African Latino Asian Native American

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The Minnesota Paradox, as presented by Dr. Samuel Myers, Jr., points to the coexistence of high standards of living and progressive politics in Minnesota coexisting with stark racial disparities, especially for Black and Native American Minnesotans.

The Minnesota Solution, offered by the ALANA Community Brain Trust, is a policy blueprint to address the racial economic gaps of the ALANA (African Latino Asian and Native American) communities in Minnesota. Details were presented to the Minnesota House Select Committee on Racial Justice, chaired by Representative Rena Moran and Representative Ruth Richardson on October 20, 2020 (download copy below).

The Economic Cost of Racism in Minnesota – $287 Billion

Racial disparities cost an estimated loss of $287 billion dollars for the ALANA communities in Minnesota. This includes $22 billion loss in income because of the wage gap, $174 billion loss in lifetime earnings because of the achievement and skills gap, $24 billion loss in home-ownership, higher rent burdens and higher property taxes, and $67 billion loss in business revenue because of the capital gap.
There are 5 elements of the Minnesota Solution:

1. View the ALANA Communities as a $1.4 Trillion Asset to Minnesota
2. People need to be at the core of our economic development efforts
3. People, Policies and Programs should operate with Cultural Intelligence
4. Empower individuals to effectively engage with their social, economic, institutional, and personal environments
5. Initiate a series of Sustained Investments in the ALANA Economic Development Infrastructure in Minnesota (see below)

First, view ALANA communities as one of Minnesota’s most valuable assets is the first step to address the negative stigma and actions of racism and the deep economic, social, health and wellness of the ALANA communities.

Second – there has to be a focus on people as the core value behind all our efforts. Economic development activities have to be measured and assessed on how effective they are in building wealth of ALANA people in Minnesota and how well they include and utilize ALANA businesses and workers in all spending and programs of the state. This involves offering a comprehensive portfolio of programs and services that include various elements (Give a fish, Teach people how to fish, Build the capacity to fish, Provide a space to fish, Help invent a new fish and Transform the fishing industry)
Third, people, policies, programs, and institutions in Minnesota should operate with cultural intelligence. They should understand and engage effectively with the diverse Minnesotans that live in Minnesota and make the policies, programs, and institutions accessible as well as utilized effectively by the ALANA communities.
Fourth – facilitate the process of empowerment where the individual can effectively engage with their social, economic, institutional, and personal environments and transform them effectively so that all in Minnesota achieve shared sustainable prosperity.

Fifth, to address the estimated $287 billion loss in economic assets brought about by the racial economic choke-hold in Minnesota that includes, loss in income and wages, loss in lifetime earnings, loss in housing equity and high rental burdens and loss in business revenue, jobs and growth, initiate a series of sustained investments in the ALANA communities that can be done through the following actions- some which do not cause additional investments but require political will to implement and others that need sustained investments.
**Capital – $67 billion Racial Entrepreneurship Loss. $24 Billion Racial Housing loss**

* Solutions *

We need to bring accessible and appropriate capital to the community to help build loan and equity capital and grants for capacity building of both businesses and organizations serving ALANA businesses. ALANA businesses lost an estimated $67 billion in revenue because of the racial entrepreneurship gap. ALANA communities lost an estimated $24 billion in home ownership, rent burdens or higher property taxes because of the racial housing gap.

**Recommendation 1: Leverage Public Private Partnerships through leveraging state financial assets to provide capital for ALANA business and housing needs**

- 25 million loan guarantee fund aimed at two segments of ALANA businesses needing capital to expand – those under $250,000 in revenue and those over $250,000 in revenue. The loan guarantee will enable Minnesota community banks and other financial institutions to increase lending to ALANA businesses.
- Establish an MOU with top financial institutions receiving deposits from the State of Minnesota to increase lending and the development of financial products (such as alternative finance products, prepaid cards, wealth building tools) especially for the unbanked.
- 5 percent of funds in the State investment portfolio to be invested in ALANA real estate development projects such as mixed-use developments and affordable housing projects.
• Allocate low income tax credit (LIHTC) and housing funds from federal and other sources to ALANA led affordable housing and home-ownership projects.

Capacity – Underfunded Capacity in ALANA Led & Serving Organizations

ALANA led institutions are often stretched beyond capacity with the increased demands put on them to serve their communities. The state needs to invest in their capacity.

Solutions

Recommendation 2: Increase the capacity of ALANA led and ALANA serving organizations

Include funding for ALANA organizations in the base budget of the departments so that there is a stable source of funding for these organizations.

Allocate a higher percentage of program funds towards administration/service delivery costs to help build capacity of organizations serving ALANA communities.

