon which all Minnesotans rely. One in four entrepreneurs recently surveyed said that affordable access to health care for themselves, and their future employees, critically influenced their decision to start their own business. The percentage of Minnesota workers at businesses with fewer than 50 employees, with access to employer-provided healthcare, dipped from nearly 37 percent in 2013 to 33 percent in 2017.

Employee retirement plans are also a concern. According to AARP, significantly more workers (59 percent) at small and medium-sized Minnesota businesses lack access to an employer-provided retirement plan than at larger businesses (29 percent).

Employees at smaller businesses are also less likely to have paid sick leave, according to the U.S. Bureau of Labor Statistics. Nationally, 62 percent of small business employees have access to sick time benefits, compared with the nearly 90 percent of workers at large companies.

Regulatory requirements can be costly for new and small businesses. Although federal, state and local regulations are often needed to foster a more equitably prosperous, safe, and clean economy, regulatory start-up costs can be unnecessarily burdensome for small businesses and entrepreneurs. According to a 2017 survey by the National Small Business Association, the average small business owner spends at least $12,000 each year on regulations. Minnesota Gov. Tim Walz has captured the spirit of this attitude for his administration by frequently referring to the need for “regulatory humility.”
Occupational licensing requirements are becoming increasingly common. However, studies show that in some cases, the occupational licensing required does little to protect consumers or improve public health, and instead serves to create barriers to entry, hampering entrepreneurship, particularly among those in low-income occupations. Among potential entrepreneurs with felony backgrounds, the barriers to obtaining many licenses and/or credentials (for example in pest control, being a dental assistant, or serving vulnerable people such as children, elderly, adults with special needs) are often unnecessarily punitive.

As of this writing, new business startups and the survival of smaller businesses are also disproportionately challenged by Minnesota’s intense competition for a limited supply of trained workers. As of the fourth quarter of 2018, Minnesota businesses were facing tight labor markets, with about 5 percent of all jobs going unfilled. Once again, job vacancy rates were highest among Minnesota firms employing fewer than 50 employees.

**Solutions — Invigorate Minnesota’s small business ecosystem**

There are many routes to improving Minnesota’s entrepreneurial and small business climate. A dedicated focus on racial and regional equity must be front and center throughout the work. Some of the solutions recommended by TBDN stakeholders are:

1. **Focus on the success of entrepreneurs and small business owners of color**
   - Improve access to properly structured credit for entrepreneurs of color, including expanded support for the Minnesota Emerging Entrepreneur Loan Program, a business loan program focusing on underserved entrepreneurs.
   - Support the creation of additional equity programs for businesses owned by people of color. Monitor the effectiveness of the Minnesota Innovation Loans for Entrepreneurs Program, especially in terms of the support provided to businesses of color. Evaluate the effectiveness in the MN Innovation Voucher Award program in reaching entrepreneurs of color.
   - Appropriate addition of funds for the Minnesota Small Business Investment Tax Credit program, focusing larger portions of this “angel investment” tax credit to investors in firms owned by people of color.

2. **Expand access to capital for entrepreneurs and small businesses**
   - Establish a publicly owned bank. The Bank of North Dakota has operated for a century, using state deposits to partner with community banks and credit unions, as they make loans to college students, farmers, and small businesses. As a result, North Dakota has considerably more locally owned financial institutions per person than the rest of the country. These banks have long outpaced larger financial institutions in small business lending. Similar efforts to establish public banks are underway in California, District of Columbia, New Jersey, New Mexico, and Washington State.
   - Support existing community banks. The State of Minnesota should channel its government deposits to community banks and credit unions instead of the national banks. Currently, Minnesota’s various state accounts are deposited with U.S. Bank, as are many school district deposits. A 2013 legislatively-required
The Minnesota Equity Blueprint pilot program allowed several Minnesota State Colleges and Universities (Minnesota State) colleges to shift some of their reserve deposits from the state’s general fund to community banks, where on average they received higher interest rates while giving local financial institutions the ability to originate more small business loans.

- Leverage Public Procurement. Expand access to capital by fully enforcing MN Stature 16C.16, which calls for 25 percent of all public spending to be allocated to small and targeted businesses owned by women and people of color. Expand this requirement to all state government agencies, the University of Minnesota and the Minnesota State system. Support initiatives aimed at expanding procurement relationships between large “anchor” institutions (hospitals, corporations, colleges, and universities) and small targeted businesses.

3. **Relieve regulatory burdens through greater efficiency.**

- Rationalize state and local government regulations and improve interagency coordination for greater efficiency and more positive outcomes. Use simple-to-understand language and automated compliance filings whenever possible. Allowing registrations to happen online instead of via mail can save money for small businesses and taxpayer dollars for agency staff hours.

- Target regulatory enforcement resources towards establishments posing the greatest risk. Compliance investigations within a regulated industry should prioritize firms that pose the greatest risk to health and safety.

- Shift focus and attitude from enforcement (identifying and punishing violators), toward partnering. Best practices include providing a single point of contact online with the many needed forms from different state agencies and easy-to-find phone numbers that are answered by assistance teams offering free and customized assistance. Agencies should be pro-active and call businesses to help them stay in compliance.

- Re-examine occupational licensing restrictions. Short of eliminating all occupational licenses, policymakers should examine opportunities for reciprocity agreements with other states, reducing fees and training requirements, and foregoing licensure to encourage innovation, entrepreneurship, and workforce participation where it makes sense.

