

Every year I see my students graduate and go off to pursue their new lives. Many go to work. Over the past few years I notice more and more are still searching for work the following fall when new students arrive on our campus. There has been more of this lately.

Minnesota historically has had better unemployment rates than the nation, the state economy still struggles. State employment figures show us 117,800 jobs below the level we had reached at our peak in February 2008. And each year we add more citizens to the workforce, like my students or my oldest child.

Meanwhile, businesses struggle. Business bankruptcy filings are up 65% over the last two years. While we argue over whether jobs and firms are really leaving for South Dakota or not, there is little doubt our economy has struggled. In June and July 2010, the size of our labor force, including both working and unemployed, fell by 26,000 workers. Chances are you know someone in your neighborhood or in your family who has been struck by long-term unemployment.

What can we do? My proposals are modest, based on the primary task we have in 2011 of balancing our budget. All of these proposals will pay for themselves and not cause any deterioration in the budget balance. Here are three things we can do right now to help our economy grow jobs:

1. *Re-examine state regulation.* In meetings with local business owners, I am continuously hearing their frustration with the enormous amount of unnecessary regulation that's imposed on them, often in arbitrary ways that frustrate their ability to business. If we don't address that problem, not only will we continue to lose businesses to other states but we could become another sinking ship like California. A recent study by two Sacramento State professors showed that regulation in California is costing each resident of that state over \$13,000. (Varshney and Tootelian, 2009)

By reducing regulatory excess, we can help businesses get on with the important task of creating opportunities. Towards that end, I will support creation of a Sunset Commission (proposed by Reps. Joyce Peppin, Keith Downey and Kurt Zellers earlier this year) to review and end unnecessary and duplicative government operations. (See HF3294 in previous session.) I would also propose a legislative Office of Regulatory Reform, modeled on the office of the same name in New York (though that one is appointed by the governor alone.)

This office would be empowered to seek cost-benefit and impact analyses of all rules and regulations proposed, as well as those subject to review by the Sunset Commission.

2. *Encourage entrepreneurship.* We need more free enterprise in this state, and we can help it in rather low-cost ways. One proposal I would bring is to allow for the freedom of university researchers to shop their creations and inventions to

any technology transfer office rather than give the university right of first refusal on any invention. This will improve both the incentives for new ideas and for universities to move those ideas to the marketplace and create the next great start-up. We need both easy entry and exit of firms; towards the latter end I would study whether our bankruptcy laws allow failing firms to exit the marketplace easily while protecting secured creditors.

3. *Reduce the corporate income tax rate to 7.5%.* Most analysts will argue this is a net cost to the budget. However, recent analysis by University of Tampa professor John Stinespring shows that corporate income tax rates above 7.5% are counterproductive and reduce tax collections. Given that our neighbors North Dakota and Wisconsin have lower tax rates than this and South Dakota has no corporate income tax at all, this move will remove barriers to business formation at no cost to our budget. It may even increase revenues.