THE MINNESOTA SOLUTION
to Racial Economic Disparities
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ECONOMIST, CONCORDIA UNIVERSITY ST. PAUL

Education & Work Experience

PhD, University of Notre Dame
Professor of Economics, Concordia University-St. Paul

Chair, Governor’s Working Group on Minority Business Development that produced the first statewide comprehensive report and strategies to grow ALANA businesses in Minnesota and offered the vision of minorities as “assets” in 2000.

Produced numerous reports on the economic contributions of immigrants and minorities in Minnesota

Director, Planning and Economic Development for the City of Saint Paul 2018-19 and implemented a vision for economic inclusion and empowerment.

Worked with community groups to establish a model for economic development leveraging cultural assets and reflected in Little Africa, Little Mekong and Rondo Cultural Destinations.

On the Community Advisory Board of the Opportunity and Growth Institute of the Federal Reserve Bank of Minneapolis, Midway Chamber of Commerce and former chair of the District Advisory Council of the US Small Business Administration.

Articles in academic journal and the popular press including columnist for the Pioneer Press and Minnesota Business magazine. www.empoweringstrategies.org
Outline

ALANA – African Latino Asian and Native American

- The Minnesota Paradox
- The Minnesota Solution
- Recommendations
High quality of life, progressive politics, innovative programs, participatory government, diverse economy

Worst racial disparities especially for Black Minnesotans
In short, racially discriminatory policies became institutionalized and “baked in” to the fabric of Minnesota life. When racism becomes institutionalized, you do not need individual racists for there to be structural racism....

...The lesson that Minnesota leaders must learn is that until and unless we acknowledge and remedy the internal roots of the racial disparities in our midst, we run the risks of future disorders.

Dr. Samuel Myers, Jr.
HOUSING DISCRIMINATION

1 - Mortgage
Minorities pay a higher rate or denied at a higher rate

2 - Location
Redlining and other practices push minorities to lower value areas resulting in lower home equity

3 - Property Taxes
Minorities pay higher property taxes for similar valued property

4 - Appraisals for Sale
Minority property is appraised at a lower value and sell for a lower rate

5 - Result
Lower quality has impact on student success. Lower intergeneration transfer of wealth through household equity
EDUCATION DISCRIMINATION

1 - School
Poor quality of education in underfunded schools and lack of cultural intelligence in the school system results in poor college readiness

2 - Remedial College
Lack of college preparedness means taking remedial courses at college prices and delaying graduation raising the cost for graduation and higher student debt

3 - Academic major
Poor college readiness pushes ALANA students away from STEM or other majors with good career prospects

4 - Poor support systems
Poor institutional support systems and lack of cultural intelligence in the classroom results in poor grades, delayed graduation or not graduating

5 - Result
ALANA stuck in low paying jobs and high debt

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BUSINESS DISCRIMINATION

1 - Start Up
Discrimination in the workplace, entrepreneurial energy, past experience - all results in ALANA entrepreneurs launching their business

2 - Finance
Reliance on personal and family funds rather than credit or loans from banks. Lower capital and barriers to capital access

3 - Contracts, Customers, Networks
Unable to get public contracts. Reliance on the smaller ethnic market and so cannot scale up size. Revenue not enough to invest in professional management systems. Lack of business networks to get contracts

4 - Rules, Regulations, Licenses
Many rules and regulations act as a barrier to growth or launch

5 - Result
ALANA businesses do not achieve the size needed to have sustained growth and operate at very low revenue levels
ECONOMIC POLICIES AND PROGRAMS ON CHILD SURVIVAL AND DEVELOPMENT

1 - Maternal Health and economic assets
   Important for child survival and development

2 - Economic assets and resources
   Household income, wealth and assets

3 - Housing, Sanitation, Nutrition, Health care
   The child's physiological environment

4 - Social systems
   Race, class, gender, religion, attitudes and beliefs

5 - Child Outcomes
   Education, Health, Nutrition, Cognition, Abilities
Racial Disparities exist all across Minnesota

https://mn.gov/deed/data/imi-reports/racial-disparities/
Number of report with pertinent recommendations to grow the ALANA economy have been produced offering fairly similar and consistent recommendations - all waiting to be implemented.
Two Tools

State Statute 16: C - 25 percent of all public spending targeted to small and minority businesses