4. **Expand worker’s benefits that also aid small business owners**

- More portable benefits — benefits that workers can take with them as they change employers — make it attractive for entrepreneurs to take the initial leap to start their own businesses, as well as help strengthen working families, and make small businesses and young firms more attractive to talented workers.

- Increase competition on the individual health insurance market by allowing individuals to buy into the MinnesotaCare program.

- Join the seven states that require paid family leave by establishing an insurance program like that in the
State of Washington's,\textsuperscript{35} which spreads the costs of such benefits across companies of all sizes.

- Leverage state investments to create a Secure Choice Retirement Plan\textsuperscript{36} (see Illinois’s model\textsuperscript{37}) providing all workers with access to a portable retirement savings vehicle.

5. **Invest in the technology and public infrastructure needed for a successful business environment, particularly in Greater Minnesota**

- Continue to support the capacity of the MN Public Finance Authority, which packages local bonding initiatives to finance improvements in wastewater, drinking water, and transportation infrastructure especially for smaller and rural communities.

- Increase the funds available to the MN Office of Broadband Development for business and community outreach. Provide more funds for the Border-to-Border Broadband Development Grant Program to improve the business climate in areas where high speed access is not yet available or affordable.

**Challenge — Farming is one of Minnesota’s most troubled business sectors**

Every Minnesotan is exposed to the strengths and weaknesses of the state’s agricultural sector. Farming and farm products have been a foundation of Minnesota's economy since before statehood. Today, agricultural production and processing in Minnesota accounts for $57.5 billion in sales and more than 147,000 jobs. Agriculture is Minnesota's leading export industry, accounting for one-third of the state’s total product exports. Slightly more than half of Minnesota's land mass (51% or 26 million acres) is farmland.\textsuperscript{38}

Like farmers across the country, Minnesota’s farmers are finding it increasingly difficult to keep their farms viable and support their families. U.S. tariffs are an added threat to the low commodity prices, regulatory uncertainty, and climate change that are already at work eroding farm profitability and productivity. With tariffs restricting access to some major international markets, domestic markets for farm products (including biofuels) become even more critical.

Across the U.S., 2019 adjusted net farm income is expected to fall to a level that is at least 49% below its 2013 peak, according to the United States Department of Agriculture.\textsuperscript{40} In Minnesota, net median income for all crop growers dropped by half between 2016 and 2017, despite near-record yields, according to University of Minnesota Extension Division. Additionally, nearly half of Minnesota farms did not generate enough income to meet their debt commitments in 2016.\textsuperscript{41} Small and mid-sized dairy farmers are facing extreme pressure, since

"On top of already low prices, the agriculture sector has seen immediate negative impacts as a result of retaliatory trade actions. As time goes on without resolution, the concern of losing long-term market access only grows."

— U.S. Senator Pat Roberts, R-Kan, Chairman of the Senate Committee on Agriculture, Nutrition and Forestry, 2018 \textsuperscript{39}
milk is currently selling below the cost of production and many processors favor larger dairies, where greater quantities of milk can be picked up at one time.

Farm consolidation (fewer but larger farms) is a challenge for the farm economy and community vitality. In 1978, there were just under 100,000 farms in Minnesota. In 2017 there were 73,200. Low prices put enormous pressure on farmers to produce more, which usually requires operating more acres. At the same time, overproduction drives prices down. Farm equipment and buying or renting land is very expensive. This makes it extremely challenging for new farmers to begin farming, while it further incentivizes farmers to expand in order to stay in operation. These challenges make it difficult for farmers of all scales to make a living but put extra pressure on small and mid-scale farmers who are competing with larger farms that can produce at greater economies of scale.

Another concern for Minnesota farmers is land tenure and racial disparities. Of the almost 75,000 “principal operators” (federally identified leads of a farming enterprise), 91% were men and 90% were White. The average age of principal farm operators in Minnesota is 56 years old. As farmers retire or look to pass on their farms, there should be more opportunities for new farmers to own and work their own land, especially farmers of color and immigrant farmers.

“We must ensure access to land for new and beginning farmers, for immigrant farmers.”
— TBDN Granite Falls Participant

Solutions — Increase support for Minnesota’s farmers and farming

TBDN stakeholders seek to strengthen Minnesota’s farm economy and expand equitable access to farming as a way of life, maintaining a sensible balance between climate action, equity, and current economic reality, including the benefits and threats Minnesota farmers face through national trade and renewable fuel policies.
6. **Create policies and programs to protect and strengthen small and medium sized farms**, similar to Vermont’s Farm to Plate statewide food system plan aimed at improving quality and access to healthy local food. This includes opening a MinnesotaCare buy-in option to all farmers.

7. **Strengthen programs that build bridges between rural and urban communities**, such as Minnesota’s Farm to School program which connects farms seeking to sell healthy foods to school districts seeking to feed students. Additional programs, such as exchange opportunities and widely attended gatherings that bring urban children and adults into relationships with rural people, rural life and rural activities are sorely needed.

8. **Establish policies and programs that assist people seeking to become farmers**
   - Target support towards immigrants and refugees who seek farming and farm ownership.
   - Use tax incentives to assist new farmers, including beginning farmer tax credit from the Minnesota Department of Agriculture and tax rate reductions for agricultural property, and credits to assist farmers who convert land to water-quality buffers or no-till crops.

