

House Select Committee on Racial Justice

The Minnesota Solution: Commerce

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B. Select Committee Membership

The Speaker of the House, Melissa Hortman, appointed the 13 members of the Select Committee on Racial Justice:

- Committee Co-Chair Representative Rena Moran
- Committee Co-Chair Representative Ruth Richardson
- Committee Vice Chair Representative Lisa Demuth
- Representative Jamie Becker-Finn
- Representative Rob Ecklund
- Representative Heather Edelson
- Representative Kaohly Her
- Representative Erin Koegel
- Representative Sandy Layman
- Representative Jamie Long
- Representative Anne Neu
- Representative Steve Sandell
- Representative Dean Urdahl

Minnesota Department of Commerce



ENERGY



FINANCIAL INSTITUTIONS



FRAUD



INSURANCE ENFORCEMENT



TELECOM



LICENSING



WEIGHTS & MEASURES

Our Mission

To protect the public interest, advocate for Minnesota consumers, ensure a strong, competitive and fair marketplace, strengthen the state's economic future; and serve as a trusted public resource for consumers and businesses.

Commerce Services

The Minnesota Commerce Department oversees more than 20 regulated industries, ensuring that Minnesota businesses are strong and Minnesota consumers are protected.

Minnesota Department of Commerce

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advocate for Minnesota consumers,
ensure a strong, competitive and fair
marketplace,
strengthen the state's economic future;
and serve as a trusted public resource for
consumers and businesses.

“Racism is a system, not an individual character flaw or a personal moral failing. It is a system of power that structures opportunity (education, housing, jobs, justice) and assigns value (worthy or unworthy, full of potential or full of menace) based on so-called “race”, the social interpretation of how we look.” ³

Conclusion of House Select Committee on Racial Justice

As documented in this report, history and data leads the Select Committee to conclude the following:

- (1) Systemic racism exists.
- (2) Systemic racism is harmful.
- (3) Systemic racism must be addressed.

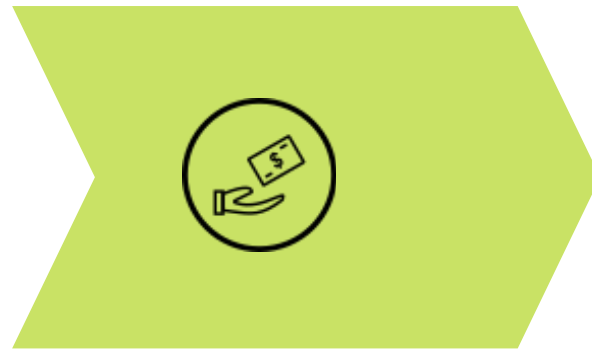
BUSINESS DISCRIMINATION

1 - Start Up



Discrimination in the workplace, entrepreneurial energy, past experience - all results in ALANA entrepreneurs launching their business

2 - Finance



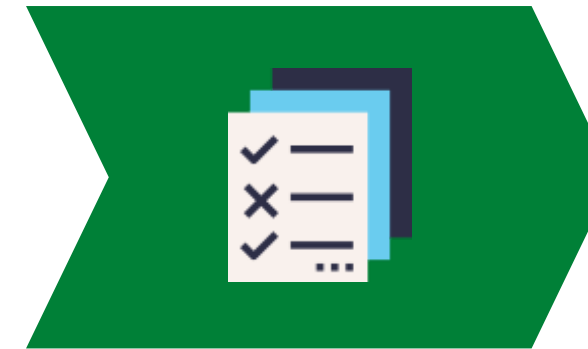
Reliance on personal and family funds rather than credit or loans from banks. Lower capital and barriers to capital access

3 - Contracts, Customers, Networks



Unable to get public contracts. Reliance on the smaller ethnic market and so cannot scale up size. Revenue not enough to invest in professional management systems. Lack of business networks to get contracts

4 - Rules, Regulations, Licenses



Many rules and regulations act as a barrier to growth or launch

5 - Result



ALANA businesses do not achieve the size needed to have sustained growth and operate at very low revenue levels

HOUSING DISCRIMINATION

1 - Mortgage



Minorities pay a higher rates or denied at a higher rate

2 - Location



Redlining and other practices push minorities to lower value areas resulting in lower home equity