HUD Section 3 - Using workforce and businesses from Public Housing and Low income background in all spending
2017 Analysis
Found Not much has Changed in Programs to Serve ALANA Businesses from 2000 to 2013
In 2020....the same story of system failure

Existing State Utilization of ALANA Businesses

<table>
<thead>
<tr>
<th>Category</th>
<th>FY19 Spend</th>
<th>% of Total Spend</th>
<th># of Certified Businesses (as of end 10/31)</th>
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<tbody>
<tr>
<td>Asian</td>
<td>$20,818,965</td>
<td>1.6%</td>
<td>113</td>
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<tr>
<td>Black</td>
<td>$2,753,236</td>
<td>0.2%</td>
<td>258</td>
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<tr>
<td>Hispanic</td>
<td>$2,575,250</td>
<td>0.2%</td>
<td>80</td>
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<tr>
<td>Indigenous</td>
<td>$919,320</td>
<td>0.1%</td>
<td>44</td>
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<tr>
<td>Woman</td>
<td>$38,497,699</td>
<td>3.0%</td>
<td>644</td>
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<tr>
<td>Disabled</td>
<td>$461,454</td>
<td>0.04%</td>
<td>24</td>
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<tr>
<td>Economically Disadvantaged</td>
<td>$18,212,325</td>
<td>1.4%</td>
<td>71</td>
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<tr>
<td>Veteran</td>
<td>$19,393,932</td>
<td>1.5%</td>
<td>135</td>
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<tr>
<td>Total TG/ED/VO</td>
<td>$103,632,181</td>
<td>8.2%</td>
<td>1369</td>
</tr>
<tr>
<td>Adjusted Total State Spend</td>
<td>$1,268,320,931</td>
<td></td>
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</tr>
</tbody>
</table>

Missed Opportunities to Grow ALANA Businesses
Section 3 ALANA Utilization 2018-19 - ZERO

Missed Opportunities to Grow ALANA Businesses and Workforce
Minnesota Racial Disparities
The Economic Chokehold

Racial Income Gap
Blacks earn 71 cents on the dollar compared to whites. Native Americans 68 cents, Latinos 70 cents, Asians 94 cents.

Racial Housing Gap
There is a 53 percent homeownership gap between Blacks and whites, over 30 percent gap for Native Americans and Latinos and 25 percent gap for Asians

Racial Education Gap
There is a 21 percent gap in the six-year graduation rates between Blacks and whites, 19 percent gap for Native Americans, 12 percent for Latinos, 4 percent for Asians

Racial Investment Gap
Average sales of ALANA firms in Minnesota was $183,000 compared to $1.4 million of all firms in Minnesota

Source: BLS for Wage Gap, 2017 ACS for housing gap, OHE for education gap, SBO 2012 for business gap
$287 billion Cost of Racial Disparities in Minnesota

$22 Billion loss in Income

Closing the income gap would cause ALANA income to almost double to $47 billion dollars. ALANA tax payments to $5 billion

$174 billion less in lifetime earnings

Not Closing the educational gap resulted ALANA lifetime earnings to decrease by $174 billion dollars

$67 billion in business revenue

Investing in ALANA businesses to grow to the same size as white businesses could increase sales by $67 billion in Minnesota

$24 billion loss in home ownership, reduced rent burdens, lower property taxes

Closing the housing gap would cause ALANA residential real estate to increase by $23 billion dollars. Renters would see a gain in $1.53 billion if we eliminated the housing burden gap

Closing the Property Tax assessment gap for Black homeowners would come to $23 million annually

ALANA households pay an extra $64 million in wrong property tax assessments

Source: BLS for Wage Gap, 2017 ACS for housing gap, OHE for education gap, SBO 2012 for business gap

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$287 Billion

Growth in ALANA income, assets and lifetime earnings if racial gaps are eliminated in Minnesota

$2 billion+

Loss in state and local tax revenue
The High Cost of Racial Disparities National

Closing the Black Wage Gap
Would add $2.7 trillion in income or 0.2 percent of GDP

Closing the Housing Gap
Would add 770,000 Black homeowners and $218 billion sales in the economy

Closing the Education Gap
Would increase life time earnings by $90-$113 billion

Closing Investment Gap
Black entrepreneurs add $13 trillion in business revenue and create 6.1 million jobs

Source: CITI GPS, September 2020

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Income Mobility for Black vs. White Children Raised in High-Income Families

Follow the lives of these 26,867 Americans and see where they end up as adults:

Grew up rich
Rich adult
Upper-middle-class adult
Middle-class adult
Lower-middle-class adult
Poor adult

Source: Chetty, Hendren, Jones, Porter 2018; New York Times 2018

Negative impacts on intergenerational income mobility
COVID Pandemic intensified existing racial disparities pushing back economic progress.

