

# Coming Together

## Promises and Pitfalls of Minnesota's Corporate-Accountability Campaigns

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*Minnesota's 1999 Corporate Subsidy Accountability law provides a model example for the growing movement around corporate subsidy standards. It grew out of half a decade of activism concerning subsidy abuse and living wage campaigns. This article traces how state legislative action mixed and evolved with growing grass roots efforts by labor and community groups. Peterson ends by highlighting lessons for similar activism across the country.*

In 1994, when Minnesotan activists first began working on corporate-accountability issues, any discussion of what constituted a "living wage" was far from front-page news, and the term "corporate welfare" had just been coined. Over the next nine years, Minnesota became a national leader in pushing for corporate accountability. I have been directly or indirectly involved in many of these campaigns, sometimes in a consulting role, sometimes in a legislative role, sometimes as an organizer directing the campaign itself. Minnesota's experience offers a way to see living-wage and corporate-accountability campaigns not simply as ends in themselves, but as means for building progressive coalitions that can challenge corporate power, change our political culture, and open new opportunities for workers to organize.

### **Shifting Politics**

Across the nation, corporate accountability campaigns have responded to a

political climate where worker wages have stagnated at the same time corporate profits and government subsidies to private businesses continue to grow. Minnesota is no different. Although Minnesota has long enjoyed a national reputation for progressive politics, over the past several years, its political climate has shifted. Minnesota still has one of the least *regressive* tax structures in the nation, but in recent years the state legislature has increasingly focused on cutting business taxes to "improve" Minnesota's business climate. These tax cuts have shifted costs to workers and individual property owners. The wealthiest families in Minnesota, following national trends, have seen their incomes grow at the same time their overall tax burden has shrunk.<sup>1</sup> Despite our reputation as a "different kind of state," Minnesota is increasingly looking like the rest of the country.

### **Minnesota Alliance for Progressive Action**

In response to these shifting priorities, the Minnesota Alliance for Progressive Action (MAPA) formed in 1988. Dave Mann, one of MAPA's founders and its former executive director, describes MAPA responding to a "growing frustration with the unwillingness of 'friends' in the legislature . . . to take difficult votes" and set a progressive political agenda.<sup>2</sup> MAPA is the only permanent, progressive, multi-issue, multi-constituency coalition in Minnesota and currently has twenty-eight member groups representing labor unions, seniors, environmentalists, women, consumers, affordable-housing and low-income advocates, peace and social justice activists, communities of color, and gay/lesbian advocates. All of these groups are committed to "the long-term work of building progressive power." MAPA works only on issues that cut across many different constituencies, all which define and implement a progressive political agenda, build political power, and increase citizen participation and voice in the political process. Over the past several years, MAPA has increasingly "focused on the power of large corporations to influence elections and public policy and how they benefit from these policies." It was out of this philosophical and political position that MAPA began to focus on corporate-accountability measures in the mid-1990s.

### **Changing the Debate**

The mid-1990s were not good years for progressive politics. The national debate over raising the minimum wage had collapsed into a debate over "one dime

versus three dimes."<sup>3</sup> Universal health care was effectively derailed. In November 1994, Newt Gingrich and the Republicans ignited a new "Republican Revolution" when they took over both the U.S. House and Senate in the largest midterm political shift in U.S. history. For progressives, this glum political outlook took a turn for the worst when President Bill Clinton began "triangulating" his way to reelection by making "ending welfare as we know it" his top domestic priority.

