

REGIONAL COUNCIL OF MAYORS

December 14, 2015

PRESENTATIONS AND DISCUSSION

ECONOMIC UPDATE

Is Minnesota an economic powerhouse, as the Star Tribune declared it?

<http://www.startribune.com/minnesota-s-fiscal-health-stands-out-in-midwest/361640471/>

"I would say this article is mostly correct," said William C. Melton, former Federal Reserve economist who serves on the Minnesota Board of Economic Advisors. Understanding how it happened and what policy decisions have brought about this strong economy are essential as the state goes into the future, he said.

Melton said two key areas of policy choices have contributed significantly to the state's economic health:

Since the 1970s, Minnesota has emphasized investment in human capital, specifically in education at all levels. "Educational attainment is really a key measure of your human capital," he said. Although Minnesota is similar to—but ahead of—other Midwestern states in terms of the percentage of people who have a high school degree or more (92.3 percent vs. a national 86.3 percent and 91.3 percent for North Dakota and Iowa, the next highest states), it is well ahead of nearby states and the nation in those who have a bachelor's degree or higher (33.2 percent vs. a national 29.3 percent; other Midwestern states ranged from 26.4 to 27.4 percent).

Minnesota has made reforms to its budget policy that put it in a strong economic position, including setting a budget-reserve target. A recent study by Pew Charitable Trusts said Minnesota had the most rigorous process of any state for setting a reserve target and achieving it. "You wouldn't believe how sloppy the budget procedures of so many states are," Melton said.

Melton cautioned—not for the first time—that the state continues to forecast revenue that includes inflation, but doesn't look at inflation when projecting expenditures. "You tend to bias up the state's forecast," he said. "Minnesota is doing well, but it's not doing as well as the headline suggests."

Employment in Minnesota correlates with what's happening in the national economy, but Minnesota has done better than the nation overall, for the most part, Melton said. Employment did not decline as much in the state during the recent recession, and it recovered faster as the recession faded. Recently, employment growth nationally has been catching up to the growth in Minnesota. Minnesota has been "sidelining" at about 3.7 percent unemployment for the last six months, Melton said, partly because of job losses on the Iron Range.

Economic challenges for the state and the nation include:

- Inflation may increase. Melton predicts inflation will rise about 2 percent in the next year or so.
- Expansions in the economy rarely last as long as the one we are currently in, but there is no recession in sight—“It is almost always the case that there is no recession in sight,” Melton said.
- The inflation bias in state budgeting needs to be fixed “or in a year or two or three there will be a problem and Minnesota will not be in as good shape as it thinks,” he said.

Melton said he is concerned about the diminishment of the middle class. “Even since before the Great Recession, the growth in middle class jobs has been anemic,” he said. “The focus should be on full employment, rather than inflation.”

In the 1970s, he said, the nation had a push for manpower training of various kinds and a number of studies were done to determine how best to train workers for new technology and new jobs. “The conclusion was that the best way to get new skills was to learn them on the job,” he said.

For more information see [PowerPoint presentation here](#).

GENERATION NEXT

The Minneapolis-St. Paul region is frequently cited as being strong economically, a great place to live, growing, etc., but when you look at the “report card” of Generation Next for Minneapolis and St. Paul, “it is not the report card of a great region,” said R.T. Rybak.

Rybak, former mayor of Minneapolis, is executive director of Generation Next, a coalition of civic, business and education leaders working to close achievement and opportunity gaps. Although Generation Next started as a Minneapolis-St. Paul organization, “The reality is that you can’t solve this without the region at play,” Rybak said.

The goals of Generation Next are that every young person:

- Is ready for kindergarten.
- Meets benchmarks in reading in third grade.
- Meets math benchmarks in eighth grade.
- Is socially and emotionally ready to learn by eighth grade.
- Graduates high school ready for college and career.
- Earns a post-secondary degree or certification.”

Rybak said that making sure children’s potential is maximized should begin early. “We are diagnosing far too many issues in third grade that we should be identifying at 3 years old.” If, for example, a hearing problem is found in a toddler in day care, it can be addressed well before that child starts kindergarten with a learning gap and the academic outcome for that child can be changed from struggling to success.

Generation Next and the nonprofit Think Small won a \$3 million grant from the Bush Foundation to help smaller licensed family child care programs deliver high-quality services.

Literacy is an important focus of Generation Next. Rybak said the organization got all of the organizations working on literacy together. “For the first time ever, these groups are now

sharing practices,” he said. Currently, he said, thousands of adult volunteers are willing to help children learn to read, “but we are giving them no training.”

