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Kitchen Table Budget Principles

By Jermaine Toney

The State of Minnesota, and Minnesota Families, Face Budget Challenges

The state government has forecast a shortfall of \$4.8 billion for the next biennium, July 2009 to June 2011.¹ In the next few months, state policymakers will decide how to balance the budget.

We are all facing tough economic times. The unemployment rate is nearly 7 percent, and may well climb higher.² Paychecks are downsizing. The value of our stocks and retirement portfolios is evaporating. Each night, tens of thousands of us are being turned away from shelters.³ Thousands of our homes have been lost to predatory sub-prime lending. Rent is rising. Food prices are going up. Bellies are growling with hunger. Thousands are without health care. College tuition is moving out of reach for more and more of us.

During these tough times, many of us are sitting down with our families around kitchen tables, talking about how we are going to make it through this downturn. We are figuring out what we can cut back on and what we can't, trying to decide what is necessary.

This is a tough process, but those of us who historically struggle the most in tough economies — particularly low income communities, people of color, American Indian people, veterans, the disabled, women, immigrants and the formerly incarcerated — know how to stretch a dollar. We know how to cut back, how to get creative and find fresh sources of income, how to look out for other family members, and how to come together with our neighbors.

Kitchen Table Budget Principles for Budget Decisions

We decided to ask ourselves, in a series of what we called “kitchen table” conversations, what kinds of values and principles we use to balance household budgets in tough times. These conversations around the state — in rural, suburban and urban communities — for the past six weeks have outlined the approach that Minnesotans take to address budget challenges in our own lives. We offer this wisdom to lawmakers as they face the state’s budget challenges.

1. Solve the challenges for the whole community. In our families we look out for each other during hard times, and we also look to our neighbors. Now is the time to come together to ensure that budget problems are solved for the whole community, rather than saying some people’s needs simply won’t be met. In the past, low income communities and people of color have disproportionately borne the brunt of budget cuts.⁴ *As you look at who will be impacted, make sure that we are all sharing both the benefits and pain.*

2. Include us in solving budget challenges. Draw on the strengths of the entire community, particularly those Minnesotans who are the most impacted by budget decisions. When working together, we’re unified and will have a greater impact on issues of racial and

economic equity. *Before you make budget cuts or implement reforms, ask our communities what the impact might be, and solicit our ideas.*

3. Invest for the long run. While addressing short-term difficulties, we must remember that our decisions will have an impact for years to come. Even in tough times, it's important to invest in the seeds of our future harvest. Wide and long-term racial and economic disparities are a threat to our state's competitive advantage.⁵ We cannot undermine the core infrastructure — access to education, investments in children and families — that ensures opportunities to thrive. *Invest for the long run by reducing today's barriers to opportunities.*

4. Look for additional resources. In our families in these tough times, we don't just look for ways to cut spending, we also look for ways to increase our incomes. During the Great Depression in the 1930s, Minnesota lawmakers adopted one of the most fair income taxes in the country, and laid a foundation for investments that allowed Minnesota to later top the charts on quality of life measures.⁶ But over the past decade, our taxes have become less fair and our foundation has been eroded by disinvestment.⁷ *Reclaim our legacy by fairly raising the revenues needed to maintain core institutions that promote equity and the good life.*

5. Invest wisely on priorities. Minnesota's economic future depends on investing in our people, and making sure all have the opportunity to succeed. This has not been the path followed in the past. For example, drastic cuts to our child care assistance programs in the 2003 and 2005 legislative sessions, meant nearly 11,000 fewer children, disproportionately children of color, have access to child care.⁸ What's more, due to the decline in state funding for affordable housing, the unmet challenge through 2010 has increased to 330,000 low income households, disproportionately households of color.⁹ *The way to spend wisely and avoid inequities is to ensure that policy choices do not disproportionately hurt low income people and people of color.*

Anchor Reforms in Racial and Economic Equity

Clearly, in the face of this serious budget challenge, there is an opportunity to get it right by using these Kitchen Table principles. During previous deficits, efforts to address deficits primarily through spending cuts meant a decade of public disinvestment in child care, education and affordable housing.¹⁰ Because of this we have lost considerable ground, and we are host to some of the nation's widest disparities in well-being between Minnesotans of color and whites. Taking a different approach, and maintaining our public investments, is critical to our economic prosperity and to getting back to topping the charts in quality of life measures.

In kitchen table discussions held around the state, Minnesotans outlined the approach we take to address budget challenges in our own lives. Our discussions provide wise counsel to policymakers that they can carry into their decisions to address a daunting state budget deficit. We look forward to working with lawmakers to translate these principles into concrete action steps, so that they can make decisions that will brighten the future for all Minnesotans, particularly for low income communities, people of color and American Indian people.

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¹ Minnesota Management and Budget, "Minnesota Budget Forecast," Dec. 11, 2008.

² Minnesota Department of Employment and Economic Development, "Minnesota Unemployment Rate at 6.9 Percent," January 22, 2009.

³ The Minneapolis Foundation, "The Real Costs of Cuts: How 2003 Budget Cuts Have Impacted Real People," March 2005.

⁴ Ibid; Analysis by the Minnesota Budget Project for the Organizing Apprenticeship Project's *Race and Budget Matters: A Mid-Term Report Briefing*, April 18, 2007.

⁵ Britany Affolter-Caine and John Austin, "The Vital Center: A Federal State Compact to Renew the Great Lakes Region," The Brookings Institution Metropolitan Policy Program, Oct. 2006; Rebecca Sohmer, "Mind the Gap: Disparities and Competitiveness in the Twin Cities," The Brookings Institution Metropolitan Policy Program, 2005. Mind the Gap was commissioned by The Itasca Project, a partnership of our state's business leaders.

⁶ Russell W. Fridley, "Public Policy and Minnesota's Economy – A Historical View," *Minnesota History*, Spring 1975.

⁷ Minnesota Budget Project, "Tax Fairness Declining in Minnesota," April 2007; Minnesota Budget Project, "The Lost Decade," Dec. 2008; Jermaine Toney, "2007 Minnesota Legislative Report Card on Racial Equity," Organizing Apprenticeship Project, Jan. 2008; State of Minnesota Office of the State Auditor, "Minnesota City Finances: 2007 Revenues, Expenditures, and Debt," Jan. 14, 2009.

⁸ Wilder Research, "Child Care Use in Minnesota: 2004 Minnesota Statewide Household Child Care Survey," 2005. Fewer in Oct. 2005 than in June 2003, after cuts were made to child care.

⁹ Greater Minnesota Housing Fund, "The Importance of Stable Housing for Families with Children: Child Success, Workforce Development, Strong Communities," May 2004.

¹⁰ Minnesota Budget Project, "The Lost Decade," December 2008.