Civil unrest heightened racial tensions and cause massive destruction to economic assets

Economic Decline hit hard in sectors not “teleworkable” and sectors like retail and hospitality where large segments of ALANA workers and business earn their livelihood.
ALANA COMMUNITY BRAIN TRUST

The Minnesota Solution

Shared Sustainable Prosperity
The Minnesota Solution

Sharing
Deep roots around a welcoming and sharing and building the common good

Sustainable
In both uses of the word - love of the environment and policies to preserve the environment. Strong investments to sustain economic and human development while providing access and opportunity.

Prosperity
Improved standards of living for all Minnesotans
THE MINNESOTA SOLUTION
To the Racial Economic Chokehold on the ALANA Communities

1. Change Perceptions
2. People Centered
3. Cultural Intelligence
4. Empowerment
5. Sustained Investments

- Critical and sustained investments in core wealth creating assets
- Empower Individuals to transform build wealth and transform systems and institutions
- Institutions, programs, resources
- Strategies and metrics to assess impact on most vulnerable
- ALANA as Assets
CHANGE

perception

perceptibly

perceptibly
darker

who has percepti

notice things that

...a person of ex

cited by the qui

& perception is
ALANA COMMUNITY BRAIN TRUST

$1.4 Trillion ALANA Economy

Minnesota
In policies, program and interactions view ALANA individuals as assets.

People who collectively offer Minnesota $1.4 trillion in economic assets

Addresses a core element of racism by encouraging people to change negative perceptions and actions
$25 Billion Income
Fueling spending in the Minnesotan economy
Renters pay $175 million monthly

$3 Billion Annual MN Taxes
$3 billion in annual State and Local Taxes

45000 Business $7 billion in sales
Employing 63,000 + Minnesotans with $1.5 billion in annual payroll in 2012

450000+ in School/University Potential $1.5 trillion in lifetime earnings
Minnesota's future workforce

500,000 + workers. $1.4 Trillion in lifetime earning
Essential workers, high tech workers, agricultural workers, scientists, doctors and innovators

Global & Cultural Assets
Global networks to create business opportunities for Minnesotans. Cultural Capital to make Minnesota a global destination and to spur local economic development
Minnesota's Dependence on the ALANA people

Workers
Taxes
Care for Seniors
Schools and Universities
Global Competition

Percent people of color by age group: Minnesota; 1980–2017

Data source: U.S. Census Bureau | National Equity Atlas
People

Strategies and metrics to focus on impact on the most vulnerable to assess progress.
With Cultural Intelligence we can see differences within and between ALANA groups and can intervene more effectively.

Also focusing on certain groups such as female headed households in poverty or Black males or very young children, where research shows interventions can be very effective.
A people centered economic development strategy empowers the individual to transform their economic, social, institutional environments to build personal and community wealth and shared sustainable prosperity.

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There are 125 legislative districts each with at least $100 million in ALANA economic interests. These legislators from both parties have enough votes to pass any legislation.
125 Legislative Districts with $100+ Million in ALANA Economic Interests (1)
125 Legislative Districts with $100+ Million in ALANA Economic Interests (2)
IN AN ETHNIC NEIGHBORHOOD

Wealth Creation

GDC/CDFI

LEGAL, FINANCE, INSURANCE

BUSINESS INCUBATOR
JOB BOARD
B2B

LAND TRUST

FINANCIAL ASSET BUILDING

CO-OP/MIXED USE

COMMUNITY HEALTH CLINIC AND WELLNESS CENTER

EQUITY FUND

EMERGENCY SHELTER, FOOD, ENERGY

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Economic Asset Building Infrastructure in Every ALANA Community
Strategies with minimum cost. Need Leadership and Political Will
LEVERAGE FINANCIAL ASSETS

FINANCIAL DEPOSITS WITH BANKS
Growing ALANA Lending and Financial assets

STATE INVESTMENT PORTFOLIO
Investment in Community Investment Notes

GUARANTEES
State can provide loan guarantees to leverage bank lending to ALANA communities
LEVERAGING PUBLIC SPENDING
Growing ALANA Businesses and Workforce