3 - Property Taxes



Minorities pay higher property taxes for similar valued property

4 - Appraisals for Sale



Minority property is appraised at a lower value and sell for a lower rate

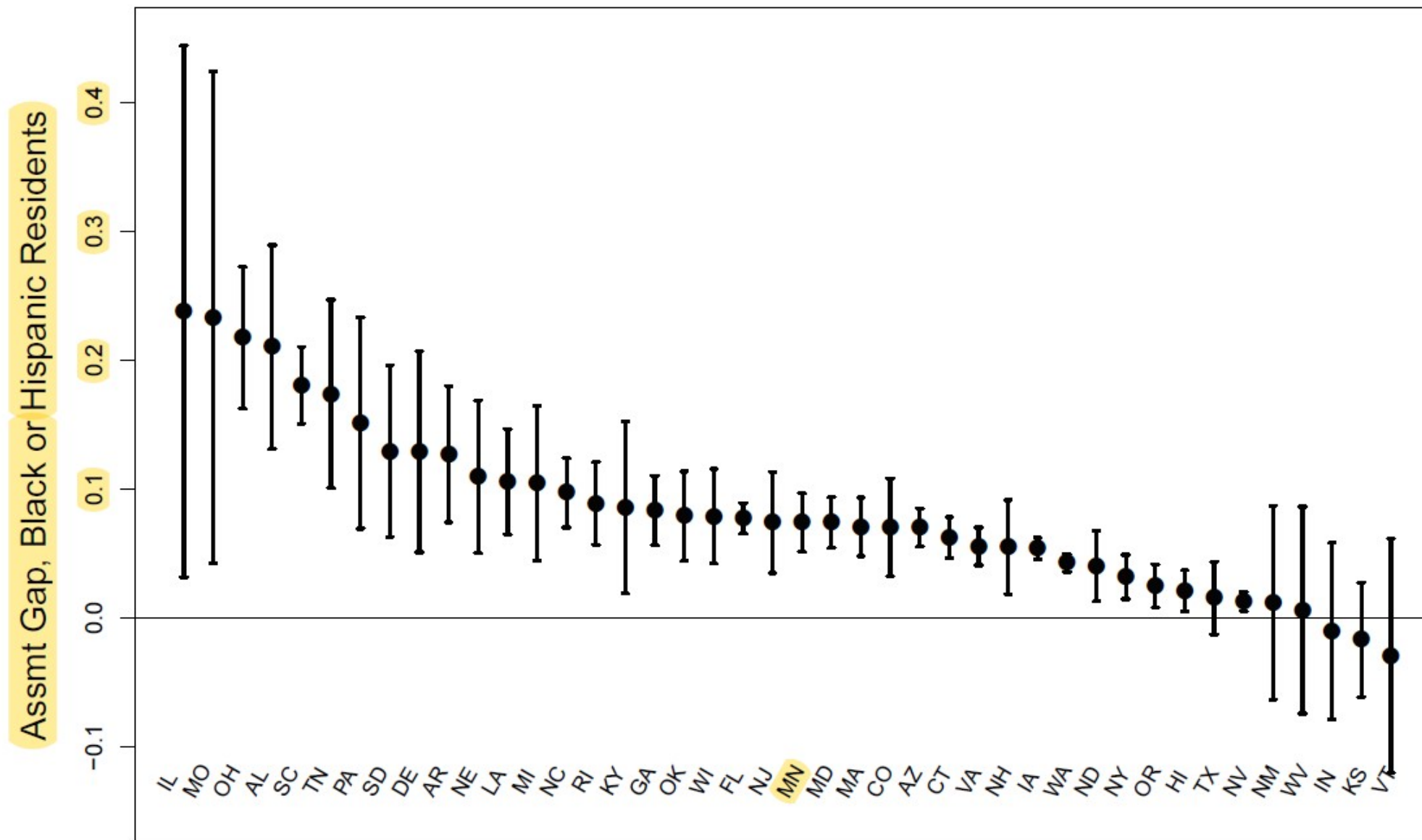
5 - Result



Lower quality has impact on student success. Lower intergeneration transfer of wealth through household equity

