

Lever 5: Create Effective Public and Civic Culture and Institutions

Government and civil society can enable and enhance private sector performance by shaping the fundamental dimensions of economic development, including market conditions, human capital development, and infrastructure provision. Examining the degree of coordination across the activities of various public, civic and business institutions, the vertical and horizontal fragmentation between different units of local government, and how government engages with and delivers services to citizens and businesses (e.g., e-government) may uncover missed economies of scale, ways to reduce duplicative services or regulations, and opportunities to create a more transparent, engaging and efficient environment for economic activity.

<u>Key Findings</u>	<u>Evaluation</u>
<ul style="list-style-type: none"> • Minnesota ranks 1st in voter turnout, with 77.8 % of those eligible voting, (14.2% higher than the national average) and in citizen consciousness of the presence of a “strong civic tradition,” with 26.5% indicating this (in contrast to the national average of 13.2%).⁹⁸ 	
<ul style="list-style-type: none"> • The state ranks among the top six states in the rate of donations to charitable organizations (with 60.2% donating \$25 or more), in statewide volunteering (with 60.5% volunteering in the last year), and in working with others to fix a problem in the neighborhood.⁹⁹ 	
<ul style="list-style-type: none"> • In 2007, corporate foundations in the region gave nearly \$200 million to a range of initiatives.¹⁰⁰ In total, the region’s 1,157 foundations contributed nearly \$800 million to civic development.¹⁰¹ 	
<ul style="list-style-type: none"> • Continued productivity gains are key to funding growing health and human services demands, but these gains require investments in human capital and infrastructure that are politically difficult in the current environment. 	
<ul style="list-style-type: none"> • Decentralized regional governance creates unpredictability in land use, zoning, and licensing regulations, and influences business site decisions in a haphazard way. 	

Current State of Civic Culture and Engagement

The Minneapolis Saint Paul region has a deep tradition of citizen engagement, philanthropy and good government. Lack of consensus about public taxation and investment, as well as the benefits of operating regionally, presents a substantial threat to the region’s future prosperity.

The series of metrics above suggests that popular emphasis on “pitching in” remains a shared value and a potentially powerful force for economic development. When citizens approach public institutions as consumer experiences, their own expertise and value is

not effectively contributed to the region's benefit. Instead, when citizens are engaged in the production of civic wealth, an additional form of capital is invested in the region and its future.¹⁰² An example of this kind of production-focused civic engagement is found in regional philanthropy and its history.

Philanthropy as a Form of Civic Engagement

Minnesota continues a history of family and corporate philanthropy that is important to strengthening the regional economy. Philanthropic priority areas central to this plan include workforce development, cultivation of attractive, transit-accessible places in the region, a regional economic and decision making agenda, and transparent dissemination of data about regional economic and social conditions. The strategic investments made on an ongoing basis by the philanthropic sector represent essential contributions to the planning and function of the regional economy.

Increasing Political Acrimony, Increasing Stakes

While philanthropy is a critical element to the region's economic and social health, it is not a substitute for public institutions able to make strategic and long-term investments in a prosperous, inclusive region. A state government respected for a tradition of transparent governance and innovative thinking, Minnesota's governor and legislature have for nearly a decade stumbled from one season of scarcity to another, plugging deficits with temporary fixes and borrowing from local governments. As elsewhere in the U.S., an increasingly coarse public debate marks the political process, attributable in part to geographic "sorting" by neighborhoods in the region.¹⁰³ Legislators and observers alike agree that institutions of state policy making have diminished in their effectiveness at implementing bold or long-term strategy for the region or state. Even initiatives such as the state's application for federal Race to the Top funding (which, in a state known for innovative policy ought to have represented an effective collaborative effort) are routinely derailed by inadequate consensus. Piecemeal politics have proved insufficient to advance a comprehensive public agenda for regional competitiveness.

A widening structural state deficit continues to ratchet up the stakes of political acrimony for the region's economy. Recent economic forecasts have predicted that the state will enter the 2012-13 biennium with a budget deficit of at least \$5.8 billion.¹⁰⁴ According to the forecasts, trend growth won't be sufficient to address the state's budget gap, and revenues (in addition to falling significantly as a result of recession) will grow more slowly than in the past. Compounding the issue are demographic trends: From 2010 to 2020, Minnesota will see large increases of people entering their fifties and sixties—creating a new wave of retirees and those eligible for entitlement programs.¹⁰⁵ According to State Economist Tom Stinson and State Demographer Tom Gillaspay, this is a fiscal trap: In order to raise the revenues to fund increased health care and human services, the state needs to invest in human capital and infrastructure to spur productivity gains; but health and human services spending threatens to consume much of the money needed to make those investments.¹⁰⁶ Resolving a structural state deficit in this context will require a high level of consensus among leadership.

