



For Immediate Release

November 30, 2007

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Policy choices contribute to state's budget woes:
Time to end failed experiment

St. Paul, MN – The November Forecast to be released this morning is likely to show that Minnesota's experiment in this decade to respond to fiscal troubles with budget gimmicks, short-term fixes and reduced investments in the state's physical and human capital has failed. The promised benefits — a stronger economy and continued high quality of life — have not materialized.

The experiment has reached one of its goals: state and local government is a smaller part of the state's economy today. But this achievement has failed to bring about the promised effects. Minnesota's economy is not stronger. In fact, earlier this year, the state's unemployment rate rose above the national average for the first time in the 31 years that records have been kept. And Minnesota is in no better position to weather the next economic downturn. Instead, the state's budget forecast once again shows the state's resources are inadequate to fund the state's current priorities.

Minnesota's traditionally high quality of life has also suffered as a result of the state's failed experiment. The state's lack of investments have become ever more visible as the state's transportation infrastructure crumbles, schools turn to ballot measures just to keep up with rising costs and an ever-growing number of Minnesota's children lack health insurance.

The average Minnesotan's total state and local tax bill, measured as a share of personal income, was 10% higher in 1996 than in 2004 (the most current year for which data is available). But the responsibility for paying taxes has shifted. The wealthiest Minnesotans pay the smallest share of their incomes in state and local taxes. And local property taxes, which have a greater impact on low- and middle-income Minnesotans, have been increasingly used to fund education and other crucial public services.

Minnesota's "less is more" experiment has failed. In the end, less has just meant less for most Minnesotans. It has not been possible to maintain a strong economy and high standard of living while knocking out the public supports underneath.

Fortunately, we can seize the opportunity to end the failed experiment. Investments in the state's infrastructure and human capital contribute to a stronger economy. In the 2008 Legislative Session, Minnesota's policymakers should:

- Rebalance the state's revenue system to restore fairness and ensure adequate revenues.
- Make the investments that Minnesotans expect for our economic well-being and quality of life.
- Make reforms in the state's budget process to ensure a fully-informed debate and sustainable budget choices.

The Minnesota Budget Project, an initiative of the Minnesota Council of Nonprofits, provides independent research, analysis and advocacy on budget and tax issues emphasizing their impact on low- and moderate-income Minnesotans. The Minnesota Council of Nonprofits (MCN) is the statewide association of 1,900 nonprofit organizations. Through its Web site, resource publications, workshops and events, cost-saving programs and advocacy, MCN continually works to inform, promote, connect and strengthen individual nonprofits and the nonprofit sector. (www.mncn.org)

The Minnesota Budget Project is an initiative of the Minnesota Council of Nonprofits.
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