Discrimination in Property Appraisals, Property Taxes = Loss in Wealth

Assessment Gap, by State



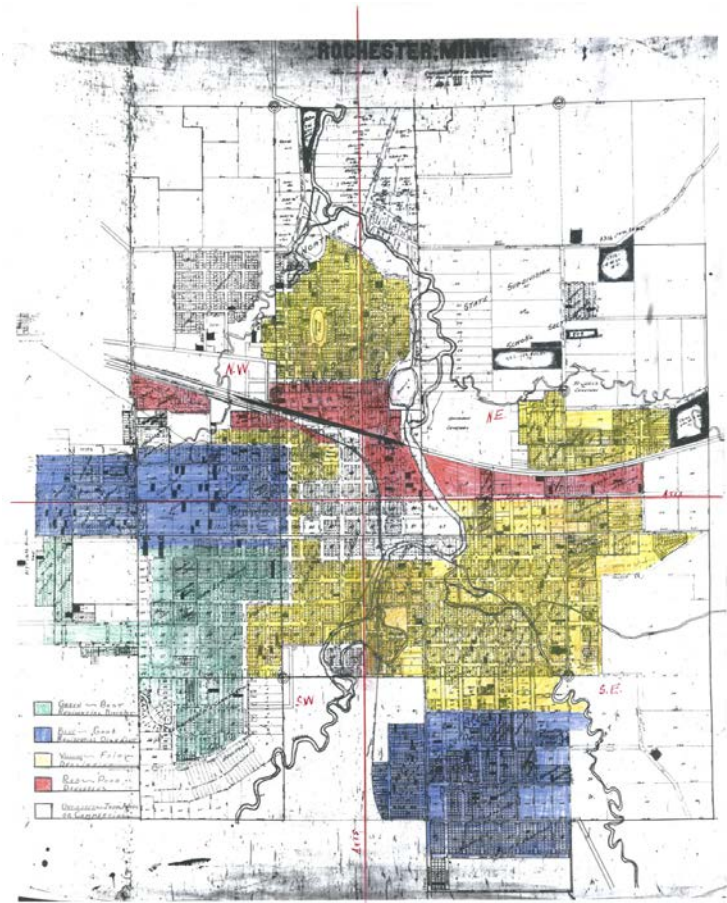
Higher property valuations result in minorities paying around \$390 more in property taxes.

\$53 million a year in Minnesota

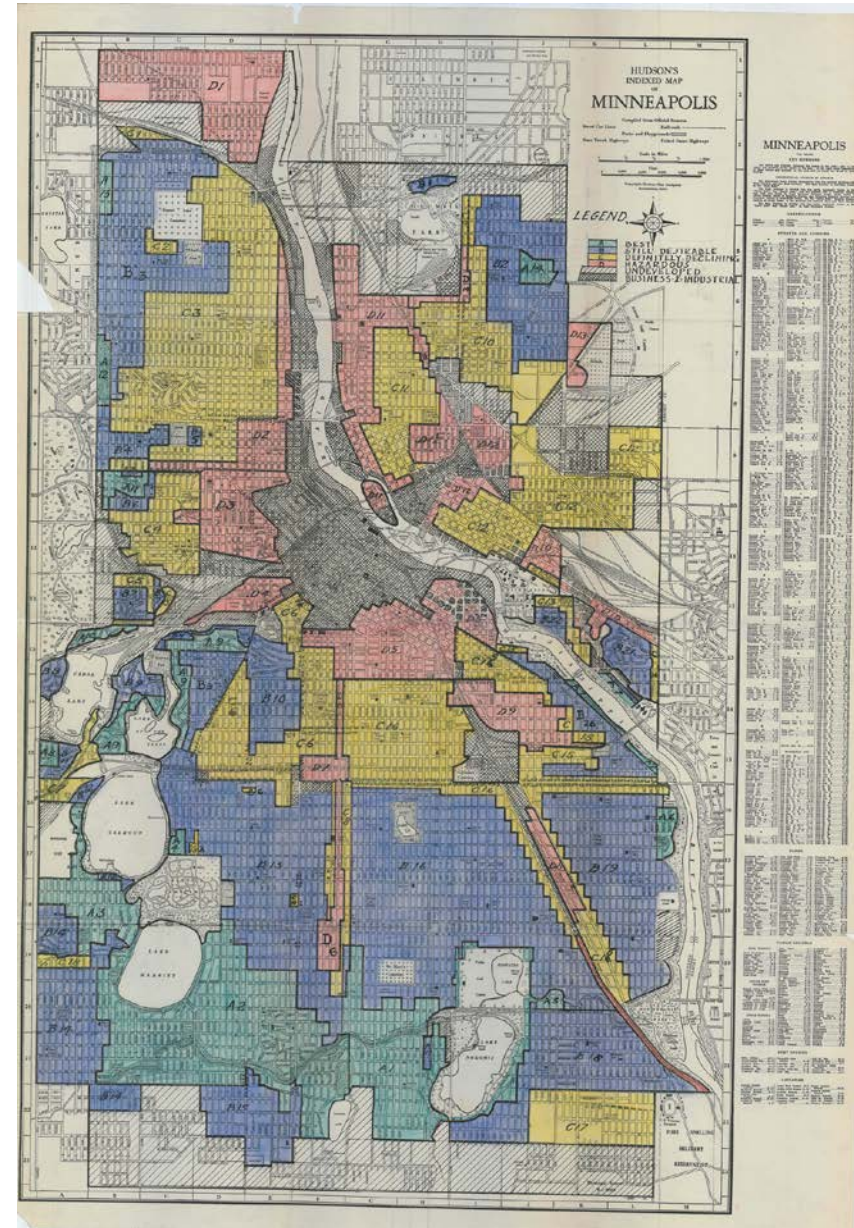
Black homeowners pay \$11 million a year extra. Significant because of the low income and wealth in the Black community