In Minnesota, as elsewhere, progressives felt (and were clearly put) on the defensive. "It felt like all we were doing was rushing around putting out fires," recalls Alexa Bradley, who co-directed MAPA with Dave Mann at the time. As a way for progressives to insert their agenda back into the political debate, MAPA began self-consciously searching for issues that would refocus the debate away from the problems of "big government" to the problems of "big corporations." At the time there were few models. One of the few available was Greg LeRoy's *No More Candy Store*, a compilation of laws from around the country that held corporations accountable for government subsidies.<sup>4</sup>

LeRoy's focus on corporate accountability offered a whole different way of talking about who was benefiting from the New Economy. MAPA had been working on income inequality issues for many years. They had received some attention for their "4% Solution" -- a four percent increase in the income tax rate for the top four percent of Minnesota wage earners with the additional revenue going to strengthen the state's social infrastructure and lower taxes for lower-income taxpayers. But in the face of the Republican "Contract for America," MAPA needed a "hook" to grab media and public attention. They found that hook in the term "corporate welfare" just as the welfare reform debate began heating up.

The media quickly adopted the term "corporate welfare" as a rhetorical label for taxpayer subsidies to private businesses.<sup>5</sup> "If we had done a press conference on corporate subsidies or business accountability, the press would have said, 'A story on taxes, what a snooze,'" Bradley recalls. "But 'corporate welfare' got the media's attention because it was current and it seemed like a contradiction in terms." It also offered a way of taking the hot topic of welfare reform and turning it upside down to ask who, in fact, controls and benefits most from public resources: single mothers or wealthy corporations? Equally important, it became a way to mobilize progressives and their allies to go back on the offensive in "a politically bold way to confront corporate power that was both fun and serious at the same time."<sup>6</sup>

## **Building a Movement: Baby Steps**

### ***Duluth's 1995 Corporate-Accountability Policy***

In Duluth, the Northeast Minnesota Senior Federation also began looking for ways to shift the debate over taxes. Founded in 1975, the Senior Federation is the oldest, largest, and most significant organization representing seniors in Duluth, with over 4,000 dues-paying or affiliated members. The organization has always worked on issues that benefit people of all ages, not just seniors, and has an impressive record of accomplishment. A consistent theme over the years has been tax policy, particularly how property taxes, as a regressive tax, hurt low-income people, who disproportionately include seniors.

In 1995, the Senior Federation's Tax Committee began looking for "meaningful ways to act locally to reduce property taxes that also challenged the state's shift from more progressive income taxes to more regressive property taxes," recalls Buddy Robinson, staff director for the Senior Federation.<sup>7</sup> The Senior Federation asked Alexa Bradley from MAPA to present a tax workshop for their group, and Bradley linked tax increment financing, or TIF, and individual homeowner property tax bills.<sup>8</sup> At the time, TIF claimed nearly 20 percent of Duluth's entire tax capacity.

The Senior Federation used the 1995 city elections to secure pledges of support from the mayor and from several city councilors running for election. After the election, they were able to pass Duluth's first corporate-accountability measure -- a modest requirement that the Duluth Economic Development Authority (DEDA) hold public hearings for subsidies over \$50,000 in tax increment financing and report on the number and quality of jobs created (including wages paid) from such subsidies. Although modest, this resolution represented the beginning of what has become an eight-year debate in Duluth over corporate accountability.

### ***Minnesota's 1995 Corporate Welfare Law***

In 1995, MAPA also began working at the state legislature to pass a law making corporate welfare more accountable. MAPA drafted a bill that required businesses receiving more than \$25,000 in public money to create a net increase in jobs in Minnesota within two years of receiving the assistance, pay a "living wage" of at least 110 percent of the federal poverty line for a family of four for all new jobs created, or repay the subsidy if job and wage goals were not met. It further directed the Department of Trade and Economic Development (DTED) to

prepare a report for the legislature each year evaluating business assistance programs, the number of jobs proposed, the number of jobs created, and the wage and benefit distribution for those jobs.<sup>9</sup>

