AMERICANS FOR PROSPERITY
MINNESOTA

Roadmap to Recovery

As the Minnesota Legislature nears the end of a very non-traditional 2020 session, the usual frenzy of last-minute deal-making has had another COVID-19 wrench thrown into the works. State officials now expect a $2.4 billion deficit by the end of the current budget cycle, a $4 billion drop from the surplus projected just months ago – a stark reminder of the economic hardship caused by both the pandemic and the government's response to it.

While there is a lot of uncertainty around any of these projections, it is clear is that Minnesota government will have to do more with less, make tough budget decisions, and live within its means – just like every family and business has been forced to do. Whether in the waning days of the session, or in a deficit-oriented special session, policymakers cannot afford to wait until next year to tackle these challenges.

Here is how to get started TODAY:

Step 1: Get the Economy Going - Safely

The faster we can empower businesses to innovate and adapt to safely reopen, the faster we can get Minnesotans back to work, mitigating the economic damage done to workers, their families, and the state's budget. Ordinary Minnesotans – workers, small business owners, people from all walks of life – are bearing the brunt of this public health and economic crisis. By prioritizing their health and ability to get back to work responsibly, we not only jumpstart sustainable economic recovery, but we lay the foundation for a smart state budget to follow.

Throughout the COVID-19 crisis, we have seen communities and businesses come together with innovative solutions to continue providing the goods and services we rely on while protecting public health. We can do both – no one-size-fits all government mandate required. Instead of forcing individual businesses or industries to ask for a government permission slip before restarting operations, the state should establish clear standards that will maintain health and safety and allow all Minnesota businesses the opportunity to adapt to meet those standards. If a business can meet defined standards, they should be allowed to reopen.

Step 2: Ensure Oversight of Federal Dollars

Now more than ever, Minnesota needs to spend responsibly and not rely on state bailouts by the federal government. The danger of less fiscally responsible states with budget issues decades in the making torpedoing the entire federal budget is a far bigger risk that outweighs any small amount that may temporarily benefit Minnesota.

Minnesota has already received more than *$2 billion* in coronavirus stabilization funds from the Federal government. Due to strict restrictions, those dollars can only be used for one-time COVID-19 related expenditures that contribute to the front-line public health response. Some of these dollars impact the deficit; for example, Minnesota can put this money toward the $520 million already spent in response to the pandemic. But this is not permanent or on-going, and it should not be treated as a new, unlimited source of funding. This is a lesson the state learned the hard way. During the 2008 crisis, the Legislature used federal TARP funds to cover ongoing state commitments rather than reforming state programs, ultimately leaving an even bigger hole in the budget to fill later.

Through broad-based grassroots outreach, *Americans for Prosperity* (*AFP*) is driving long-term solutions to the country's biggest problems. AFP activists engage friends and neighbors on key issues and encourage them to take an active role in building a culture of mutual benefit, where people succeed by helping one another. AFP recruits and unites activists in 35 states behind a common goal of advancing policies that will help people improve their lives.

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Step 3: Do Not Add to the Problem

At this point, Minnesota is not yet halfway through the budgeted biennium, and the projected deficit is just that – projected. Lawmakers should use what time they have left by identifying spending increases not yet implemented, revisiting future commitments in light of new economic realities, and refocusing funding on core functions and services of government. Any non-essential spending, new hiring or backfilling of positions, and other similar actions should be put on hold indefinitely. Every day that goes by is a missed opportunity to conserve the resources we have for the most important priorities. Minnesota government will have to do more with less, share the pain other Minnesotans are feeling, make tough budget decisions and live within its means – just like every family and business has been forced to do.

This same logic should be applied to the bonding bill. This massive $2 billion-plus proposed package should not be treated like a silver bullet that will solve the state's economic woes. Of course, there are infrastructure projects of statewide significance for which it makes sense to utilize bonding. But it is hard to argue that a new amphitheater in Minneapolis is of more pressing concern than ensuring access to health care for those forced out of work because of government restrictions on business. Current budget numbers include debt service payments up to $750 million. Every dollar borrowed in addition to that makes the deficit worse (and bond markets are not the same as they were pre-COVID-19 either). In addition, though industry-specific unemployment numbers have a reporting lag, construction and other trades jobs have not experienced the same layoffs as other industries, given they were deemed essential from the start. A massive infusion of infrastructure spending does nothing to help restaurant or retail workers who have borne the brunt of the shutdown.

Step 4: Re-Evaluate and Re-Prioritize

Minnesota's budget has increased over 150% since the first day of former Governor Mark Dayton's administration. The majority of budgets enacted in that timeframe have increased spending by double digit percentages, even as other measures of economic growth (job creation, GDP growth, etc.) have lagged. That level of spending was unsustainable in the long-term, and even more so in the context of pandemic-induced recession. Given pre-COVID-19 headlines and audits detailing billions wasted through mismanagement, lax oversight, and outright fraud, the Legislature should dive in to address these problems with renewed vigor and an eye not to simply "cut spending", but to ensure that resources are only allocated where they actually return value to those populations being served.

The Legislature needs to shift rapidly from a "nice to have" to a "need to have" mentality given the new reality we are facing. Now is the time to re-evaluate and re-prioritize, rather than looking for new revenue to cover the cost of business as usual. Any quick-fix solutions calling for tax increases would only add more government-imposed barriers to economic recovery at a time when individuals and businesses are struggling just to make ends meet.

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