State of Prosperity survey reveals bipartisan support for Blueprint proposals

American Experiment’s Mitch Pearlstein
25 years of thoughtful conservative leadership — a Q&A

Policy Blueprint has impact at the legislature

Young Leaders Council recruits the next generation of conservative leaders

Kim Crockett on Big Government
We’re launching this newly updated version of Thinking Minnesota at a time when we are celebrating two significant milestones in the progress of Center of the American Experiment. The Center’s 25th anniversary this year gives us an opportunity to look back with great satisfaction and no small admiration for how Mitch Pearlstein conceived American Experiment and developed it into an elite regional think tank. And we are enthusiastic about building upon the recent Minnesota Policy Blueprint to deliver even more relevant, free-market, conservative policy alternatives to some of the discouraging nonsense we regularly see in St. Paul.

Mitch first conceived of the Center in 1987 from his office in the office of research and improvement at the U.S. Department of Education. With the entrepreneurial zeal and intellectual grit that we’ve come to identify with Mitch (not to mention 17 fund-raising trips between Minnesota and D.C., mostly self-financed), Mitch was able to finally launch American Experiment in 1990. Along the way, the Center has always maintained its reputation for objective, substantive research and analysis that reflects conservative principles without engaging in inflammatory rhetoric. Our annual dinners have hosted a Who’s Who roster of conservative leaders, writers and speakers, including Lady Margaret Thatcher and President George H.W. Bush. And, while managing all this, Mitch earned a reputation as one of America’s premier intellectual experts on family fragmentation and also managed to write upwards of a half-dozen books.

Over the last year, the Center prepared and published The Minnesota Policy Blueprint: Prescription for Prosperity. The Blueprint is a package of wide-ranging policy recommendations prepared by our staff and some outside experts, emphasizing personal initiative, free enterprise and a limited, frugal but effective government. It provides a diverse, relevant menu of legislative proposals that collectively constitute a comprehensive and thematically consistent initial agenda for building a culture of prosperity in Minnesota. We published a book containing those recommendations just in time for this year’s session of the legislature. Its impact in 2015 exceeded our expectations, as you’ll see on page 7.

The core idea behind the Blueprint is that transforming policy ideas into laws involves much more than good policy papers. The Blueprint was fashioned to be a go-to resource for lawmakers as well as the whole community of policy intermediaries—lobbyists, activists, professional associations and business organizations. The Blueprint’s real influence will result from building working coalitions of organizations with common policy goals that will combine their ideas and their Rolodexes to build support for new policies in Minnesota. That’s why we took such pains to be so inclusive as we researched, prepared and released each of the papers that eventually became the book.

This coming year we’ll expand that process. Watch as we take our ideas on the road. We’re talking to policymakers and intermediaries about ways to get out into communities to advocate for the policies in the Blueprint, to improve our recommendations and identify ideas to advance a culture of prosperity in Minnesota.

I think we’re making a difference. I hope you agree.
THE AMERICAN EXPERIMENT’S MITCH PEARLSTEIN
The Center’s founder recalls the Center’s earliest days, its ongoing triumphs, its occasional challenges, all with a look to the future.

1 - NOTE FROM THE CHAIRMAN

68% 45% 50%

TESTING THE WATERS
The State of Prosperity delivers a statewide survey.

POLICY ARCHITECTS
The Minnesota Policy Blueprint exerts wide and deep influence in the deliberations of the 2015 legislature.

NEXTGEN
The Young Leaders Council develops the next generation of Minnesota’s conservative leaders.

FINAL WORD

6 - BOARD OF DIRECTORS

Center of the American Experiment’s mission is to build a culture of prosperity for Minnesota and the nation. Our daily pursuit is a free and thriving Minnesota whose cultural and intellectual center of gravity is grounded in free enterprise, limited government, individual freedom, and other time-tested American virtues. As a 501(c)3 educational organization, contributions to American Experiment are tax deductible.

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When did you conceive the concept of Center of the American Experiment?