Nationally, Black home are devalued as much as \$48,000 on average. In Minnesota this would mean \$1.3 billion loss in wealth

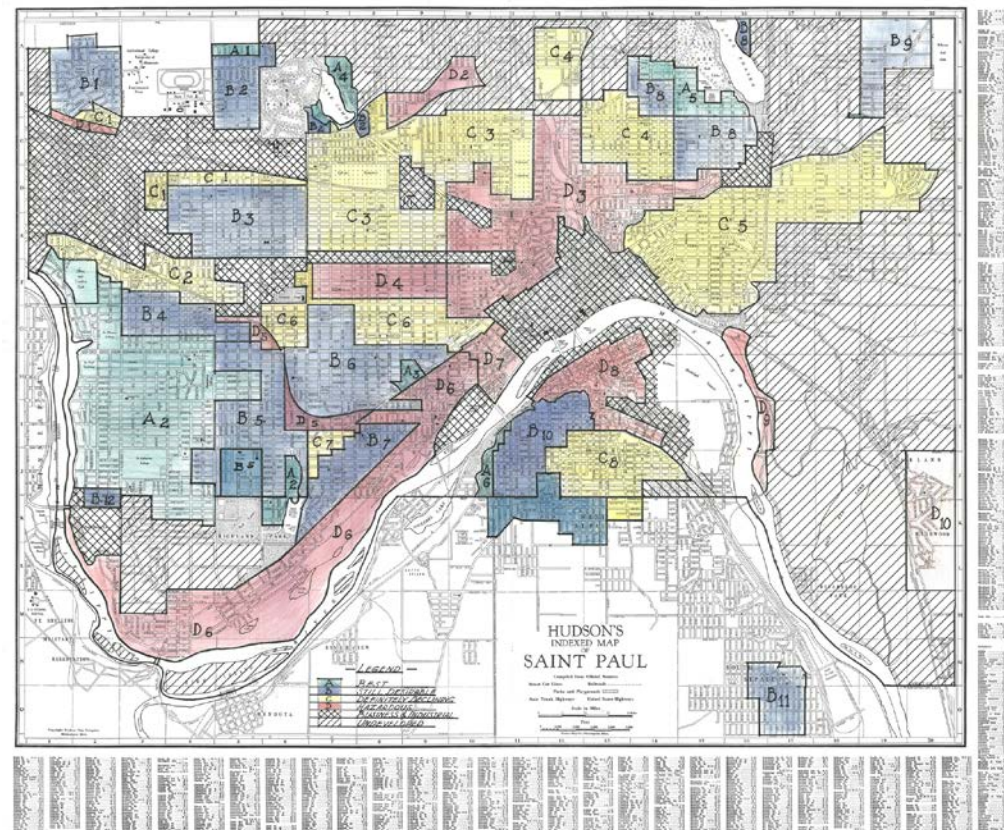
<https://www.minneapolisfed.org/research/institute-working-papers/the-assessment-gap-racial-inequalities-in-property-taxation>