9. **Foster, incentivize and support new markets for Minnesota’s agricultural products** for farmers seeking to transition or diversify what they’re growing, as well as farmers suffering due to international tariffs.

10. **Incentives for Natural Carbon Capture**. Making climate action profitable for farmers can be achieved through:
    - Support for the University of Minnesota’s Forever Green initiative for perennial vegetation.
    - Increased funding for conservation and water quality protection programs like Minnesota Agricultural Water Quality Certification Program. 44
    - Assistance for producers in the transition to systems that keep the land in sod and perennial vegetation.

**Challenge — Arts, culture and creative placemaking are needed to animate communities and attract newcomers.**

“We want sustainable main streets using the arts for revitalization and cultural sharing.

— Granite Falls Participant

Since Minnesotans overwhelmingly voted for the Clear Water, Land and Legacy Amendment in 2008, 45 state investment in the outdoors, arts and culture has been bringing benefits to communities across the state. Today, Minnesota ranks first in the nation for state investment in the arts. 46 Many studies show that arts and cultural assets, in their many forms, contribute to economic development, community building, cultural understanding, and racial equity. But are these investments shared fairly across the state?
Among the most challenging placemaking realities is the disparity between metropolitan and rural areas in arts and cultural amenities. Evidence is overwhelming that Minnesota’s overall investment in arts and amenities have favored the Twin Cities, posing a further competitive disadvantage to the small towns and less densely populated areas in Greater Minnesota.

Racial disparities in placemaking investments are a significant challenge as well. Cultural and placemaking investments have historically favored White artists, European culture, and affluent institutions and places.

“Artists of color find themselves more often in situations where they need ‘proof’ of the value of their art to funders and foundations who do not understand the cultural characteristics embedded in their crafts…. Encouragement of placemaking that’s more inclusive and reflective of Minnesota’s fast-growing diversity can’t be over-emphasized.”

— Sue Gens, Minnesota Arts Board."
PLACEMAKERS MAKING CAPTIVATING PUBLIC SPACES: FROM FOOD HUBS TO ARTS CRAWLS TO MUSEUMS

In Little Falls, creative folks concerned about both a lack of cultural amenities and access to healthier local food created Sprout, a food hub and multi-purpose marketplace. Among its myriad activities is staging an annual production called “Minced,” a localized version of the TV cooking show “Chopped” featuring the best chefs in north-central Minnesota.

In Wabasha, the National Eagle Center, a destination that already draws thousands of visitors every year from across the country, is poised to expand into an even grander attraction, with an addition that will include more than 20,000 items of fine art, artifacts, and ephemera depicting the eagle in North American cultures. This success has created a model for the National Loon Center, now in advanced planning stages in Crosslake, Minnesota.

In western Minnesota, “Meander: The Upper Minnesota River Art Crawl,” is an annual fall event built around a free self-guided tour of artist studios featuring 45 local artists from the Upper Minnesota River Valley. The Meander is promoted as a “trip on a tank full” to fully experience the local history, culture, and landscape. Similar arts scenes are flourishing and sustaining some of Minnesota’s more vibrant small towns, including Lanesboro in southeastern Minnesota’s bluff country, Grand Marais on the North Shore of Lake Superior, and New York Mills in west central Minnesota.

In the Twin Cities, more arts and culture amenities are showing up in diverse neighborhoods such as St. Paul’s Frogtown and East Side, and Minneapolis’ North Side. Corporate, government, and non-profit groups ranging from the Springboard for the Arts, to the Minnesota Arts Board, to the McKnight Foundation, to the City of St. Paul have all focused on these major undertakings.

Beyond traditional concerns focused on luring tourists and snagging a few more of their dollars, Minnesota’s new place makers are using arts and cultural amenities to create communities where people want to live permanently, and where marginalized people in that region become seen, included, and appreciated.
Solutions — Placemaking and the arts are routes to economic development

Economic development professionals and business leaders understand that in today’s economy and into the future, a location’s attractiveness to people and workers has become as important as attracting employers, because the future will be less reliant on natural resources and traditional location and more dependent on human brainpower and talent. TBDN stakeholders recommend the following strategies to achieve greater equity in placemaking across Minnesota:

11. **Expand existing and create new artist-in-residence programs** and consider increasing the share of Legacy Amendment proceeds for the arts in Greater Minnesota. Protect existing Legacy Amendment funding.

12. **Support maximum effort in state bonding bills,** often the source of start-up or matching funding for the construction, or restoration, of projects that are necessary for vibrant arts and cultural amenities.

13. **Ensure that local school districts and other educational institutions are complying with state mandated requirements** to offer arts education at each grade level. The 2019 Creative MN Report disclosed that many high schools are not complying with state laws to submit data on arts education offerings.

14. **Invest in eliminating disparities in placemaking by:**
   - Supporting the DevelopMN “SMART Goal” of increased employment in the arts industry across Greater Minnesota by 5% by 2021.
   - Ensuring that investments in arts and cultural amenities flow more fairly to underserved populations, including communities of color and rural regions.
   - Expanding and improving measurements of the economic impact and return on investment of investments in placemaking by region and statewide.

WORKFORCE GROWTH AND EQUITY: JUSTICE REFORM, IMMIGRANTS, CHILD CARE AND CAREER PATHWAYS

The North Star State’s topmost economic asset and natural resource is a highly educated, motivated, and growing workforce. Moving forward, this asset faces interconnected threats and opportunities. Minnesota’s economic growth and health is immediately threatened by a shortage of skilled workers, due in part to demographic changes, changing workforce needs, lagging wages, and society-wide failures to fully develop the workforce potential of Minnesotans of color, immigrants, and people with criminal backgrounds.