In early October of ’87, I had a chance to go to Washington to work in the U.S. Department of Education and for an assistant secretary by the name of Chester (“Checker”) E. Finn, Jr., who by my lights was the top education scholar in the United States at the time. But after a short period of time, I realized I just didn’t want to be in that bureaucracy. So I started thinking of ways of getting back to Minnesota.

About a half-year later I was talking with Sen. Dave Durenberger and he said, “You keep talking about this [the Minnesota-based think tank]. You have to write a prospectus.” I said he was right and I did. I wound up making 17 trips back to Minnesota, much of it on my own dime, raising money and organizing a board of directors. We finally had enough in the till—which is not to say very much—and opened up in March of ’90. Coming back to Minnesota was one of the wonderful moments of my life.

Were there any state-based or regional think tanks that served as a prototype for the Center?

There were more state-based conservative and free-market think tanks at the time than people might imagine. I learned something about think tanks when I was on the editorial page at the Pioneer Press in the mid-1980s. The Heritage Foundation used to send publications as well as people to visit me. And when I later lived in Washington I spent a fair amount of time there, which was just a 10-minute walk from my office. Heritage served as the secretariat back then for state-based think tanks, helping these organizations along. When American Experiment finally opened up, there were something like 15 or 16 across the country. Now every state has at least one free-market and conservative think tank.

But prototype? Not really. Most state-based think tanks were and remain overwhelmingly animated by economic matters, not that American Experiment wasn’t also involved with them, as we very much were and are more so all the time.

A year after we opened up, for example, we hosted the likes of Michael Novak and Pete du Pont in an all-day conference titled, “Freeing the Free Market: Making Minnesota the World’s Newest Capitalist State.” But it’s certainly true that I was
particularly interested in questions of education, families, culture and the like right from the very start.

**Did this focus on social issues hinder your ability to raise money?**

If I had to guess, I’d say probably, but I wasn’t aware of it at the time. I wanted to deal with the most sensitive and elusive problems facing Minnesota and the nation, not just tax or fiscal issues. But very importantly, when you say social issues, that didn’t mean abortion. About a year before we opened up, I asked someone—a smart local political adviser—how we might deal with abortion. He said, “Don’t worry. It’s not going to come up.” I said, “You’re crazy,” or words to that effect. “It’s a profound issue here among conservatives. How could it not come up?” He said, “You’re not running for office. It’s not going to come up.” And he was absolutely right. I could go years without being asked about abortion and still can.

It became one of the great fascinations in the early days of the Center. Many people on the right clearly wanted a demilitarized zone when it came to abortion and we were it.

**Among your early supporters, who stands out most?**

Marv Schwann, overwhelmingly. Marv was Schwann Sales Enterprises, the home-delivery ice cream and pizza folks out in Marshall. Marv had many, many dollars, but he didn’t flaunt them in the smallest way. When I finally got to meet him in 1988 or early 1989, he asked the great question, for which I was prepared. He said, “I give to the Heritage Foundation and other organizations. Why should I give to you?” And I said, “Because we’re here. People will come to events here.

They’re not going to go to events in D.C.” He made a $25,000 challenge pledge and when we finally matched it in early 1990, it was one of the great moments of my life. I knew I was coming home.

**What are a couple of early successes that told you the Center was here to stay?**

The very first thing we ever did, in 1990, was a day-long conference called “The New War on Poverty: Advancing Forward This Time.” It was Peter Bell’s idea. Peter was one of the original founders with me, along with Kathy Kersten, Mark Larson, Steve Young, and Ron Eibensteiner. We invited major players—Charles Murray, Linda Chavez, Bob Woodson, Larry Mead, and Sally Kilgore, with Checker Finn as the keynoter. More than generously, they all agreed to come out here just for expenses. I later found out (goes the story) that they all originally agreed because they didn’t think we’d be able to pull the conference off. We did. There were 300 people in the audience. Bill Raspberry wrote a wonderful, syndicated column about Checker’s great speech, leading to 2,000 requests for it. That was a very important moment, right out of the gate. We were legit.

The greatest all-time, single moment remains when Margaret Thatcher keynoted American Experiment’s 1997 Annual Dinner and the two of us were up on the dais (along with a few others, I vaguely recall) singing our two national anthems. “Dang,” I said to myself through the goose bumps, “We done good,” or something a tad crisper. Colin Powell keynoted the dinner the following year. And two years later it was Mikhail Gorbachev.

