



Governor's Council on Economic Expansion: Meeting #4

Date: 10/04/2021
Minutes prepared by: Jenny Poole, Department of Human Services
Location: Virtual

Attendance

- Jeffrey Ettinger, Co-Chair, Hormel (formerly)
- Scott Burns, Structural
- Joe Fowler, Minnesota Building and Construction Trades Council
- Jodi Hubler, Medical Alley Association
- Brenda Hilbrich, SEIU Healthcare Minnesota
- Neel Kashkari, Federal Reserve Bank of Minneapolis
- Marcus Owens, African American leadership Forum; Linking Leaders
- Tuleah Palmer, Blandin Foundation
- Nonoko Sato, Minnesota Council on Nonprofits
- Traci Tapani, Wyoming Machine
- Bharti Wahí, Children's Defense Fund
- Penny Wheeler, Allina Health
- Steve Grove, Department of Employment and Economic Development
- Jodi Harpstead, Department of Human Services
- Roslyn Robertson, Department of Labor and Industry

Agenda

2:00 PM	Meeting convenes
2:00 PM – 2:15 PM	Welcome and logistics
2:15 PM – 3:00 PM	Business panel moderated by Commissioner Steve Grove <ul style="list-style-type: none">• Dave Doherty, Digi-Key• Ann Holder, Marani Health• Doug Loon, Minnesota Chamber of Commerce• Nawal Noor, Noor Companies
3:00 PM – 3:30 PM	Small group discussions
3:30 PM – 3:55PM	Insight talk: Equity in the economy: Tawanna Black, Center for Economic Inclusion
4:00 PM	Meeting adjourns

Next Meeting

Date: 10/11/2021

Time: 2:00 PM – 4:00 PM

Location: Virtual

Meeting Notes

Meeting convenes

- Commissioner Steve Grove started the meeting with the announcement that this meeting is fully virtual because an in-person meeting is not practical or prudent due to the health pandemic, pursuant with [Minnesota Statutes, section 13D.021](#).

Welcome and logistics

- The agenda for the October 18, 2021 meeting is being opened up to be designed by Council members. If a Council member has suggestions for topics or people to include, they should put those on the Jamboard link.
- There is a second part to this Council, which starts after the November 15, 2021 deadline for the first report to the Governor. Prior to June 30, 2022, the Council is tasked with designing a roadmap for Minnesota's economic future. This portion presents a place where some of the ideas that are not conducive to one-time funding can be further discussed and addressed.

Business panel moderated by Commissioner Steve Grove

Steve Grove, Commissioner of the Department of Employment and Economic Development, led a panel of four Minnesota business leaders to discuss current challenges faced by businesses.

Workforce challenges

- Nawal Noor, Founder and CEO of Noor Companies, identified that construction companies, like her own, are faced with a workforce shortage, even though construction workers frequently have an annual salary over \$100,000. Workforce issues are primarily caused by current employees retiring, and no workers entering the construction sector to fill their place. A key way to address workforce issues is to think about how to change the state in the next 30 years to become more competitive compared to surrounding states.
- Dave Doherty, President of Digi-Key, explained that his company, located in rural Minnesota, has experienced a huge increase in business this year, but that there are three key things that are slowing it down from continuing to grow. 1) Workforce participation, 2) daycare availability, and 3) workforce housing.
 - Workforce participation is down due to a large number of people retiring.
 - Daycare shortage is an issue.

- Workforce housing issues are based on a shortage of market-rate housing. There are empty income-based subsidized housing units in Thief River Falls, but Digi-Key employees earn more money than qualifies them for subsidized housing. Encouraging construction of market-rate housing through tax credits or other mechanisms would help people move closer to their place of employment.
- Doug Loon, President of the Minnesota Chamber of Commerce, shared that labor force projections prior to the pandemic showed that the Minnesota workforce is not growing fast enough to meet future needs, and the pandemic worsened that issue.
- Noor explained that vocational and talent training programs, like those found in Europe, could help fill empty positions. Many jobs that require applicants to have a college degree frequently do not actually need an academic education at the college-level, and vocational training would get talented people who may not want to seek a college degree into those jobs.

Keeping Minnesota workers in Minnesota

- Dave Doherty identified that remote-work options provide both opportunities and threats for Minnesota's economy. Over the period of the pandemic, companies and employees have found that work-from-home options are successful, so there is no longer certainty that people who work in Minnesota live in Minnesota. He proposed a campaign to recruit people to live in rural Minnesota by suggesting that, instead of driving hours every weekend to go to their cabin, they should move into their cabin permanently and work from there.
- Ann Holder, Founder and CEO of Marani Health, is encountering difficulties finding tech talent, specifically software programmers, who live in Minnesota. She recommends developing a way to incentivize tech talent that is educated in Minnesota to stay here.
- Doug Loon pointed to the strengths of Minnesota's economy, such as its strong workforce, innovative spirit, and economic diversity that allows the state to come out of recessions more quickly. Loon identified investments in talent, skill training, and job mobility as things that would start to address the Minnesota workforce issue. Tech growth, early learning scholarships, and subsidized child care would also help support Minnesota workers.

