Response to Governor Walz’s FY 2022-23 Budget Proposal

(St. Paul, Jan. 29) Minnesota Governor Walz’s two-year budget proposal, announced January 26, 2021, supports working families, ensures students catch up on learning, and helps small businesses stay afloat while driving economic recovery.

We commend the Governor’s focus on racial equity and inclusive recovery. As he notes, “Not every Minnesotan was impacted by the COVID-19 pandemic equally. We know the COVID-19 pandemic hit our working families, small businesses, and students particularly hard. They need our help.”

The disproportionate impact of dual pandemics, coupled with decades of wealth extraction, undercapitalization and devaluation of Black, Indigenous, Latinx and Asian people and communities of color, requires proportionate solutions and investments.

- BIPOC individuals comprise 23 percent of Metro areas labor force, yet constituted 36.6 percent of UI claims as of September 2020;
- 41 percent of Black-owned businesses—some 440,000 enterprises—have been shut down by COVID-19, compared to just 17 percent of white-owned businesses nationally; and
- The state of Minnesota has the second biggest income inequality gap between Blacks and whites in the entire nation; only the District of Columbia is worse. This gap has remained stagnant for over 15 years.

The Center supports the Governor’s proposed investment in small businesses, including the following:

- $3M per year in new supports for small businesses who have been hit especially hard by COVID-19, including Black, Indigenous and people of color (BIPOC) business owners;
- $50M in a new Small Business COVID Support forgivable loan program, including set-aside supports for minority-owned businesses;
- $7M in the Angel Tax Credit, which helps communities across the state create wealth by incentivizing investment in companies with founders that are women, veterans, minorities, and those headquartered in Greater Minnesota; and
- $150m in appropriation bonds for rebuilding Minneapolis/St. Paul areas damaged in last June’s response to George Floyd’s death.

However, Minnesota must do more to create sustainable economic inclusion for BIPOC workers and business owners. More must be done to undo both the disproportionate impact of dual pandemics that include centuries of wealth extraction and long-standing wage inequities.

Modernization of the state’s Workforce Development Fund, and increasing the data-informed deployment of its funds is important. Yet, without clearly articulating goals, these funds from Minnesota’s employers are used to move Minnesotans into jobs paying family-sustaining wages, too many of our state’s residents will remain economically insecure and vulnerable.
Minnesota has struggled with disparities in postsecondary attainment as well, in part due to a lack of adequate supports for students facing multiple barriers to success. The Center advocates for expanding emergency assistance for postsecondary students, tuition-free access to public or tribal college for workers impacted by COVID-19, and the establishment of a direct admissions process for Minnesota public high school students.

Lastly, the Center recommends the Governor and the Legislature establish a racial equity impact note that can be used as a tool when evaluating fiscal proposals. This provides a means of facilitating intentional focus on advancing racial equity and ensuring an inclusive economy best positioned for maximum growth.

The Center for Economic Inclusion is committed to partnering with Governor Walz, the House and the Senate to not only pursue inclusive recovery, but also identify and implement racially responsive and effective policies and approaches that are responsive to the economic opportunity before us. This must include developing a tool for evaluating the racial responsiveness of fiscal proposals to accelerate racial equity and shared prosperity and economic growth for all Minnesotans.

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**About the Center for Economic Inclusion:** The Center for Economic Inclusion is a cross-sector organization committed to strengthening the Minneapolis-St. Paul region’s civic infrastructure and collective capacity to disrupt and systems and influence market forces to catalyze shared prosperity and advance an inclusive economy. More at CenterforEconomicInclusion.org