The living wage requirement began as a tactic to gain public attention. According to Alexa Bradley, "Living wages became a way of directing public scrutiny toward public subsidies of private businesses to raise the question of 'Why are we subsidizing a private enterprise in the first place if the public doesn't get something from it?'"<sup>10</sup> But what began as a "tactic" quickly became the focus of the legislative battle. On one side, living-wage proponents argued that public dollars should be held accountable to higher standards, and, at a minimum, jobs created at public expense should pay wages above the poverty line. On the other side, the Minnesota Chamber of Commerce and other business groups argued that government had no business interfering in the marketplace and "artificially" setting wage rates. They claimed that such interference deterred economic development, and that any new reporting requirements would be too burdensome and place Minnesota at a competitive disadvantage with other states. Ironically, this debate occurred at a time when Minnesota's economy was booming and the state was routinely outperforming the nation and surrounding states in job creation and income growth. Nevertheless, in the end, the living-wage provision was stripped out of the final bill, and all that passed were rather innocuous wage and job goal requirements and an annual report compiling this information. "We thought we had lost," recalls Bradley, "but what we didn't at first realize is that we had stumbled onto something much bigger than we had originally thought."<sup>11</sup> By passing this simple measure, Minnesota became the first state in the nation to systematically account for public subsidies provided to corporations.<sup>12</sup> It was the data collected from this first Corporate Welfare Reform Law that became the basis for five years of organizing, culminating in 1999 when Minnesota passed the strongest corporate-accountability law in the country.

### **Building a Movement: The Debate over Living Wages**

Over the next several years, attention remained focused on trying to pass significant legislation that required a living wage for all jobs created through corporate welfare. While this focus narrowed the debate over corporate accountability to a relatively small group of workers and specific types of economic development, it also provided a hot issue to organize diverse community coalitions in ways that a broader corporate-accountability agenda could not. Focusing efforts on winning living-wage legislation also created a

political context for groups across the state to work together and to begin to play off of each other's efforts.

### ***St. Paul Living-Wage Referendum Crushed***

During the summer of 1995, the Association of Community Organizations for Reform Now (ACORN) launched a series of living-wage campaigns across the country. In St. Paul, it helped create the Campaign for Jobs and a Fair Wage, which collected thousands of signatures to put a living-wage ordinance on the November ballot. The proposed ordinance would have required all businesses receiving more than \$25,000 in public subsidies to pay their employees at least a poverty-level wage for a family of four -- defined as \$7.21 per hour in 1995.<sup>13</sup> It would have also required businesses receiving public assistance to create a net increase of jobs within two years after receiving the subsidy and to hire a certain percentage of city residents through a "community hiring hall."<sup>14</sup> St. Paul Mayor Norm Coleman deployed his communications director, Erich Mische, to lead the effort to defeat this initiative. Coleman called the living wage a noble cause but a "job killer," and in November, after a blistering campaign, the initiative went down in a landslide defeat.

The reasons for defeat were many, not the least being that living-wage opponents outspent supporters nearly seven to one.<sup>15</sup> But this imbalance of resources was not the only reason for the ordinance's defeat. While proponents effectively gathered signatures to put the measure on the ballot, they did not begin building the coalition necessary to withstand fierce anti-living-wage opposition until relatively late in the campaign. The Democratic Farmer Labor Party (DFL), which is the dominant party in St. Paul politics, was never seriously brought into the coalition. Key labor groups, including the St. Paul Trades and Labor and the American Federation of State, County, and Municipal Employees (AFSCME) were not consulted on the law's residency requirements, an issue they had opposed for public employees for many years. There may have also been some internal tensions within the labor movement. As one St. Paul labor organizer recalls, "The perception by the labor bureaucracy was that [the living-wage ordinance] would lessen their power."<sup>16</sup> The ordinance itself also had "political problems," principally that it covered *all* businesses receiving subsidies, regardless of size, making it possible for the opposition to cherry-pick individual "ma and pa" minority businesses that could be held up as potential "victims" of the ordinance. In short, the campaign did not successfully demonstrate to many constituencies why passing a living-wage requirement should be a key issue.

Despite this setback, the St. Paul referendum thrust public subsidies and corporate accountability into the center of political debate and effectively made the case that the community was owed something for investing taxpayer money in private businesses.