**Pearlstein calls the visit from Margaret Thatcher the Center’s “greatest all time single moment.”**

**What’s the backstory to Gorbachev?**

Stan Hubbard made the recommendation. With all due respect, I thought he was out of his mind, and the Board of Directors said no the first time around. But then I got a letter one day from Stan, which said he was aboard Steve Forbes’ yacht with Lady Thatcher, and that Lady Thatcher herself said American Experiment should get Mikhail Gorbachev. Done deal.

**What’s your proudest personal accomplishment here?**

When I say it is hard to limit it to one, it is not to be boastful. There are different arenas. I started writing books too late in my life. But I was reasonably busy with other things earlier on. I am very proud of some of the books I’ve written. There is something weighty and important about a book as opposed to a handful of columns or reports.

From the beginning, I said we would stay clear of all internecine and intramural battles between various strains of conservatism—between paleoconservatives and neoconservatives, religious conservatives and main street conservatives, and so on. And I really meant it. But I figured that after some number of years, one side or another would prevail and I’d get purged.

[continued on page 9]
As Minnesota’s legislators proceeded through the final days of their 2015 session, Center of the American Experiment released a public opinion survey that revealed, among other things, that a bipartisan majority of Minnesotans staunchly rejected the notion of a statewide gas tax increase by a whopping two-to-one margin. Minnesotans also appeared to be surprisingly unified on issues related to the budget, health care, and state pensions, perhaps explained by their perception of the state’s improving economy.

This first-ever State of Prosperity survey was conducted by Rob Autry, one of the nation’s leading pollsters and research strategists. His Charleston, SC-based firm, Meeting Street Research, interviewed 500 registered voters statewide by telephone (30 percent by cell phone) between April 26-28. This survey has a margin of error of plus or minus 4.38 percent.

The survey was created to supplement the abundant success of the Center’s Minnesota Policy Blueprint, a wide-ranging anthology of market-oriented policy recommendations published in January.

“The Blueprint did an outstanding job of laying out a conservative agenda for legislators,” said Tom Mason, the consultant who conceived and managed both the Blueprint and the State of Prosperity survey on behalf of the Center.

“But policy-makers also benefit from knowing how concepts resonate with the public.” The State of Prosperity did exactly that, he said.

The survey earned lead editorials in both the St. Paul Pioneer Press and the Minnesota StarTribune.

Among other things, the State of Prosperity survey revealed the following results:

**Spending:** Minnesotans oppose using the proceeds of the state’s expected $1.9 billion budget surplus to fund new or expand existing government programs. Only 13 percent favor such spending. Voters would rather see the surplus saved for a rainy day (39 percent) and used to cut future taxes (38 percent). On top of this, there was deep bipartisan support (64 percent) for the notion of limiting how much lawmakers can increase state spending, such as limiting the growth in spending to the growth in inflation or personal income (36 percent strong support, 27 percent somewhat support). This idea enjoyed the broadest support of all the issues tested, cutting across all demographics: 76 percent from Republicans, 65 percent from Independents, and 53 percent from Democrats.

“Minnesotans expect lawmak-ers to spend tax dollars responsibly,” said Peter Nelson, the Center’s director of public policy.

**Transportation:** A whopping 94 percent of Minnesotans favor public spending on modernizing and expanding aging roads, highways, and bridges. They overwhelmingly favor funding improvements through use of existing sales tax revenue (65 percent) over raising the gas tax (29 percent). “This is telling data,” said pollster Autry. Republicans overwhelmingly reject the gas tax (79 percent to 14 percent), but so did Independents (68 percent to 24 percent).

Attorney Fritz Knaak, a former state senator and coauthor of the Blueprint’s chapter on transportation, said the overwhelming support for prioritizing transportation funding “is the key takeaway.