1 - Invest in Capacity
Invest in building capacity of ALANA businesses and workforce so they can be successful in the project

2 - Change Rules and Regulations that serve as barriers
Many rules and regulations are preventing ALANA businesses from participating in contracts

3 - Develop Mentoring Partnerships
Develop mentoring partnerships so that ALANA businesses and workforce can build their capacity to grow

4 - Set Goals
Specific ALANA business and workforce goals for the project.
Enforce Section 3 and MN 16c in all public spending

5 - Monitor short and long term outcomes
Monitor not only project success but how ALANA businesses and workforce are building wealth and growing over time
ZONING TO ALLOW MORE DENSITY FOR AFFORDABLE HOUSING

CHANGE RULES AND REGULATIONS

EXEMPT ALANA BUSINESSES WITH LESS THAN $3 MILLION IN REVENUE
These businesses are still growing

LOANS AND GRANT PROGRAMS
Streamline paperwork and funding criteria to make it easier to access and use

Cultural Intelligence
Developing Cultural Intelligence in the Public sector to better serve
LEVERAGE CONGRESS THROUGH OUR CONGRESSIONAL DELEGATION TO MAKE THESE INSTITUTIONS MORE EFFECTIVE

FEDERAL RESERVE BANK
Federal Reserve Bank creates a lending program to back loans to ALANA economic development projects like in the PPP program. Funding for financial institutions led by ALANA communities

SMALL BUSINESS ADMINISTRATION
Increase funding for the Microloan program and make it more flexible. Increased lending to ALANA businesses. Expand funding for technical assistance for community-based organizations

HUD
Increased funding for affordable housing and renter assistance. Make programs more user friendly by streamlining regulations. Enforce Section 3 programs in all funded projects

CDFI FUND
Expand the CDFI Fund capital to focus on ALANA led and serving financial institutions and expand funding to community-based organizations
$1 BILLION ECONOMIC DEVELOPMENT BOND FUND

Investments over next 6 years

$250 MILLION BUSINESS LOAN GUARANTEES
Loan guarantees to financial institutions lending to ALANA businesses in two pools, less than $250,000 in revenue and over $250,000 but less than $5 million in revenue. Include funding for capacity building of organizations and businesses

$250 MILLION BOND FOR LAND TRUSTS,
Investments in land trusts to provide affordable housing and commercial space for ALANA businesses

$100 MILLION EQUITY FUND
To provide equity investments in ALANA business and real estate development projects and to support the growth of crowd funding and alternative finance products

$150 MILLION BOND FOR HOMEOWNERS AND RENTER SUPPORT PROGRAMS
Downpayment assistance, renter assistance programs

$250 MILLION WORKFORCE FUND
Programs to transition ALANA workers from low wage to opportunity occupations and career pathways. Investment in STEM education of ALANA students.

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Funding ALANA Economic Development

1 percent tax on every financial asset transaction in Minnesota

Example - 2019 59000 homes sold in the Twin Cities metro area with total sales value of $16 billion. A 1 percent tax would yield $165 million a year that could fund the $1 billion bond for ALANA Economic Development

*https://www.noradarealestate.com/blog/minneapolis-real-estate-market/*
The ALANA Community Brain Trust is available to partner with policy makers in strategies to build shared sustainable prosperity.

A Community Brain Trust of Experts will help build capacity in offering these tools for wealth creation in minority communities.
This presentation builds on ideas contributed by the ALANA Community Brain Trust and the public testimony offered to the Minnesota Select House Committee on Racial Justice on October 13, 2020 by Keith Baker, Rev. Frederick Newell, Ruby Lee, Bao Vang, Freiwini Sium, Jane Leonard, Matt Varilek, Abdi Daisane, Carolyn Brown, Jonathan Palmer, Gene Gelgelu, Dr. Obsa Hassan and Fartun Weli. Input was also provided by Brett Buckner, Kevin Linsdey, Michael Goze, Ezell Jones, Edward McDonald, Miguel Ramos, Barbara Hall, Ravi Sagi, Readus Fletcher, Siad Ali, Patrick Pariseau and Dileep Rao.