**Challenge — Today’s shortage of skilled labor**

The most immediate problem is an increasingly severe shortage of skilled workers, meaning workers with high
school degrees and at least some post-secondary training or skill credentials. Retiring Baby Boomers, declining birth rates, and other demographic shifts, combined with national policies that discourage immigration, are causing Minnesota’s business leaders to worry about a shortage of historic proportions, one that may already be limiting business and economic growth. These patterns mean that, without intentional changes, labor force growth (a necessary ingredient of an expanding economy) will slow to almost a standstill.

Exhibit 4—At least one in five people are 65+ in about half of Greater Minnesota counties.

As Exhibit 4 shows, counties across Greater Minnesota, except those that have attracted immigrants (primarily in southern Minnesota counties, such as Kandiyohi, Watonwan, Lyon, and Nobles), are faced with rapidly aging populations.

The second longer-term problem, which is also an investment opportunity, is an abundance of currently under-employed and under-developed human capital. Recent estimates put this amount to at least 200,000 Minnesotans.

These underpaid potential rescuers of Minnesota’s employers and economy are disproportionately women, low-
income breadwinners, rural people, people with criminal backgrounds, immigrants, and people of color in both the metro and rural regions.\textsuperscript{53}

In particular, people of color are the fastest-growing demographic in Minnesota. People of color represent about a fifth of Minnesota's total population, and more than a third are under the age of 18.\textsuperscript{54} Children of color, who disproportionately live on insufficient income today,\textsuperscript{55} can be Minnesota's skilled workforce tomorrow. Minnesota's future prosperity is dependent on a skilled workforce coming from these very communities. Additionally, low-income White residents, often from rural regions where post-secondary completion rates have long lagged the Twin Cities, are another major source of workforce potential.

Thus, rural and racial education attainment gaps in certificates, diplomas and degrees — for everything from high school graduation to 2-year associates and technical degrees, vocational certificates and 4-year and advanced degrees — will be the most central workforce challenges for at least the next decade.\textsuperscript{56}

The present situation — allowing racial, economic, and regional inequalities in workforce development to persist — is costing Minnesota billions of dollars in potential economic growth according to a recent report by the Center for Economic Inclusion. Policy Link's 2015 report found that eliminating Minnesota's racial disparities in income would unlock an "equity dividend" estimated to be $20 billion in GDP growth annually.

In addition, the need to reduce these gaps is urgent because at some point over the next decade, the state and nation can be expected to experience a recession or economic downturn of moderate to extreme severity. In the past, this trauma has always exacerbated inequality and disparities, and would reverse the current surplus of jobs over seekers.

Labor shortages should, by the laws of supply and demand, lead directly and promptly to higher wages and better benefits. But economists generally agree that pay and benefits at the middle- and lower-income levels still lag well behind overall GDP and productivity growth.\textsuperscript{58} Thus, the third challenge to Minnesota's economic growth and workforce incentive is the reduced purchasing power among those who are fulfilling societal expectations by working but are unable to provide for their families or otherwise participate fully in the economy.

These workers often are unable to find affordable housing, day-care or other goods and services, and end up requiring public assistance in various forms. The Economic Policy Institute reports that rising income inequality results in a workforce that is less productive and creative.\textsuperscript{59} Higher wages are vital to Minnesota's economic growth and taxpayer savings. No less an economic authority than the Minneapolis Federal Reserve Bank President and CEO Neel Kashkari has been using his bully pulpit to prod employers into raising pay if they can't find enough skilled workers.

\textbf{"Almost everywhere I go, businesses tell me they can't find workers. I always ask them the same question: Are you raising wages?" Usually, the answer is 'no.' When you want more of something but won't pay for it, that's called whining... Until you're paying more, I know you're not serious."}

— Neel Kashkari, president and CEO of Minneapolis Federal Reserve Bank.\textsuperscript{60}
**Solutions — Expand and enrich Minnesota’s skilled labor force, targeting communities of color**

TBDDN stakeholders see that without a steadily growing influx of talented workers, Minnesota's economy will lose its vibrancy. The on-ramp for earning a living wage is through acquiring skills and credentials. This on-ramp must be equitably accessible.

15. **Target workforce development investments for equity.** Invest more specifically in workforce development organizations that are led by people of color and working on location in marginalized neighborhoods. Models include Summit Academy, Communidades Latinos Unidos en Servicio (CLUES), Project for Pride in Living, and the International Institute.

16. **Leverage Career Pathways.** Continue to improve and invest in workforce training and education methods that move adults quickly and specifically into the most in-demand occupations, through models of training that include extensive wrap-around services, social supports, and personal navigation.

Among the best practices and examples of these equity-centered Career Pathway models are:

- **Hennepin Pathways.** This highly acclaimed partnership between Hennepin County government, employers, and social service non-profits has created 18 sector-based pathway programs. The initiative has provided important post-secondary certificates and credentials to hundreds of adults, mostly from marginalized communities, and then placed them directly into jobs in high-demand fields with good wages, benefits, and a future, in both the public and private sectors.