**Voters say they would like to use the existing sales tax revenue, before raising the gas tax.**

<table>
<thead>
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<th>% Raise Gas Tax/Use Existing Sales</th>
<th>By Party</th>
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<tbody>
<tr>
<td>Overall</td>
<td>-36</td>
</tr>
<tr>
<td>Republicans</td>
<td>-65</td>
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<tr>
<td>Independents</td>
<td>-44</td>
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<td>Democrats</td>
<td>-5</td>
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- 29% Raise Gas Tax
- 65% Use Existing Sales Tax

**So it’s not too surprising that people across the partisan divide support setting reasonable limits on spending.”**

**Testing the Waters**

American Experiment’s public opinion survey finds Minnesota hostile to a gas tax increase, favoring spending restraint and wary of financially unstable public pensions.
from this, particularly when coupled with such a consistent opposition to gas tax funding. It’s clear that Minnesotans expect their leaders to find the means within the current revenue sources to get the job done.”

Health Care: When asked to name the ONE thematic solution that best contains the rising costs of health care, Minnesotans dramatically favor increased competition in health insurance (59 percent) over single-payer health care in which all Americans would get their health insurance from one health plan that is financed by taxes (35 percent).

Said Nelson: “Various laws on the books stifle value-enhancing competition in health care markets, but it’s not always clear whether the public understands this fact. It’s good to see that Minnesotans appreciate how competition can improve health care, just as it improves so many other things in our daily lives, like phones, cars and the restaurants we frequent.”

Public Pensions: A majority (51 percent) of Minnesotans thinks that the financial insolvency of the state’s system of public pensions poses a potential future problem. Nearly two-thirds (64 percent) think public employees should transition to a kind of 401(k)-style pension system that is commonly used by private sector employers.

“Bringing the public sector into line with the private sector has many virtues,” says the Center’s executive vice president Kim Crockett, long a leading advocate of pension reform. “Besides offering fully funded, mobile retirement assets to young employees, it ends the unsound practice of taking on new, unfunded liabilities that are guaranteed by taxpayers. This makes it more likely that we can fully honor the promises we have already made, but not fully funded, to retirees and long-time employees. It also takes the backroom politics out of retirement savings and investments.”

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Last summer and fall, American Experiment developed *The Minnesota Policy Blueprint: Prescription for Prosperity*, a set of wide-ranging policy recommendations for state lawmakers that it published as a book in the early days of the 2015 legislative session. “This is a long-term project,” said Peter Nelson, the Center’s director of public policy, who edited the book. “It will take more than a few legislative sessions before the Center’s recommendations are fully debated, let alone passed into law. That said, we’re pleased that lawmakers gave serious consideration to a large number of policies that conformed with our recommendations.”

Here are the highlights from the legislative session:

**Taxes:** Since the House and the Senate could not come to agreement on a tax bill, the session ended without reducing taxes, despite a $2 billion surplus. However, lawmakers left over $1 billion unspent which will be available for tax relief next year. Two important *Blueprint* recommendations were adopted in the House omnibus tax bill. It raised the estate tax exemption to the federal amount and phased out the statewide property tax on business and recreational property. Importantly, these issues also received favorable treatment from some DFLers in the Senate.
Transportation and Metropolitan Council: Light rail did not receive any state funds and the metro area tax for transit failed to pass. This comes on the heels of the news that Southwest light rail is going to cost $2 billion, a development that caused an uproar near the end of session. As the Center’s recent poll reported, Minnesotans want roads and bridges funded with existing tax revenues, not new taxes. This is exactly what the Blueprint recommends and the position the House continues to hold. There were not any substantial changes to the Met Council, but the House formed a new subcommittee on the Met Council which began hearings that will continue over the summer. A number of House bills already passed in committee follow Blueprint recommendations to give local elected officials and the legislature more control over the Met Council.

Education: The House tax bill would have also increased the current education tax credit and allowed it to be applied to tuition for private schools, an important element of the Blueprint’s school choice recommendations. Again, no agreement was reached on a tax bill and so the education tax credit remains as is. A number of other important bills to promote school choice were discussed or heard in committee but were not included in a final agreement. While the governor has already vetoed the education bill, which raised spending $400 million, the House and the Senate did agree to improve teacher licensure to give a level of reciprocity to teachers who have earned licenses in different states. They also agreed to increase funding for preschool scholarships by $30 million—a recent example of how private school choice can work—and provided for an additional $30 million for school readiness, compared to Governor Dayton’s demand to push all four-year olds into public schools.