### *Twin Cities Joint Living Wage Task Force*

Although the November election set back living-wage efforts, living-wage supporters secured commitments from the St. Paul and Minneapolis city councils to form a Twin Cities Joint Living Wage Task Force. This task force was composed of representatives from economic development agencies, labor, and other community groups from both cities and had the purpose of making recommendations for a living-wage policy.

Strategically, forming the task force kept the living-wage debate alive after a stunning defeat, but as a serious venue for finding "common ground," the results were more mixed. Some task force members, like MAPA's Bradley, look back on the experience as perhaps "our biggest mistake," because it drew attention away from building grass roots power and support in the community to fighting an insider's game among sometimes hostile constituencies. Although progressives effectively organized to have living-wage supporters appointed to the task force, they could not always count on support from their presumed allies. One key building trades representative and statewide labor leader came into the discussions stating, "Some jobs don't deserve a living wage." Another concern arose when, for political reasons, the heads of the Minneapolis Community Development Association (MCDA) and the St. Paul Port Authority -- the two largest economic development authorities in the Twin Cities -- co-chaired the task force. These co-chairs effectively controlled the debate and threatened to oppose any final recommendation that didn't include certain provisions.

After nearly eight months of bimonthly meetings, the task force arrived at an uneasy consensus. Living-wage supporters secured a living-wage requirement of 110 percent of the federal poverty wage for a family of four -- \$8.25 an hour in 1996. They were also able to include labor peace language, which made "responsible labor practices" a condition for receiving a subsidy, and a requirement that 60 percent of all new employees be city residents. But living-wage opponents exempted key types of business subsidies, including "redevelopment assistance," which accounted for nearly 75 percent of all economic development assistance given. In late 1996 Minneapolis passed its living-wage policy, including some labor peace provisions, and at the beginning

of 1997 St. Paul passed its policy. The final resolutions were weaker than even the task force recommendations, because living-wage activists had not "built a base of community support sufficient to fight the claims of living-wage opponents and force councilors to pass stronger measures." Two years after passage, not a single worker in either St. Paul or Minneapolis came under the resolution's requirements, and even after Minneapolis strengthened its policy a few years later, only a few hundred workers have seen wage increases.<sup>17</sup>

### ***Duluth's Grass roots Coalition***

In early 1997, Duluth activists learned from the Minneapolis and St. Paul experience, as well as other living-wage campaigns around the country like Baltimore and Los Angeles, and began organizing. Duluth has a rich history of organized labor, and with nearly 40 percent of all Duluth workers represented by unions, it ranks among the top cities in the country with high union density. Yet, despite this labor heritage, Duluth's politics has long been controlled by "old money" and business-oriented conservatives. Like many industrial cities, Duluth was ravaged by deindustrialization in the 1970s and early 1980s and lost nearly 20,000 residents, or about one-fifth of its population. In the mid-1980s, a billboard on the hill leading out of town read: "Would the last person out please shut off the lights?"

This history is important for understanding Duluth's obsession with recruiting new businesses and its paranoia that any restrictions placed on development will result in further job loss. This obsession has not always served Duluth well. In the late 1980s, Duluth grabbed national headlines when Diamond Tool, a leading manufacturer of quality tools, used \$10 million in low-interest City of Duluth bonds to purchase new equipment, only to move that equipment to plants in the south and close down its Duluth facility. This experience sparked some brief interest in new accountability safeguards, but it did not result in any serious challenge to the city's pro-development, pro-public subsidy approach to economic development. Since the mid-1980s, Duluth's economy has shifted increasingly to part-time and low-wage tourism and other service-sector jobs. By the mid-1990s Duluth was known for its low wages, and between 1994 - 1996, city officials, through the Duluth Economic Development Authority (DEDA), put together several large tax increment financing subsidies to telemarketing firms and three hotels on Duluth's waterfront. Most of the jobs created through these subsidies paid wages just above minimum wage.