- **Career Academies in High School.** Communities across Minnesota are creating new vocational training for good local jobs through career academies in high schools, with direct connections to local employers and social support for students who otherwise might not be college bound. Examples include the Academy and Career Pathway programs in Alexandria, Brainerd, Bemidji, and Bloomington.

- **Nonprofit Navigators.** Accessing social supports for people who are marginalized and long-term under-employed is vital. Exemplary organizations in Minnesota that are mastering these navigation models include Project for Pride in Living, the International Institute of Minnesota, MSPWin, and the MN Fast Trac template.

"Minnesota should have the best career pathway models in the US."

— Granite Falls Participant
17. **Expand apprenticeship programs.** Learning from state-of-the-art apprenticeship systems in Germany, Minnesota has developed competency-based training programs paired with on-the-job practical experience. The Minnesota PIPELINE Program, administered by the Department of Labor and Industry, provides an overview and identifies entry points for a growing array of apprenticeship choices. The apprenticeships are administered and delivered by private-sector employers themselves, including many in manufacturing and technology sectors, while supplemented by state grants.

18. **Reach higher education attainment goals.** State higher education policy-makers should pay close heed to the Office of Higher Education’s tracking and recommendations for achieving Minnesota’s statewide post-secondary attainment goal, which is that 70 percent of adults age 25-44 will have some sort of post-secondary credential by 2025. Erasing racial disparities in attainment is an integral element in the statutory goal.

19. **Improve pay and benefits.** Employers and policymakers should explore every opportunity to raise pay and benefits, especially in the under-compensated professions most in demand, such as childcare workers and personal health care attendants.

20. **Plan for the next recession.** To prevent loss of equity and damage to workforce during downturns and recessions, Minnesota policymakers should study the feasibility of programs that quickly provide wage subsidies, unemployment benefits, health coverage, mortgage foreclosure protection, universal basic income or guaranteed employment.
NEW CAREER PATHWAY MODELS LEAD TO WORKFORCE EQUITY AND QUALITY

“I love the way you can just change your life in this country and living here changed a lot of things for me,” Mekuanent Kassa says. “There are big opportunities everywhere, I love this country.” Kassa proudly became a U.S. citizen in 2012.

Kassa tried going to college but found himself in a cycle of “work, pay, work, pay, work, pay” and owing $6,500 but with no degree or credential, and no good job in sight. Then he got a break and found his way into a state-of-the-art Career Pathway program that is producing great success in meeting the needs of both the underemployed and employers facing labor shortages.

Kassa had enjoyed taking care of his grandparents in Ethiopia and discovered through career assessments at the International Institute of Minnesota that he was a good fit for a nursing program in elderly care. He gradually advanced through the Institute’s College Readiness Academy, obtaining enough language instruction and coursework to qualify to become a nursing assistant. Since then he’s been on a steady progression, working at nursing homes and hospitals while picking up a Licensed Practical Nursing (LPN) degree from Saint Paul College. He continues to take courses in his quest to eventually acquire a Registered Nursing (RN) degree.

Kassa now earns about $22 an hour working part-time while attending school when he can. The path-making partnership that helps Kassa is an innovative triad, comprised of an employer partner, a postsecondary education partner, and a social service navigator partner. Key leaders in the triad describe their ongoing relationships with each other as trustful, equal, and centered on the success of the student or trainee/employee. More details on exemplary Career Pathway models like Kassa’s are available from Growth & Justice and MSPWin, the Minneapolis/St. Paul Regional Workforce Innovation Network.

“Minnesota businesses value the contributions of immigrants to our state. Their roles as workers, entrepreneurs, consumers and a ‘link’ to the world economy are increasingly important to the development and growth of our economy and communities throughout Minnesota.”

— Minnesota Chamber of Commerce
Challenge — Collateral consequences of criminal records reduce workforce participation

America’s demographic of formerly incarcerated persons … represents a diversified talent pool of individuals who offer a wide range of skills and abilities, across all levels of viable experience.

— Human Resources MBA website

Preventing people from entering the criminal justice system, while recognizing and investing in people who have criminal backgrounds, are both key components to improving the state’s workforce and economic development.

In the Minnesota Equity Blueprint’s chapter on “Human Capital,” inequity in the criminal justice system was addressed through the lens of preventing police brutality and dismantling the school-to-prison pipeline, both of which destroy human potential and disproportionately burden communities of color. Since this Economic Development chapter is focused on increasing Minnesota’s shared prosperity and economic development, it approaches contact with the criminal justice system by focusing on the substantial economic and social losses experienced by individuals, families, communities, and the entire state associated with the existing criminal justice structures and systems.

In 2018, an estimated 123,000 Minnesota residents were either incarcerated or under state supervision, with about 6,800 people on parole and 95,000 on probation. An estimated 21,000 Minnesotans are behind bars on any given day, with about half of them in the state prisons. There are approximately 320,000 Minnesotans (8% of the state’s adult population) with felony records.

Employers historically have been reluctant to hire these individuals, due to concerns regarding liability, reputation, skills, lost credentials, and parole-related requirements that may compete with work scheduling. However, voices from across the political spectrum, from Mark Holden of Koch Industries to Van Jones of Dream Corps, are urging a re-consideration of the nation’s approach to arrest, conviction, incarceration, and re-entry to community.
ALL SQUARE AND RESTORATIVE JUSTICE: HELP EX-OFFENDERS JOIN WORKFORCE

To get a job at the popular and trendy new All Square restaurant in Minneapolis (which specializes in creative and tasty versions of grilled cheese sandwiches), you actually need to have a criminal record. All of the employees are ex-offenders. On Mondays, when the non-profit restaurant closes, employees take classes in entrepreneurship and law.