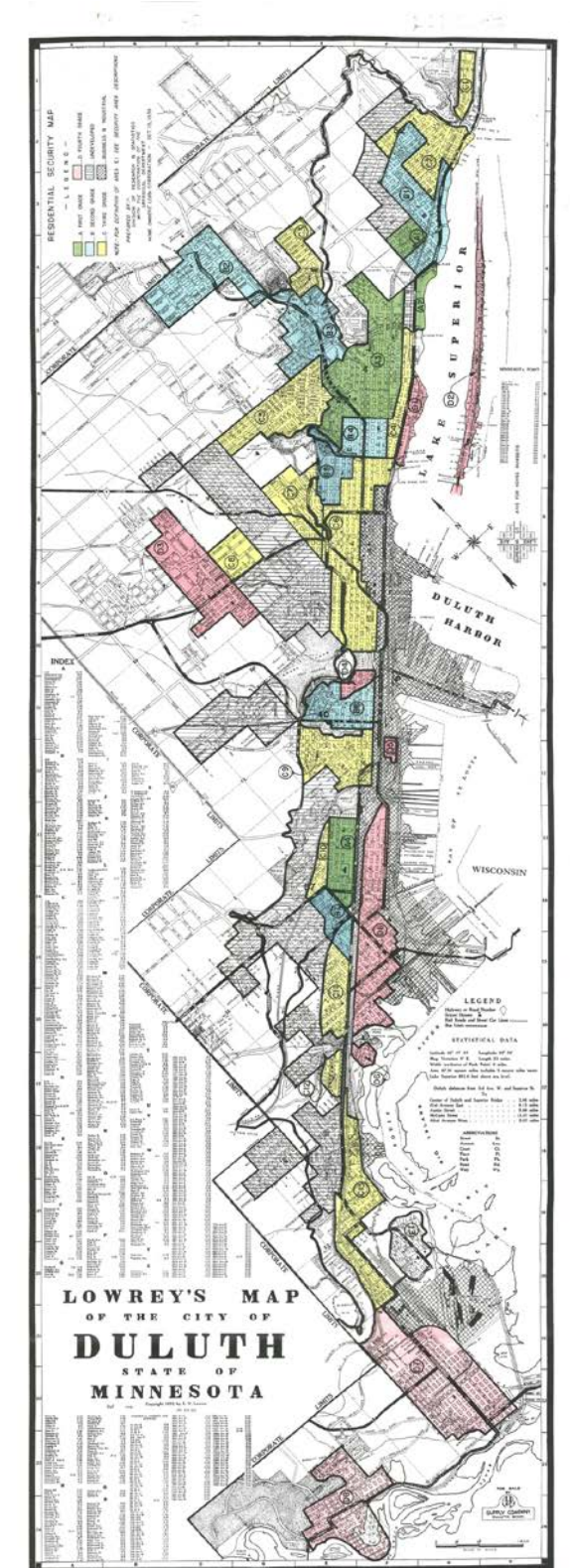
Rochester



Minneapolis



Saint Paul



Duluth

Footprints of Systemic Racism Historic Redlining Maps

Minnesota Racial Disparities



Racial Income Gap

Blacks earn 71 cents on the dollar compared to whites. Native Americans 68 cents, Latinos 70 cents, Asians 94 cents.

Racial Education Gap

There is a 21 percent gap in the six-year graduation rates between Blacks and whites, 19 percent gap for Native Americans, 12 percent for Latinos, 4 percent for Asians

Racial Housing Gap

There is a 53 percent homeownership gap between Blacks and whites, over 30 percent gap for Native Americans and Latinos and 25 percent gap for Asians

Racial Investment Gap

Average sales of ALANA firms in Minnesota were \$165,000 compared to \$1.4 million of all firms in Minnesota

Source: BLS for Wage Gap, 2017 ACS for housing gap, OHE for education gap, SBO 2012 for business gap

ECONOMIC LOSS TO MINNESOTA

\$287 Billion

Growth in ALANA income, assets and lifetime earnings if racial gaps are eliminated in Minnesota

\$2 billion+

Loss in state and local tax revenue

\$287 billion Cost of Racial Disparities in Minnesota

\$22 Billion loss in Income

Closing the income gap would cause ALANA income to almost double to \$47 billion dollars.
ALANA tax payments to \$5 billion

\$174 billion less in lifetime earnings

Not Closing the educational gap resulted ALANA lifetime earnings to decrease by \$174 billion dollars

\$67 billion in business revenue

Investing in ALANA businesses to grow to the same size as white businesses could increase sales to \$67 billion in Minnesota

\$24 billion loss in home ownership, reduced rent burdens, lower property taxes

Closing the housing gap would cause ALANA residential real estate to increase by \$23 billion dollars.