Starting a business in Minnesota

- Ann Holder shared that starting a new company in Minnesota was easy and well-supported once she found an initial investor to help her get the resources she needed. The Angel Tax Credit was hugely helpful for getting larger investments, especially since investors from outside the state were still able to receive that tax credit after putting money into her company and Minnesota's economy.
- Holder noted that the Launch Minnesota Innovation Grants have funding limits, and that increasing those would help business start. Additional subsidizing of housing and child care would also drive entrepreneurial growth.
- Nawal Noor explained getting sponsors to help pay for startup of her company was challenging because she had no experience in the field, so support for her first two projects came from within her community. Noor noted that Muslims do not have access to faith-based lending with low or no interest, making capital the biggest problem she, and other small, minority-owned businesses, face. She also

explained that if an entrepreneur is not starting a “sexy business” like tech or medical devices, opportunities like the Angel Tax Credit are harder to get.

- Noor identified some key problems to starting and sustaining a small business, which included high taxes and prohibitive cost for health care coverage.
 - Many small businesses want to reinvest their earnings and increase or improve their workforce, but high taxes prohibit them from being able to do so.
 - Health care coverage is really expensive and not scaled for cost for small businesses. It is hard to entice people to move to a small business if it does not offer stability, such as health care.
- Doug Loon noted that businesses are good at starting here, growing here, and hopefully staying here. Putting payroll taxes on small businesses as Minnesota comes out of the recession will slow their ability to expand and pay better wages. Using American Recovery Program (ARP) dollars to offset the need for that, or to address the shortfall in the Unemployment Insurance Trust Fund, could support small businesses to grow.

Recent challenges

- Nawal Noor identified that minority-owned businesses were hit hard by both the COVID-19 pandemic and civil unrest.
- Both Doug Loon and Ann Holder identified supply chain challenges. Supply chain problems are not only based on a lack of commodities, but also on the lack of people who can work on those supply chains when commodities are available.
- Doug Loon noted that the pandemic still provides a lot of uncertainty, which is a barrier to coming out of the economic downturn. Minnesota needs to approach recovery through both short-term and long-term programs using the fundamental strategy of “Do no harm to Minnesota’s economy”.
- Noor explained that immigrants who start businesses tend to hire immigrants, but the previous administration wiped out the ability for immigrants to come to the United States and join the workforce.

Perceptions

- Nawal Noor shared the feeling that small businesses and minority-owned businesses are perceived as “the other”, and different from larger or White-owned businesses. She explained that she does not want Noor Companies’ distinguishing feature to be that it is a woman of color-owned business, but instead that it is a good business that produces good work.
- When asked how Minnesota’s reputation after the George Floyd killing impacted talent coming to Minnesota, Doug Loon identified this as a challenge for Minnesota, but also an opportunity. Minnesota has the reputational opportunity to show the country that it is not the state they think it is, and to become a welcoming state, that is diverse and also inclusive.
- Ann Holder compared Minnesota’s civil unrest to what Yugoslavia went through, and explained that they fixed their problems by investing in youth and education. A longer-term focus on technical school programs and college education to develop internal talent will help Minnesota recover.
- Noor described Minnesota as having a great community where people fit in. When people choose a place to settle, they choose it not only because there is available work, but also because there is a community where they are comfortable. Minnesota is perceived as having a welcoming environment

and a great education system, but expensive housing. There is a large gap between low-income housing and the luxury apartments that are being built.

Broadband as an opportunity

Council member Neel Kashkari asked the panelists to address the question of what issues lend themselves to one-time money. He offered up broadband as an example, noting that increasing broadband access across the state would address many of the issues raised by the panelists.

- Dave Doherty agreed that it is important to look for solutions that would continue into the future but only have a one-time cost. Ideas such as offsetting health care cost can only be impacted temporarily by time-limited funds such as the ARP dollars. Whatever is decided, the Council needs to retain the guiding concept that people choose Minnesota for its community.
- Doug Loon noted that broadband infrastructure already has funding, so the Council should focus on things that are not already allocated funding, and look for where there are gaps.
- Ann Holder shared that she sees a huge need for broadband. People who program software can do it from anywhere, and can get the education to program from anywhere, if broadband is available.
- Nawal Noor identified that some counties and cities are more opportunistic and wanting to grow than others. Buying land for construction that does not have utilities is more expensive for developing, and requires investment. Those cutting-edge areas that want to grow need state bonds to sufficiently fill gaps. Improvements should go where the population is expected to increase, and those areas should be assessed to identify if there are investments beyond broadband that could benefit the community.