All Square founder Emily Turner, a former employee of the federal Housing and Urban Development Department, was motivated to act by the grossly unfair treatment she saw in housing, employment, and the many other obstacles facing people with criminal records trying to re-enter mainstream society.

Efforts by the Minnesota Legislature at criminal justice reforms, such as the “collateral consequences” bill being advanced by groups such as the Minnesota Second Chance Coalition, are just beginning to get traction. Progress has been slow and piecemeal, with some recent success in passage of “Ban the Box” legislation that prohibits questions about criminal records on some employment applications.

But employers and communities on their own are finding creative ways to forge ahead, to both reduce an unacceptable incarceration rate and to bring ex-offenders back to productive and rewarding lives.

In southwestern Minnesota’s rural Yellow Medicine County, for instance, county government officials have been celebrating remarkable success with their innovative Restorative Justice Department, a partnership between the county, social service agencies, and employers. Specializing in early intervention and working with offenders under the age of 18, the program focuses on restitution and community service, vocational training, chemical dependency treatment if needed, and it all culminates with a clean criminal record for those who complete the program.

Yellow Medicine County saw out-of-home placement costs drop dramatically and recidivism rates for participants have been low. The West Fargo Pioneer recounted the story of a young woman, convicted in 2010 for taking one of her children with her to a drug deal, who is now a registered nurse and a volunteer for the Restorative Justice program.

Compared with White Minnesotans, African Americans and Native Americans are disproportionately more likely to be issued citations, arrested, charged, convicted, incarcerated, and face barriers to re-entry to society.
A 2016 Star Tribune article pointed out that while American Indians made up about 1 percent of the population, they constitute more than 9 percent of the state prison population. Between 1995 and 2014, the total number of people sentenced to felony charges in Minnesota rose from 9,421 to 16,125. Throughout this time, Black Minnesotans represented between 24 and 28 percent of all convicted felons.

As Exhibit 5 illustrates, African American Minnesotans are disproportionately more likely to be on probation or parole, as well as being more likely to experience incarceration and to be incarcerated for the longest periods of time, compared with all other racial groups combined.

Exhibit 5: African American Minnesotans are disproportionately likely to be incarcerated

Solutions — Reform criminal justice systems and regulations to facilitate workforce entry

TBDN stakeholders, in conjunction with many experts in this domain, assert that all changes to the state’s criminal justice system must lead to racial and class equity in terms of contact with, and progress through, that system. Indeed, input from TBDN members shows that racial inequities manifest in arrest rates, level of charges, rate of jail entry, remaining in jail solely due to inability to raise the amount needed for bail and the experience of permanent post-conviction collateral consequences.

21. Lower incidence of obtaining a felony records and reduce rates of incarceration by:

- Reform adjudication of infractions stemming from mental illness and substance abuse disorder.
- Support larger societal investments in reducing poverty and homelessness and implementing restorative justice models.
- Increase public funding for public defenders, treatment courts, and efforts by social workers to divert people from incarceration.
22. **Increase visibility of incarcerated people.** Re-open the Ombudsman’s office for the state prison system. Currently prisoners feel that they have no voice, which leads to increased violence within prisons.

23. **Change laws and regulations** in order to remove barriers to successful re-entry to family and community including:
   - Invest in and create a climate for rehabilitation while incarcerated.
   - Passing legislation that provides more training while in prison and coordinates more supportive services when returning to community.
   - Improve employment and housing regulations and practices to reduce unemployment, homelessness, and family fragmentation for those with criminal records.
   - Increase and broaden access to expungement.
   - Re-enfranchise people with felony records. As of 2016, 7.34% of Minnesota's African American potential voters are disenfranchised due to felony disenfranchisement.\(^{76}\)
   - Develop and widely promote human resources education to the state's public and private employers, to train hiring professionals to make better decisions regarding the employment of former felons.

24. **Reduce Recidivism** — Reform laws and sentencing practices that have been proven to be linked to higher rates of re-offending. These include asset forfeiture, drug laws, restricted expungement options, employment & housing laws barring former felons, and disenfranchisement.

25. **Adopt Minnesota’s The Uniform Collateral Consequences of Conviction Act** which provides both criminal justice proceedings transparency and court options to grant relief.

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**Challenge — Recruiting Immigrants and Refugees**

Statistical evidence proving the long-term net benefit and value of immigrants to Minnesota’s economy is overwhelming. The Minnesota Business Immigration Coalition documents that the immigrant portion of the state’s workforce is growing rapidly, with foreign-born workers filling many of the jobs now being vacated by the state’s older native-born population. Immigrants are concentrated among both the least and most educated workers in Minnesota, serving a diverse set of industries with varying education level requirements. Minnesota ranks 5th among the 50 states in the rate of immigrant population growth since 2000 (a 20 percent increase).\(^{77}\)

Although they currently represent only about 8 percent of Minnesota’s overall population, immigrants now account for 16 percent of all health-care workers and 13 percent of all manufacturing employment in Minnesota, higher percentages than the national averages for those sectors. Other sectors that are relatively more reliant on immigrants are restaurants and food service, colleges and universities, hospitals, construction, medical equipment manufacturing, farming, and animal slaughtering and processing.\(^{78}\)

“Changing demographics are headed on a crash course for Minnesota’s employers, business community and the entire economy without immediate action to reform federal immigration laws. Minnesota’s workforce is growing slower while the economy tries to expand. The result is a shortage of workers of all skill levels.”