Renters would see a gain in \$1.53 billion if we eliminated the housing burden gap

Closing the Property Tax assessment gap for Black homeowners would come to \$23 million annually

ALANA households pay an extra \$64 million in wrong property tax assessments





The High Cost of Racial Disparities National

Closing the Black Wage Gap

Would add \$2.7 trillion in income or 0.2 percent of GDP

Closing the Housing Gap

Would add 770,000 Black homeowners and \$218 billion sales in the economy

Closing the Education Gap

Would increase life time earnings by \$90-\$113 billion

Closing Investment Gap

Black entrepreneurs add \$13 trillion in business revenue and create 6.1 million jobs

Source: CITI GPS, September 2020

Some Economic Development Recommendations– House Select Committee on Racial Justice

Economic Development

Policies that require no new funding:

- Enforce Chapter 16C and require 15 percent of all public contracting to BIPOC businesses, 32 percent workforce goals on all public contracting
- Streamline the bidding process, redesign the request for proposal process, and establish processes to break down artificial barriers to small and minority-owned businesses. Unbundling larger projects and contracts into multiple packages for more participation. Remove unnecessary contract specifications
- Enforce existing HUD Section 3 low-income business and workforce requirements and require annual reports to the legislature
- Leverage bank deposits – compact with financial institutions accepting public deposits to increase loans in low-income areas and to partner with BIPOC organizations serving businesses to help bring capital and capacity to BIPOC businesses
- Establish a \$25 million loan guarantee program backed by existing assets, to support bank lending to BIPOC businesses and development projects (for two tracks, businesses with less than \$250,000 sales/revenue and greater than \$250,000 in sales/revenue)
- Disaggregate data to better assess the impact of public program and policies
- Leverage state investment funds for Pension Reserves Investment Management (PRIM)- type investments in BIPOC development projects
- Establish base budget funding for BIPOC organizations in department budgets to ensure there is adequate capacity to serve
- Dedicate 25 percent of the dollars dedicated to art in new construction projects to be provided by BIPOC cultural organizations and artists
- Dedicate 15 percentage of Legacy Arts funding for BIPOC cultural organizations and destinations
- Implement salary history bans
- 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 BIPOC workers increase their earnings and skills
- Invest in the Women of Color Opportunity Act

Some Economic Development Recommendations– House Select Committee on Racial Justice

Economic Development (Contd.)

Establish a \$1 billion BIPOC Capital Fund and identify a dedicated revenue stream that will fund BIPOC activities that build the economic development infrastructure needed for wealth creation, which includes and is not limited to:

- Grants
- Equity
- Loans
- Technical assistance
- Cultural malls, corridors, destinations, districts
- Capacity development of organizations serving BIPOC businesses and workers
- Land trusts
- Business incubators and maker spaces
- Tools to transform business model to current realities
- Economic development projects
- Affordable housing and homeownership
- Equity building programs for renters
- Career pathways and opportunity occupation pathways for workforce mobility

Housing

- Establish a Memorandum of Understanding (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 should be invested in BIPOC 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 BIPOC-led affordable housing and homeownership projects
- Increase home improvement support for both owner-occupied homes and rental properties
- Provide attorneys for public housing eviction actions
- Implement a security deposit cap so tenants will be required to pay no more than a single month's rent as a security deposit
- Develop uniform screening criteria guidelines for applicants related to rental, criminal, and credit history
- Create a just cause policy for termination of tenancy
- Develop an advance notice of sale policy for rental properties

Are we Making the Right Investments and Policy Changes to Create Competitive Fair Markets?





ALANA COMMUNITY BRAIN TRUST

The Minnesota Solution

Shared Sustainable Prosperity

ADVERSE IMPACT

Will this proposal/policy have a negative impact on ALANA/BIPOC communities?

PROTECTION

Are adequate protections in place?

EVALUATING POLICY & PROPOSALS

LEVERAGE

How can we leverage state resources to build ALANA/BIPOC wealth

METRICS

How are we measuring success in closing racial disparity gaps?