Healthcare: The House health and human services bill largely followed the Blueprint’s recommendation to convert MinnesotaCare (the state’s public health care program for working adults and families) into a premium subsidy program that empowers enrollees to afford individual health insurance. Though this conversion did not find agreement in the Senate, provisions to increase cost sharing in MinnesotaCare making enrollees more responsible for their care were signed into law. There was also an agreement to allow people to purchase health insurance outside MNSure with tax credits through a federal waiver, which is an important first step to bring more options and flexibility to the health insurance market. Additionally, a bill to allow employers to fund individually-owned and portable health plans, a lead Blueprint recommendation, was introduced with bipartisan support in both the House and the Senate.

Energy: A number of Blueprint recommendations were passed by the House, including provisions to dramatically improve the state’s energy efficiency program and renewable energy standard. These provisions were removed in conference committee and, in the end, the governor vetoed the entire bill.

Pensions: Some progress, however small, was made to improve the current defined benefit pension plans by, as the Blueprint recommends, using more realistic assumptions for pension math. With the exception of the Teachers Retirement Association, pension funds adopted a new, more realistic assumed rate of return of 8.0 percent. While this assumption, also used to calculate unfunded liabilities, is still indefensible, it is a move in the right direction. But it is just a Band-Aid. Pensions will continue posing a financial threat to the state until they fully fund their promises and move to a defined contribution model.

State Spending: The budget grows by about $500 million over the base spending level, which is about $1 billion more than the House proposed and $1 billion less than the Senate and governor proposed. Any increase in spending is too much, considering the state’s already high tax burden. However, one bright spot is that spending on health and human services is reduced by $300 million. The Blueprint’s recommendation to adopt a Legislative Budget Office to estimate spending and revenue impacts of proposed legislation received a strong endorsement from both Senate Majority Leader Tom Bakk and Speaker of the House Kurt Daudt. Though their bills never became law, there may still be opportunities to implement the policy on a smaller scale without it.

“The Blueprint became a great resource for lawmakers this session,” said Kim Crockett, the Center’s executive vice president. “Whenever we visited the Capitol, we would see individual chapters, the Summary, and copies of the book in offices and conference rooms. More importantly, our ideas appeared in dozens of bills proposed during the session. We were thanked over and over for providing research and ideas—and asked for lots of copies for members during the session.”

“This is a long-term project,” said Peter Nelson, the Center’s director of public policy, who edited the book. “It will take more than a few legislative sessions before the Center’s recommendations are fully debated, let alone passed into law.”
Local attorney Tara Anderson will chair the Young Leadership Council (YLC), Center of the American Experiment’s new group aimed at developing Minnesota’s next generation of conservative leaders.

Anderson, 32, is currently the youngest board member at American Experiment. A graduate of the law school at the University of St. Thomas, she practices in the corporate and commercial aviation transaction groups at Fafinski Mark & Johnson, an Eden Prairie-based firm. She is also a go-to activist for candidates who want to improve their connections with young professionals.

The YLC, she says, will introduce young professionals to the Center through quarterly events that combine social networking and a forum to discuss free-market ideas and conservative policies.

The YLC was initiated by the Center’s development committee chair Ron Eibensteiner, who says “Conservative leadership is too often equated with political involvement. They are not the same thing. Policy matters most. We spend too little time nurturing our next generation of conservative thought leaders. The YLC will do just that.”

Anderson will be joined by the following co-chairs:

- Jen Niska, director of admissions at Bethel Seminary. She was also a commit-tee legislative assistant at the Minnesota House of Representatives, and office director for the Tom Emmer for Governor campaign. She has a B.A. from Sioux Falls College, an M.A. from Sioux Falls Seminary, and an Ed.D. from Bethel University.
- Ben Wilmoth, most recently at Target, worked in the White House from 2004-2009, where he served as executive assistant to the President’s chief of staff. He earned a degree in political science from Lafayette College and an MBA from the Kellogg School of Management at Northwestern University.
- Anne Yoder, a commun-ications executive at Clear-way Minnesota, has communications experience that includes work in the Washington, D.C. office of Congressman Mark Kennedy, the office of the U.S. Treasury Secretary, the National Republican Congressional Committee, and the Humphrey School of Public Affairs at the University of Minnesota. She interned in the White House political affairs office under Ken Mehlman. She has a degree in political science from Drake University.
I like to say that Dennis Prager is my Rabbi. When I am eating lunch, I often listen to his radio show.