Workforce – $22 billion in racial income loss

The education and workforce gap causes the ALANA worker to lose $22 billion in income annually.

solutions
Recommendation 3: Fund programs to increase skills and earnings of ALANA workers

- Increase funding for adult workers to gain English language fluency so that they can more effectively serve their customers and grow in their careers.
- Fund career pathways and opportunity skills/occupation pathways to help low income ALANA workers increase their earnings and skills.
- Fund a comprehensive strategy aimed at low income female headed households (childcare, skill development, entrepreneurship) so that they can effectively improve the lives of two generations of Minnesotans.
- Invest in ALANA youth in the pre-K to K12 and the college pipeline so that they all graduate with at least a bachelor’s or vocational degree in high wage-earning careers such as STEM and digital economy occupations. If this group effectively graduate with a bachelor’s degree, they represent $1.5 trillion in lifetime earnings and a very powerful engine of economic growth for Minnesota. Current workforce because of the education and workforce gaps have lost an estimated $174 billion in lifetime earnings.
- Ensure the goal of 32 percent of ALANA workforce in all publicly funded construction projects is met for the State of Minnesota, University of Minnesota and Minnesota State projects.
- Increase funding for youth apprenticeships and work experience.

Arts and Cultural Assets: Underfunded ALANA Arts Organization and Cultural Heritage

Solutions

There is a vibrant arts presence in the ALANA communities but historically underfunded and benefit very little from the $2 billion creative economy in Minnesota, according to Creative Minnesota 2019. ALANA communities represent almost 12 percent of the creative workers in Minnesota. Wisconsin State Statutes 41.565 dedicates 10 percent of arts funding to minority arts organizations. Minnesota is a pioneer in leveraging cultural assets to grow wealth in low income ALANA communities reflected in Little Africa, Rondo, Little Mekong, District Del Sol, American Indian Cultural Corridor, and other areas.

Recommendation 4: Increase Funding for Arts Based Organizations and ALANA Cultural Destinations and Districts

- Dedicate a minimum of 15 percent of the Arts and Cultural Heritage Funds towards ALANA Arts organizations and ALANA Cultural Destination areas and districts.
- At least 15 percent of all art in new public buildings be designated for ALANA artists.
- Identify ALANA historic heritage and cultural sites and provide access to historic tax credit financing for ALANA heritage development projects.

Procurement: Over two decades less than 2 percent ALANA business utilization

Despite the state having on its books State Statute 16c and federal Section 3 statutes that are
legally required to be implemented, the actual utilization of ALANA businesses has hovered around 2 percent of all state funding over the last 20 years. The ALANA entrepreneurship is an estimated $67 billion loss in revenue. The state can effectively use its spending to grow and expand ALANA businesses.

Solutions

Recommendation 5: Establish goals and report outcomes to increase ALANA business utilization in state spending.

- Establish and monitor the goal that at the minimum 10 percent of all construction and professional service contracts are dedicated for ALANA businesses (for the State of Minnesota, University of Minnesota, and Minnesota State).

- Establish and monitor the goal that at the minimum 10 percent of all state spending is dedicated to ALANA businesses (including University of Minnesota and Minnesota State).

- Fund ALANA organizations which help ALANA businesses build their capacity and monitor the growth of these businesses over time.

- Implement Section 3 low income business and workforce goals on all federally funded projects and report outcomes to the legislature annually. Expand Section 3 program to all state funded projects as a strategy to invest in low income communities especially those living in public housing.
ALANA Economic Asset Building Infrastructure to address $287 billion racial economic loss.

Solutions

Redlining, barriers to access to capital and opportunity and other such barriers have cost the ALANA communities an estimated $287 billion loss in income and lifetime earnings. To close these gaps we need a dedicated long term pool of investment capital that will fund an economic asset/wealth building infrastructure in every ALANA community that will include capital/equity/grant funds, business incubators and maker spaces, land trusts, affordable housing and home-ownership, cultural asset building, workforce development, and financial assets building tools.

[Image of a community wealth creation diagram]

IN AN ETHNIC NEIGHBORHOOD

Wealth Creation

CDC/CDFI

CO-OP/MIXED USE

COMMUNITY HEALTH CLINIC AND WELLNESS CENTER

www.empoweringstrategies.org

LEGAL, FINANCE, INSURANCE

BUSINESS INCUBATOR

JOB BOARD

B2B

LAND TRUST

FINANCIAL ASSET BUILDING

EQUITY FUND

EMERGENCY SHELTER, FOOD, ENERGY
Recommendation 6: Establish a long-term ALANA economic asset building fund of at least $1 billion with a dedicated source of funding:

- Capital (Loans, Equity, Grants, Working Capital, Alternative Finance)
- Housing, Home-ownership, Rental Assistance, Renter Equity programs
- Land Trusts
- Investment in ALANA CDFIs, CDCs and Community Based Organizations serving ALANA Businesses and Economic Development projects
- Workforce Skill Development, Career Pathways, Opportunity Occupations
- Business Incubators, Maker-spaces, Coops, Financial asset building tools

Cultural Intelligence: Relating to the $1.4 trillion ALANA economy solutions

ALANA communities face barriers in accessing government programs because of a lack of cultural intelligence by public employees. Employee training and a change in perspectives on viewing the ALANA community would help remove barriers to opportunity.
Recommendation 7: Cultural Intelligence training for public employees to effectively engage with ALANA communities

- To view ALANA communities as assets reflected in the $1.4 trillion ALANA economy
- To offer an open and welcoming environment for all Minnesotans.
- To offer language access to programs, policies, and services.
- To understand cultural differences and assets in program development and implementation.