In January 1997, several Duluth progressive activists came together to build a

coalition willing to challenge this approach to economic development. Duluth's Living Wage Coalition became the most diverse of any in the state, and the ensuing eight-month campaign was one of the most dynamic grass roots organizing efforts in the country. In the end, the coalition included groups as diverse as the Central Labor Council, the Senior Federation, and the International Workers of the World (IWW), the DFL Party, the Green Party and key environmental groups, the Catholic Diocese, the local gay/lesbian organization, students, teachers, and community clubs. In all, fifty-seven groups eventually endorsed the living-wage ordinance and joined the coalition.

There were many reasons community groups joined. The Senior Federation had a long interest in tax increment financing and corporate-accountability issues. They also had strong support among their members who had watched their children and grandchildren leave during the economic downturns of the 1970s and 1980s. Groups like Churches United in Ministry (CHUM), which organizes the food shelf, saw the living wage as a way of making the case that not everyone was benefiting from the booming economy. Groups like Low Income People Organizing for Power (LIPOP), which was organizing against welfare reform, saw in the living-wage campaign a way to create more living-wage jobs and draw a contrast between public assistance to corporations and public assistance to individuals. The most active union in the coalition was the public employee union, AFSCME, which has had a long commitment to supporting basic economic justice issues in Duluth. AFSCME also saw in the living-wage debate a way to frame the privatization of public services in a different way: that public money should not go to create low-wage, low-benefit jobs for workers doing the public's work. Several churches saw the campaign as a way to enact the social ministry statements of their various denominations. Neighborhood community groups often responded to the way public subsidies to businesses diverted city resources away from supporting neighborhoods. What united these fifty-seven diverse groups was a common goal that government has a responsibility to use public money to create jobs that pay wages above the poverty line and that private businesses that receive public money should be accountable to some public good. Most of the groups were also committed to building individual and institutional relationships that might strengthen a progressive challenge to Duluth's business-oriented political culture on other issues.

Duluth's organizing efforts were strengthened when the Minnesota Twins tried to lobby the state legislature for a new taxpayer-financed stadium. This proposal ignited a firestorm of public opposition. On the day of the vote, the

capitol's switchboard crashed for the first time in history under the volume of spontaneous citizen calls of opposition. In Minnesota, corporate welfare had a new face in the Twins owner, billionaire Carl Pohlad. And yet, in March 1997, when the Living Wage Coalition announced its intention to pass a living-wage ordinance in Duluth, Mayor Gary Doty, backed by the Duluth Chamber of Commerce and all but two city councilors, pledged to veto "any living-wage policy" that might be passed.

Three months later, the Duluth City Council passed by a five-to-four margin the strongest living-wage law in the country at that time. Mayor Doty, who had opposed the ordinance at every turn, felt compelled to make a midnight appeal before a packed city council chamber to living-wage opponents pleading that they "had to swallow hard and pass something." The reason for this turnabout was due to a massive grass roots mobilizing effort. By the time the ordinance passed, coalition members had door-knocked nearly one-third of Duluth's households, mailed out more than 10,000 leaflets, dropped literature in key precincts, generated more than 1,000 postcards to each targeted city councilor, and dominated the local and regional news for weeks. Internal polls done by a sympathetic telemarketing firm showed 75-80 percent public support for the ordinance. Unfortunately, in the end, councilors stripped the provisions affecting the most workers out of the final ordinance, and the wage rate of \$7.25 an hour indexed to inflation was too low to make a meaningful difference for most workers.<sup>18</sup> Nevertheless, Duluth became the smallest city in the country with a living-wage law and one of the first to apply a living-wage standard to corporate welfare.