Decentralized Governance: Costly and Uncompetitive

To make strategic public investments in our people and places, to protect and expand competitive advantage, regional consensus must become institutionalized in some form. With the notable exception of the work of the Metropolitan Council, which implements wastewater treatment, passenger rail and buses, and operation of certain parks, regional governance is comprised of literally hundreds of municipalities that operate with largely arbitrary boundaries separating an economic, environmental and social landscape. The formation both of the CTIB and the Regional Council of Mayors are relatively recent responses to the costs of decentralized governance. In each case, they have been driven by leaders intent on managing competition among cities and counties for investments of regional significance.

Functions that directly affect business formation and siting such as zoning, transportation and licensing are handled at least in part on a municipal level and are therefore potential barriers to regional economic development strategy. In light of the quantity of cities comprising the region, the approval process varies greatly in speed, cost and complexity. The top twenty employment centers in the region, listed earlier in this plan, span across fourteen municipalities¹⁰⁷ – each with a distinct zoning code, licensing procedure, and other regulatory elements.

The region's decentralized political structure increases the cost of determining location and siting facilities to develop and commercialize intellectual property. The region has 1.05 local governments and 0.36 governments per 10,000 residents; the combination of these jurisdictions means the region has the 41st highest number of local government jurisdictions in the nation.¹⁰⁸ Local governments have responsibility for land use and regulatory powers that affect small business siting, access, employment and expansion. Navigating local review, in addition to restricting options relating to these factors, also consumes time and money, two key resources for small businesses.

In addition to multiple public entities engaged in governance, over forty economic development entities are active in the region. Chambers of commerce, state and local agencies, collaboratives and partnerships pursue largely independent agendas and approaches. The need remains for a unified economic development entity charged with recruitment and retention of business and talent on a regional scale to reflect the basis on which agglomeration is actually occurring in the region.

Continued absence of a unified approach to economic development reduces the region's ability to pinpoint factors key to growth, and articulate and advance concrete ways to organize strategy around these factors. Concerns including tax and regulatory environment, workforce development, transportation networks, and coordinated communication to external audiences have been addressed effectively by other regions through a unified economic development entity.

Goals

- Restore national reputation as center of innovative public policy and effective public-private partnership.
- Establish region-scale economic development entity to promote, recruit and retain firms and talent in the region.

Strategies to Creating Effective Public and Civic Culture and Institutions

Regional Council of Mayors Initiatives

Since inception in 2005, the Regional Council of Mayors has grown to a membership of 34 leaders representing the two central cities, suburban and exurban communities. Goals include engaging and educating mayors on issues of metro-wide significance, and to identify and pursue solutions that support collective regional action. Among the multiple initiatives underway:

The Connecting Transportation and Land Use (CTLUS) Initiative was established by ULI Minnesota and the Regional Council of Mayors to conduct build a research case and raise awareness of transportation and land use issues in the region and spur cooperation and action at the local, state, regional, and national levels. The mission is to advance implementation of solutions that reflect the connection between transportation and land use in support of mobility, livability, sustainability, and job growth.

In conjunction with the Minnesota Pollution Control Agency (MPCA) and ULI Minnesota, the Regional Council of Mayors is implementing the GreenStep Cities Demonstration Project, an action-oriented voluntary program offering a cost-effective pathway to reduce greenhouse gas emissions by best practices in land use, transportation, building/facility design, environmental management, and community and economic development.

Regional Economic Development Entity (REDE)

The Itasca Project is currently proceeding with formation of a private-sector led, regional economic development entity to be charged with recruitment and retention of the region's large and small firms. Integrating activities of over forty economic development organizations active in the region will provide a more effective model for retaining and recruiting firms to the region, representing the region via marketing channels to external audiences, and shifting the focus of economic development from municipal boundaries to a regional basis. There is no such thing as a "Minnesota economy," nor is there an economy bounded by the political lines that separate the many jurisdictions within the region. Instead, regional economies span across these lines, and efforts to build concentrations in the region demand that efforts are coordinated on the same scale.

A unified economic development entity will identify opportunities where transportation infrastructure and land use together present a compelling profile for certain firms or industry clusters. Such an entity would tap private sector leaders located here to support pitches to their peers. Through marketing, the entity could work to present the region's

many favorable characteristics and mitigate the negative – be they related to our weather, our business climate, or our natural and cultural assets.

Fiscal Disparities

The Minneapolis Saint Paul region established the fiscal disparities program over forty years ago, to share regional costs and benefits across the seven-county region. Under the program, municipalities levying property tax contribute 40 percent of the growth in commercial-industrial property tax base (1971 levels represent the base) into a regional shared pool. Shared tax base is then redistributed back to jurisdictions, based on population as well as the value of all property relative to the metro average. The program has for decades reflected the interest in stakeholders across the region in shared prosperity and access to core public services.

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