One of Prager’s best lines is “The Bigger the Government, the Smaller the Citizen.” I liked it so much that I put a bumper sticker with the phrase on my car. Why? Because I want to encourage people who get it—and make others think.

Our nation and state are terribly divided, making it hard for people to talk to one another about important things—let alone work together to solve big political and cultural problems. Our inability to solve big problems will undermine our confidence in the democratic process itself, leading to the conclusion that we are not capable of self-governance. That this American Experiment was doomed to fail. It is only doomed if we give up our duties as citizens, which means identifying the problem and then working for a solution.

The growth of the state and the breakdown of our cultural institutions are directly related. The more we grow the state, the less Americans seem able to handle every day matters like getting a job, getting and staying married, raising a family, saving for retirement, growing old with grace and dying well. The growth of entitlements allows us to socialize the cost of failure—making it someone else’s problem. We have shifted dollars away from private charity and the church, from private sector investments that grow the economy and good jobs.

If you look at spending in Minnesota, and how entitlement and education spending has ballooned since 1960, you would expect a drop in poverty and a big increase in educational achievement. But the results are devastating, particularly for black Americans, though all Americans are experiencing increasingly high rates of family fragmentation, and all the attendant social problems documented by Mitch Pearlstein in Broken Bonds: What Family Fragmentation Means for America’s Future.

Since 1960, after adjusting for inflation, spending increased from $8 billion to $62 billion in 2012, a 667 percent increase. And these figures do not include the spending increases under the Dayton-Smith administration. The bulk of our tax dollars now go to welfare and education with a small percentage devoted to core functions like roads, public safety and the courts. The state, local and federal government are by far the largest employers in Minnesota, dwarfing the private sector.

How did this happen? One of the primary reasons is public unions. The public union agenda has grown to dominate budget and policy decisions. Education Minnesota, AFSCME and SEIU have bargained for pay and benefits that are tough to match in the private sector. The kicker is that the state deducts mandatory dues for the unions. This gives union leaders and their allies an outsized influence, leading to warped results that most Minnesotans reject, even many union members.

Case in point: Gov. Dayton’s push to force the unionization of private sector in-home daycare owners and in-home health care aides (often a family member of the disabled person). The goal is to take over the daycare and home health care sectors. This also explains why Dayton is demanding that we send all four-year-olds to public school: it creates jobs for Education Minnesota and other public sector unions. This grab for our children will put private nursery schools out of business, and pressure parents to send children to “school” before they are ready.

Is this the Minnesota we want? I did not write this to discourage you. On the contrary, I wrote in hopes that this information would fire you up, and lead you to ask, “How can I help?” Please pass this newsletter on to a friend, tell people about the Center and our good work. We can restore our confidence in the American Experiment if we can start to solve big problems.

And if you see an old Volvo headed toward St. Paul, please honk if you like my bumper sticker. ★
What is a culture of prosperity?

To us, prosperity includes a wide variety of benefits and opportunities that help Minnesotans – all Minnesotans – achieve a rich and fulfilling life. Economic success is only part of it.

- It means enabling Minnesotans to raise their families in a safe, healthy and fulfilling environment.
- It means creating opportunities and incentives for self-fulfillment and personal enrichment.
- It rewards hard work, personal responsibility and individual initiative.
- It means access to jobs – well-paying jobs.

Minnesotans believe in work. They know that quality jobs are the foundation that sustains our culture and our economy. Work contributes to the sense of dignity and self-reliance that is the best-known antidote to entrenched poverty.

With that in mind, our policy recommendations emphasize opportunity, value in government, innovation, and a full appreciation for the job-creating power of entrepreneurs.