— Minnesota Business Immigration Coalition
The Winona City Council was the first in Minnesota to officially join the burgeoning national Welcoming America movement, but dozens of other cities are in close step with initiatives to embrace immigrants and to dispel resentment toward newcomers from diverse backgrounds.

In a recent Star Tribune article about this trend, Bosnian immigrant Fatima Said, founder and leader of Winona’s Project FINE (Focusing on Integrating Newcomers through Education), described the ample benefits of welcoming immigrants, to employers who are often desperately seeking new workers, and to Greater Minnesota communities seeking ways to retain population and vitality.

Many Minnesota communities from regional centers to smaller towns, are working on initiatives like Project FINE and attitudes are gradually changing. The Blandin Foundation’s latest Rural Pulse survey found that younger rural Minnesotans are increasingly likely to have a diverse set of friends.

Project FINE is a particularly strong model to replicate because of its comprehensive effort and specific services, often in collaboration with other regional organizations, from healthcare providers and arts advocates to employers and legal services providers. Another key strength is that Project FINE reaches out to newcomers and initiates contact, rather than waiting for requests from the new arrivals.

The Minnesota Business Immigration Coalition emphasizes that almost 40% of the state’s Fortune 500 companies were started by immigrants or their children. Across the country, the rate of immigrant entrepreneurship exceeds that for the U.S.-born population.

Minnesota’s state government is becoming more involved in immigration legislation as the federal government fails to address current and future immigration issues, intimidates immigrants, and aggressively discourages immigration. Most state proposals increase the burden on employers to check each employee’s immigration status. If states continue along this path, this cumbersome system will become more confusing and expensive to manage and it will be unfair to both workers and employers.

A large percentage of Minnesota’s immigrants are not simply seeking to improve their lives, but they are fleeing imminent danger from government persecution, marauding gangs, and other sources of violence in their homelands. Minnesota’s reputation as a favored destination for refugees — from Southeast Asia and East Africa in particular — has served the state well economically. As the flow of Central American refugees now increases, policymakers and community leaders should bear in mind existing statistics showing that refugee immigrants are even stronger net contributors to economic growth than those who come strictly for economic reasons.

Minnesota needs immigrants for more than just their workforce and consumption potential. Population data show that for much of rural Minnesota, welcoming immigrants has proven to be the main means of avoiding population loss.

Exhibit 6 further illustrates that the counties with the greatest rate of increase in their immigrant populations tend to be located outside the Twin Cities urban metro. Nine of the top ten counties seeing the largest increases in non-native English-speaking households are in Greater Minnesota.
Exhibit 6: Immigrants are more than 10% of the county population in 12 Counties.

Solutions — Expand pathways to citizenship and community engagement among immigrants and refugees

TBDN stakeholders prioritize the work involved in welcoming immigrants and refugees, both as neighbors and as fellow workers.
26. **Local groups and policymakers should exert influence at the federal and state levels** to adopt immigration reform that provides a timely and affordable path for current immigrants and their families, regardless of status, to become documented participants in society. The Minnesota Immigration Business Coalition supports such a path to permanent residency for immigrants who are not otherwise excluded for reasons such as criminal convictions.

27. **Prioritize reduction of case backlogs** where family and professional workers have been waiting to immigrate for many years. Reform should include a simple and accurate status verification that is affordable and accessible, especially for small businesses. Reform should include a simple and timely approach to the future flow of immigrants, including permanent and temporary status. A temporary immigration program that works for sectors important to Minnesota (e.g. dairy and nursery industries) should also be implemented.

28. **Support the federal Dream and Promise Act.** Minnesota has already made progress in expanding higher education access to children who arrived in Minnesota undocumented and grew up here as their parents worked in the region’s factories and fields. Minnesotans must unite to push for passage of the federal Dream and Promise Act of 2019, as well as complementary state policies.

29. **Issue drivers’ licenses for all immigrants.** Due to concerns related to taxpayer costs and public safety, Minnesota must issue drivers licenses to everyone who passes the tests, regardless of immigration status. Business leaders and immigrant rights groups are in strong agreement on this priority, which made progress but ultimately failed to be enacted by the 2019 Legislature.

30. **Ensure that the 2020 Census counts all Minnesotans.** Over the next year, communities, business groups, and philanthropies are supporting the “Complete Count Minnesota” initiative, which is being coordinated by the Minnesota State Demographic Center and will heavily depend on local Complete Count Committees.

—I can’t understand how many people have problems with Welcoming America. We work together because there is no other way. You love your own and you respect others. That’s what people need to learn — to be open-minded and respect each other.”

— Fatima Said, founder, Project FINE
31. **Embrace refugees.** Expand state policies and local initiatives that sustain Minnesota’s status as the most attractive state for refugees\(^8\) including donating money to refugee advocacy groups such as CLUES or the Center for Victims of Torture or the Minnesota Immigrant Rights Action Committee (MIRAC), and directly helping pay immigration bonds through the Minnesota Freedom Fund.\(^8\)

32. **Expand Welcoming Community Initiatives** and other programs that promote acceptance of difference. Many urban and rural communities in Minnesota are recognizing the value of the new talent in their communities and are mounting highly visible efforts to embrace and welcome new immigrants. Some have joined the official Welcoming America national network,\(^8\) working to overcome opposition from extremists who work to magnify xenophobic fears.\(^9\) The Minnesota Chamber of Commerce recommends community efforts such as sponsoring community-wide conversations, fostering respect for cultural differences in schools and businesses, and finding ways to celebrate diversity with food and entertainment events.