Adverse Impact

Figure 13: Minnesota Level of Education by Asian Subpopulation and Race (Van Dort, 2018)

	<i>Less than high school diploma</i>	<i>High school graduate</i>	<i>Some college or associates degree</i>	<i>Bachelor's degree</i>	<i>Graduate or professional degree</i>
Total MN Population	8 %	26 %	33 %	23 %	11 %
White	6 %	26 %	33 %	23 %	11 %
Asian	21 %	16 %	20 %	23 %	20 %
Burmese	80 %	9 %	7 %	4 %	0 %
Hmong	31 %	23 %	29 %	14 %	4 %
Laotian	29 %	31 %	30 %	8 %	2 %
Cambodian	28 %	25 %	31 %	13 %	3 %
Vietnamese	28 %	22 %	23 %	21 %	6 %
Chinese	15 %	11 %	13 %	23 %	38 %
Filipino	7 %	18 %	27 %	37 %	10 %
Asian Indian	6 %	5 %	7 %	37 %	45 %
Japanese	6 %	11 %	23 %	35 %	25 %
Korean	6 %	11 %	29 %	32 %	22 %

Cultural Intelligence to look at 4 African Latino Asian and Native American communities and within these communities

<https://caalmn.org/wp-content/uploads/2020/12/CAAL-Redefining-Wealth-Digi.pdf>

Predatory Lending/Financial Practices

BORROWERS' BILL OF RIGHTS

The Responsible Business Lending Coalition has identified the fundamental financing rights that we believe all small businesses deserve. We encourage small business owners to know their rights and not to settle for less than you deserve as a borrower.

-  1 The Right to Transparent Pricing and Terms
-  2 The Right to Non-Abusive Products
-  3 The Right to Responsible Underwriting
-  4 The Right to Fair Treatment from Brokers
-  5 720 The Right to Inclusive Credit Access
-  6 The Right to Fair Collection Practices

ACCION

For more information, visit www.responsiblebusinesslending.org

Protection

ALANA/BIPOC
Small Businesses
are not protected
from predatory
lenders.

New York and
California Passed
Model legislation
that Minnesota
could adopt!

Leverage



How can we leverage 270+ State Chartered banks and 100 + credit unions to provide access to capital for ALANA/BIPOC businesses, consumers & organizations?

How can we leverage the regulatory power of the state to provide access and opportunity through the Finance, Insurance, Real Estate sectors from Payday lenders to realtors and insurance agents?

How can we leverage the new technologies in the energy and digital technology sectors to close racial disparities?

Metrics with an ALANA/BIPOC Focus



To protect the public interest, advocate for Minnesota consumers, ensure a strong, competitive and fair marketplace, strengthen the state's economic future; and serve as a trusted public resource for consumers and businesses.

Closing the ALANA/BIPOC Business Gap

	Industry Display	Output
1	5 - 31-33 - Manufacturing	\$18,323,615,373
2	10 - 52 - Finance and Insurance	\$14,760,307,610
3	11 - 53 - Real Estate and Rental and Leasing	\$13,557,725,688
4	16 - 62 - Health Care and Social Assistance	\$10,329,254,882
5	12 - 54 - Professional, Scientific, and Technical Services	\$9,983,930,880
6	9 - 51 - Information	\$4,724,084,280
7	6 - 42 - Wholesale Trade	\$4,451,578,244
8	8 - 48-49 - Transportation and Warehousing	\$4,447,439,765
9	14 - 56 - Administrative and Support and Waste Management and Remediation Services	\$3,958,461,288
10	3 - 22 - Utilities	\$3,880,268,266
11	4 - 23 - Construction	\$3,825,055,438
12	7 - 44-45 - Retail Trade	\$3,734,768,076
13	18 - 72 - Accommodation and Food Services	\$3,733,164,200
14	13 - 55 - Management of Companies and Enterprises	\$3,637,186,588
15	1 - 11 - Agriculture, Forestry, Fishing and Hunting	\$2,907,390,884
16	19 - 81 - Other Services (except Public Administration)	\$1,928,534,061
17	17 - 71 - Arts, Entertainment, and Recreation	\$1,157,423,459
18	20 - 9A - Government Enterprises	\$888,570,523
19	15 - 61 - Educational Services	\$853,243,146
20	2 - 21 - Mining, Quarrying, and Oil and Gas Extraction	\$547,747,398
	Total Increase in Output	\$111,629,750,059

ALANA Brain Trust IMPLAN Economic Model estimates that closing the ALANA/BIPOC Business Gap could cause output across Minnesota industries to increase by an estimated \$111 billion

An estimated 500,000 Minnesotan jobs could be supported by this increase in output.

\$13 billion increase in Federal, State and Local taxes

ALANA/BIPOC Investments Benefits ALL Minnesotans



Thank you

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