Generation Next also is focusing on:

- High school graduation rates. “The number one reason students don’t graduate is that they don’t have enough credits,” Rybak said. “How do we intervene earlier?”
- Post-secondary options for high school students. Currently, options are almost exclusively for high-achieving students. Generation Next is partnering with the Lumina Foundation to improve post-secondary coursework into at least three high schools in Minneapolis and St. Paul.
- Options for eighth-grade math. Generation Next has been meeting with schools and experts to determine how to help students meet benchmarks for math knowledge and use by eighth grade.
- Social-emotional learning. Although Generation Next is looking at hard data, it’s clear that there is a connection between social-emotional skills and success in academics. Generation Next is working to determine which social-emotional skills matter, which can be measured and which can be affected. Rybak said that when you combine the normal character development and changes in personal identity as a child nears adolescence with the requirements of academics, it can make the difference between success and failure. “You learn math and science by working on problems and failing to solve them,” he said. “But if your personal identity is low, failing will take you further down.”

Rybak encouraged anyone who is interested in the work of Generation Next—or who wants to volunteer their time to help in a school—to contact him at rt@gennextmsp.org.

For the full Generation Next report: <http://www.gennextmsp.org/wp-content/uploads/2015/10/Gen-Next-Annual-Report-2015.pdf>

MET COUNCIL STUDY

The Citizens League is engaged in a six-month review of the Metropolitan Council, from the way members are selected through the scope of its operations. The task force, with 19 members representing different interests, geography, skills, etc., is expected to issue a report in March; the task force began meeting in September.

The goals of the task force are:

- To review the Council’s history to better understand current concerns.
- To develop a shared vision for the Council’s work.
- To recommend actions that will address concerns while maintaining the Council’s regional view.

The Citizen’s League attended the RCM meeting to engage in a discussion regarding the study purpose and a series of questions focused on transportation and housing. Mayors provided diverse feed back to the Citizens League.

For more information and details, go to: <http://citizensleague.org/the-citizens-league-metropolitan-council-task-force/>

EXECUTIVE DIRECTOR'S REPORT/UPDATES

Caren Dewar, ULI Minnesota executive director, said the list of [priorities for 2016](#) will direct work of the Regional Council of Mayors for the next year, including selection of speakers and presentations at the monthly meetings.

COMING UP

The next meeting will be 11:30am Monday, January 11 at Dorsey & Whitney. This will be a joint meeting of the Regional Council of Mayors and the ULI Minnesota Advisory Board, with a focus on infrastructure.

ATTENDEES

Mayors

Jim Adams	City of Crystal
Bob Crawford	City of Elko New Market
Molly Cummings	City of Hopkins
Jerry Faust	City of St. Anthony
Mary Giuliani Stephens	City of Woodbury
Shep Harris	City of Golden Valley
Kathi Hemken	City of New Hope
Jim Hovland	City of Edina
Denny Laufenburger	City of Chanhassen
Peter Lindstrom	City of Falcon Heights
Mike Maguire	City of Eagan
Sandy Martin	City of Shoreview
Lili McMillan	City of Orono
Tim McNeil	City of Dayton
Duane Poppe	City of Osseo
Terry Schneider	City of Minnetonka
Jake Spano	City of St. Louis Park
Brad Tabke	City of Shakopee
Ken Willcox	City of Wayzata
Janet Williams	City of Savage
Gene Winstead	City of Bloomington
Scott Zerby	City of Shorewood

Guests

Cecile Bedor, Greater MSP; Rick Carter, LHB; Mark Casey, City of St. Anthony; Emmett Coleman, Comcast; Jenna Fletcher, The Trust for Public Land; Kevin Frazell, League of Minnesota Cities; Michael Huber, Blue Cross Blue Shield; Curtis Johnson; Education Evolving and Citscape; Sean Kershaw, Citizens League; Pat Mascia, Briggs and Morgan; Mike Mornson, City of Hopkins; Burke Murphy, Corporation for a Skilled Workplace; Patricia Nauman, Metro Cities; Carolyn Olson, GMHC; Jennifer O'Rourke, Metropolitan Council; Elizabeth Ryan, Family Housing Fund; R.T. Rybak, Generation Next; Ellen Sahli, Family Housing Fund; David Unmacht, League of Minnesota Cities; Mark VanderSchaaf, Metropolitan Council; Peter Wagenius, City of Minneapolis.

ULI Staff, Consultants

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