Supporting Minnesota

- Council member Traci Tapani asked Doug Loon for his insight on how Minnesota can beat the labor force projection in the Minnesota Chamber of Commerce's 2030 report of not enough workers to fill all jobs. She noted that the three groups of older people, younger people, and communities of color are underrepresented in the labor force, and asked Loon what investments could be made to make sure that people are not left on the sidelines. Doug Loon identified some ways Minnesota needs to adjust investments.
 - Minnesota needs to be an affordable place to live.
 - There needs to be a pathway to work that removes barriers to joining the workforce, including looking for talent from all walks of life, such as people who were recently incarcerated.
 - Investments in skills and early childhood development need to increase.
- Dave Doherty explained that when someone lives beneath their means, they are always financially secure. He is nervous about the idea of making new investments when there is already debt, and that leveraging taxes to address that debt may slow down economic momentum.
- Council member Joe Fowler noted that a good approach is to create incremental investments in an account that offers reasonable or low-cost bonding for new businesses coming in. Nawal Noor agreed that bonding can be a major roadblock for new businesses, especially in BIPOC communities where there is not access to generational wealth. When loans based on credit score or matching capital are the only options, immigrant entrepreneurs are particularly hindered. Investing in industries so that

people can be employed in high-skilled positions with good pay is how to make living in Minnesota sustainable.

Small group discussions

Insights

- The Council has been hearing recurring themes from panelists and speakers on what impacts the economic security of households. These include access to basic resources, health care, housing, child care, and facing racism in communities.
- Solutions need to have a long-term and sustainable impact on equity and inclusion through a one-time investment. This Council provides an opportunity to change the state's trajectory.

Ideas

- Investing in broadband to expand and supplement the current infrastructure would address multiple priorities.
- Create policies that promote more equitable housing, and reduce barriers to housing and home ownership.
- Provide funding, matching, and capital for entrepreneurs and small businesses, with a focus on underfunded categories of entrepreneurs.
- Incorporate supports for workers, including job coaches, apprenticeships, on-the-job training, and help with upskilling and reskilling. Explore improvements for incarcerated workforce reintegration.
- Implement strategies to support youth well-being and increase youth employment.

Insight talk: Equity in the economy: Tawanna Black, Center for Economic Inclusion

- The racial wealth gaps of poverty, salaries, and employment are getting worse.
- There are employment gaps that can only be addressed by training people to treat individuals from all races the same. Situations where people of different races are hired into the same job but paid different salaries need to be eliminated.
- Things that have happened in the past cannot be changed. Going forward, policies and initiatives need to be shaken up to create drastically different results from those in the past.
- Solutions need to move out of silos. Economic development, human capital, transportation and access, race, place, housing, and income are not separate things, but are all part of the person, which should be the center of any solution.
- The only way to get inclusion is by designing policy that explicitly addresses it.
- Both explicit and implicit systems change are essential. Structural, or explicit, change is the easiest change to make. Transformative, or implicit, change requires adjusting the mindset that some people are inherently worth more than others. ARP dollars can be used to move change in Minnesota from transactional to transformational, to make the state as inclusive as possible and hold people accountable for achieving inclusive growth.

- Minnesota needs to put public policies in place that are high focus and high impact, and make sure that workers have inclusive workplaces. Leveraging the ARP funds to close racial wealth gaps will increase the state's Gross Domestic Product (GDP).
- There need to be incentives for employers to address wage inequities. Employers who are paying \$15-\$17 an hour need to be encouraged to supplement those wages up to \$20 an hour.
- The Council needs to apply lessons learned from the CARES act investments to increase black partnership and ownership. Money dedicated for this is being spent outside Minnesota because there has not been enough focus on growing and scaling in the appropriate sectors to get those investments.
- When asked by Council member Marcus Owens to recommend specific sectors and investment types that would be game-changers in the next 10 years, Tawanna Black replied that working to keep businesses that have started in Minnesota in the state is essential. Fixing physical space and capacity issues can support that work. Also, addressing wage gaps is important; the wage gap increases with education level for Black women.
- Council member Bharti Wahi asked Tawanna Black what could be done to really push on the mental model and associated transformative change. Black replied that a disaggregated analysis of the massive exodus from the workforce should be done. There needs to be an economy built that works for everyone. The answer is not to make more organizations to train workers, or spend more money to start businesses, but is instead to get the state of the economy right and tied to business models.
- Council member Penny Wheeler asked Tawanna Black what she would caution the Council to not choose as a funding recommendation. Black's response was that there are a lot of basic needs that are important, and that supporting those really basic needs is frequently believed to be the best focus for funding. That is not the right focus for these funds, though. It is not a time for transactional change, but instead it is time for transformation. Keeping businesses afloat and turning budget holes around is not enough.