**Challenge — Child care — an essential but scarce ingredient for workforce growth**

“If employees can’t find quality care for their children, they won’t work for you. They won’t move to your community, or they’ll be forced to move away, or they might have to consider quitting their job to stay home with their children because they have no other option.”

— Kris Bevell, Prairie Business Magazine

Business and economic development leaders are prioritizing access to affordable, quality child care because they are realizing that reliable, convenient, high quality childcare contributes to:

- Recruiting and retaining new businesses, workers, and families
- Positive developmental outcomes for young children
- Women’s economic empowerment
- The success rate of families attempting to escape poverty
- Improved business profitability through increased employee productivity, lower turnover, and reduced absenteeism

However, high child care costs and low availability have reached a crisis point for Minnesota’s workers and their employers. As Exhibit 7 makes clear, childcare costs — for a family of four, with both parents working — exceeds a mortgage payment in most counties across Minnesota.
This crisis may be felt more acutely in Minnesota than in many other states, because of its higher than average rates of employment among women. The U.S. Census Bureau estimates that in 2014, 74% of Minnesota households with children under age 6 had all parents in the workforce, ranking third in the nation, behind Iowa and South Dakota. 88

Like other states, Minnesota’s workers rely on both licensed center-based and licensed home- or family-based providers. There are regional variations in the prevalence of child care supplier types. About two-thirds of the child care capacity in Greater Minnesota is provided by family providers, compared to less than one-third of capacity in the Twin Cities metro.

According to a 2018 survey of child care providers conducted by the Center for Rural Policy and Development...
(CRPD), close to 30% of Minnesota’s licensed family providers have gone out of business since 2005. In terms of capacity — the total number of children providers are licensed to care for — this translates to a loss of approximately 36,500 spaces. Since 2005, center-based care capacity in the Twin Cities increased by 31%, or 19,400 spaces, while in Greater Minnesota, center-based capacity increased by only 18%, or 5,039 spaces.

CRPD’s 2019 report stated that “…. the mass exodus of in-home family child care providers from the business is alarming, but the providers can’t make a living at it.” The median hourly wage in Minnesota for a child care worker is only $11.44 per hour, or $23,795 per year. More than 85% of Minnesota’s child care workers would be considered low-wage workers, making less than $20,000 annually. Many people want to work with children, but this sector tends not to pay benefits, and many of the would-be employees are loaded with student debt.

Without reliable quality convenient childcare, workers in every field are unlikely to be their most productive or to remain with their jobs as long as they otherwise would. Lack of access to quality childcare reduces worker productivity, and business profitability.

**Solutions — Improve access to affordable, high quality child care**

In their numerous 2018 statewide and community meetings, TBDN participants proposed several solutions aimed at improving Minnesota’s child care affordability, availability, and quality. The TBDN network has also endorsed recommendations put forth by partnering organizations, such as First Children’s Finance, Minnesota Center for Rural Policy and Development, and Think Small.

33. **Invest in child care affordability**

- Expand access for children of families with low incomes to high-quality child care and education programs that serve the child from birth to kindergarten entry. This can be done by increasing funding for flexible, parent-directed scholarships. Encourage state lawmakers to increase CCAP to a level that comes closer to covering providers’ costs.

- Protect and enhance state and federal programs that provide income tax credits for dependent care expenses. Child care tax credits are particularly valuable to lower-income households when they result in a tax refund.

- Subsidize licensing costs or even offer free licensing. Such cost savings can mean the difference for a provider between staying in business or quitting.

- Support the Minnesota Department of Human Services in their efforts to make it easier to be a child care provider in Greater Minnesota. This includes making training more accessible and more affordable through Child Care Aware, Parent Aware, and other organizations.

34. **Increase child care availability**

- Support public-private partnerships in stimulating supply of high-quality child care options. No one-size-fits-all solution will resolve the child care crisis across Minnesota. The success of a unique
solution in each community setting depends on the child care needs and strengths of each locale, the collaborative leadership capabilities of that community and its businesses and other organizations, the shared commitment to pay fair wages to child care providers, and a deeper understanding of all the variables involved.

- Ensure that policies don’t over-rely on growth in child care centers to address the entire state’s child care shortage. Child care centers are very difficult to open and maintain in rural areas and therefore can’t be counted on as the sole solution. Family-based providers must be part of the strategic approach. As such, proposals must ensure that family child care providers are represented on committees and in other policy-making discussions, especially those that set regulations.

- Require training for county licensors to ensure they understand child care regulations. This includes training on how to assist as well as enforce, and the importance of enforcing regulations consistently across the state.

- Broaden access to the highest quality training and supportive services for child care providers.

35. **Improve tracking and data collection of children’s program participation and their outcomes.** This should include a focus on the groups of children who are typically underserved, such as children of low-income households, children with special needs, children of immigrants and refugees, and children whose parents work non-traditional shifts. Special attention must be paid to parental satisfaction in order to assess the degree to which parents are able to exercise choice in their child care arrangements.


8 Author’s calculations using Business Dynamics Statistics data from the U.S. Census Bureau.


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