Rules, Regulations, Protections – Barriers to ALANA Business and Housing

*solutions*

Rules and regulations can constrain the growth of ALANA businesses or to ensure an adequate supply of affordable housing.
Recommendation 8: Change rules and regulations that stifle ALANA business growth. Enact protections against predatory lending to ALANA and other small businesses

- Exempt small ALANA businesses from Labor agreements so that they can develop their capacity to grow. These businesses can provide living wage income to their employees through alternative strategies such as profit sharing.
- Restructure loan and grant programs from onerous paperwork and reporting requirements, reimbursement-based grants and ensure such programs are accessible to English language learners.
- Change rules and regulations to allow for rapid growth in affordable housing in Minnesota, for example zoning laws or construction related rules that add to costs.
- Implement protections against predatory lending targeting ALANA and other small businesses as recommended by various district councils in Saint Paul.
- Ensure that there is dedicated funding and focus on the unique needs of ALANA businesses and communities.

Stabilize Income, Jobs, Businesses during Current Triple Crises

solutions

The current triple crises – Pandemic, Civil Unrest, Economic Decline has put tremendous downward pressures on ALANA income, jobs and businesses pushing back progress significantly.

Recommendation 9: Implement programs to stabilize income jobs and business decline

- Increase funding for income supports such as rental assistance programs
• Increase funding for neighborhood-based programs to connect people to jobs and skill development
• Increased funding for emergency grants to ALANA businesses
• Increase funding to ALANA neighborhood-based organizations that offer emergency assistance

**Leverage Federal Funding**

**solutions**

- Support efforts to empower the Federal Reserve Bank to provide capital to ALANA businesses through statutory changes in the lending facilities to support financial institution lending to ALANA led and ALANA serving community-based organizations.
- Support efforts to dedicate resources to the Small Business Administration and the CDFI Fund to provide capital dedicated to ALANA businesses especially ALANA micro-businesses as well as technical assistance funding for ALANA business serving community-based organizations.
- Support efforts to dedicate resources from HUD to increase capital for ALANA housing, homeownership, and rental assistance programs. Implement Section 3 Housing requirements on all federal and state construction projects.
- Support efforts to dedicate resources from the Department of Education and the Department of Labor for strategies to close the achievement gap and increase lifetime earnings for ALANA youth and workers.
Legislative Representation of ALANA Economic Interests

125 legislative districts with ALANA economic assets at least $100 million

The ALANA Communities provided testimony to the Court Redistricting panel that developed the current legislative boundaries in Minnesota. Testimony received and acknowledged by the Court Panel focused on ALANA economic interests across Minnesota and the need to represent those interests. In the current Minnesota Legislature there are 125 legislators who each represent at least $100 million in ALANA economic interests. These legislators are from all political parties reflected in the legislature and possess the necessary votes to pass any legislation needed to grow the assets of the ALANA communities of Minnesota, especially in the context of the racial economic choke-hold on the ALANA communities in Minnesota. In addition the Minnesota Governor has a similar obligation to represent the $1.4 trillion ALANA economy.
The testimony also pointed to the many reports and recommendations from the landmark report of the Governor’s Working Group on Minority Business in 2000 and others such as the Twin Cities Economic Inclusion Plan – all have recommendations fairly similar since 2000 and all waiting to be fully implemented.

The ALANA Community Brain Trust is a network of individual and organizations working to build capacity in the ALANA communities and to secure capital to invest to build wealth in the ALANA communities. For more information please contact Dr. Bruce Corrie (brucecorrie@gmail.com), Brett Buckner (brett1mn@gmail.com), Jane Leonard (Jane@growthandjustice.org).

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.

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MN House Select Committee on Racial Justice Members and ALANA Economic Interests in their Districts ($1.8 billion)

Committee Chairs:
**Rep. Ruth Richardson** (DFL) District: 52B (179 million)

Members:
**Rep. Lisa Demuth** (R) District: 13A (Vice Chair) ($47 million)
**Rep. Rob Ecklund** (DFL) District: 03A ($54 million)
**Rep. Kaohly Her** (DFL) District: 64A ($152 million)
**Rep. Sandy Layman** (R) District: 05B ($39 million)
**Rep. Anne Neu** (R) District: 32B ($39 million)
**Rep. Dean Urdahl** (R) District: 18A ($47 million)

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