Thanks to the House Select Committee on Racial Justice, Co Chairs Rep. Rena Moran and Rep. Ruth Richardson and committee members and staff.
Links to References Used

Equity Blueprint - https://www.growthandjustice.org/thriving-by-design
BLS Earnings Disparity - https://www.dol.gov/agencies/ofccp/about/data/earnings/race-and-ethnicity


ALANA Influence on Redistricting - https://empoweringstrategies.org/redistricting-successful-alana-advocacy-influenced-political-boundaries/
Predatory Lending - https://empoweringstrategies.org/predatory-lending-district-councils-call-for-action/
CITI Report on Racism Impacts - https://ir.citi.com/NvIUklHPilz14Hwd3oxqZBLMn1_XPqo5FrxxZDOx6hi84ZaxxEu1UWmak51UHVYk75VKeHCM1%3D


National equity atlas - https://nationalequityatlas.org/sixfeatures
Prosperity now scorecard - https://scorecard.prosperitynow.org/

Redlining - https://dsl.richmond.edu/panorama/redlining/#loc=4/36.71/-96.93&text=downloads
Monetary value of a college degree - https://www.pewsocialtrends.org/2011/05/15/chapter-5-the-monetary-value-of-a-college-education/
DEED Disparities in rural Minnesota - https://mn.gov/deed/data/lmi-reports/racial-disparities/
Big Data on Intergenerational racial impacts - https://opportunityinsights.org/course/

Data Disaggregation - https://caalmn.org/community/education/data-disaggregation/
Markle Foundation - https://www.markle.org/
Additional Data
"• These maps on the same color scale. The fact that they look completely different illustrates that the very best places in terms of upward mobility for black men have lower rates of upward mobility than the very worst places for white men.

• The distribution of upward mobility across areas for black men is almost non-overlapping with the distribution of upward mobility across areas for white men—like two Americas. There is essentially no place in America where you don't have a quite significant black-white disparity in terms of rates of upward mobility.

• There are still significant differences in terms of rates of upward mobility within the two groups.

• Racial disparities absolutely persist in affluent, educated areas.” Raj Chetty

"Key takeaway: black boys do well in neighborhoods with good resources, low poverty rates, and good race-specific factors that affect white kids less, like high father presence and less racial bias. There are essentially no neighborhoods in America that provide good environmental conditions for black men to thrive.” Raj Chetty

www.opportunityinsights.org
Parental Income Low Income Twin Cities households

Black

Latino

Asian

Native American

www.opportunityinsights.org

www.empoweringstrategies.org
Poor Math Scores = No potential for Patent Development.

Racial Gaps persists with High Math Scores. Also correlated with income.
o Where you grow up really matters.

o Childhood environment seems to matter more than where you live as an adult.

o Every extra year of exposure to a better childhood environment improves kids' long-term outcomes.

www.opportunityinsights.org

Two Approaches to Increasing Upward Mobility

- **Moving to Opportunity**: Provide Affordable Housing in High-Opportunity Areas
- **Place-Based Investments**: Increase Upward Mobility in Low-Opportunity Areas

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How diverse is the workforce in Northeast Minnesota?

Percent of jobs held by persons of color in the Northeast region...

When asked about racial diversity...

12% of regional employers say they do not employ workers who identify with a community of color.

The good news is...

Half of the region’s employers are actively trying to increase the racial diversity of their workforce.

Figure 6. Unemployment Rate by Race or Origin, 2016

Source: 2012-2016 American Community Survey

How diverse is the workforce in Central Minnesota?

Percent of jobs held by persons of color in the Central region...

When asked about racial diversity...

22% of regional employers say they do not employ workers who identify with a community of color.

The good news is...

Nearly half of the region’s employers are actively trying to increase the racial diversity of their workforce.

Are businesses as racially diverse as their communities?

https://mn.gov/deed/data/lmi-reports/racial-disparities/
Blacks and Hispanics Assessed Higher Property Taxes in Minnesota in Recent Study
"As a result of the assessment gap, minority residents are therefore paying a significantly larger effective property tax rate for the same bundle of public services. For the median minority homeowner, the differential burden is an extra $300–390 annually. This finding is strongly robust across most states in the U.S. We produce county-level estimates to characterize the distribution of this assessment gap. The average black homeowner in a county at the 90th percentile of the assessment gap distribution has a 27% higher assessment ratio, and would pay an extra $790 annually in property tax. ...This is a very large number, given that median black household net worth is $13,000, of which only $4,000 is in liquid assets.6"

The Assessment Gap:
Racial Inequalities in Property Taxation
Carlos Avenancio-Le´on, Indiana University
Troup Howard, University of California, Berkeley*
June 2020