## **Putting It All Together: Building a Movement Long-Term**

### ***Keeping the issue alive***

As in any organizing campaign, the Minnesota campaign to pass a significant corporate-accountability law developed through a series of steps. It would be nice to think that these events were carefully planned and coordinated, but any real coordination between statewide corporate-accountability efforts and local living-wage efforts did not begin until late 1997. This creative collaboration emerged as the most remarkable piece of Minnesota's experience: The ultimate goal shifted from passing specific pieces of legislation to creating new ways to challenge corporate power and open new opportunities for organizing.

### ***Minnesota's Legislative Commission on Business Subsidy Reform***

Legislators often use legislative commissions to kill grass roots activism without actually having to vote against whatever measure is being championed. In this case, however, the Legislative Commission of Corporate Subsidy Reform became a way to unite various living-wage and corporate-accountability efforts from around the state and begin building bipartisan legislative support. For the Duluth legislative hearing, the Duluth Living Wage Coalition mobilized nearly 200 supporters, and the hearing made front-page news. In Minneapolis and St. Paul, ACORN and other groups mobilized more than 150 citizens to attend the hearings. MAPA also drew on its relationships with corporate-accountability campaigns around the state to recruit credible and diverse supporters to serve as commissioners. Art Rolnick, director of research for the Minneapolis Federal Reserve Bank, had worked with MAPA to fight the Twins stadium deal; he brought extraordinary credibility in the media as an informal spokesperson for the commission. I also served as a commissioner because of my experience working on the Duluth living-wage campaign.

After a year of meeting, commissioners drafted a consensus document that made strong recommendations to the legislature and had a degree of bipartisan buy-in.<sup>19</sup> Contained in the commission's final report were many of the provisions that had earlier been introduced through Duluth's living-wage ordinance. In 1998, a new corporate subsidy reform bill was introduced in the legislature based on the commission's report. This 1998 bill died in a rules interpretation fight between the House and Senate, but it was reintroduced in 1999 and, except for the removal of the living-wage proposal, was passed largely intact.

### ***Minnesota's 1999 Corporate Subsidy Accountability Law***

In 1998, there was a sea change in Minnesota politics that ushered in a "tripartite government" with Reform Party Governor Jesse Ventura, a Republican-controlled House, and a Democrat-controlled Senate. During his campaign, Ventura regularly railed against big corporations and tax subsidies for a stadium. But although Ventura wanted corporate accountability, he was philosophically opposed to living-wage mandates. Furthermore, the Republican House was strongly opposed not only to any living-wage requirement but also to any "government burdens" on economic development or business. The Senate was supportive of further accountability measures, but split on the living-wage requirement. What had been a dynamic grass roots organizing effort now became a very insular process of closed-door negotiations between bill

supporters (chiefly MAPA and AFSCME), key legislators, and opponents of the bill (chiefly the Association of Minnesota Cities and the Minnesota Chamber of Commerce). The "living-wage piece was what caught people's attention and was what we could organize around," said Beth Fraser, the lead lobbyist for the bill in 1999. But faced with certain defeat if the living-wage provision was kept in the bill, MAPA agreed to drop it, and once that rallying point was gone, negotiations "got into details and it got harder and harder to get people out and get them excited."<sup>20</sup>

The 1999 law was possible because of five years of organizing and building awareness among the media, the public, and legislators. In the end, however, the key to passing the bill had less to do with citizen mobilization than with skillful insider politics and the careful selection of the bill's authors. When the House killed the bill without a hearing, the Senate countered by dropping the living-wage requirement and passing the rest of the bill as part of the Senate tax bill. This action ensured that it would go intact to conference committee, where differences in the House and Senate tax bills would be reconciled. During the conference committee, the Senate's chief author of the bill, Senator John Hottinger, managed to secure commitments to keep the corporate subsidy reforms in. On the afternoon before the final day of session, MAPA lobbyist Beth Fraser, the key lobbyist for the Cities, and the key House Republican sat in a room behind where the conference committee was meeting and "cut the deal." This final agreement passed the conference committee, won a majority in the legislature, and was signed by the governor without further comment.

Ironically, Minnesota's corporate-accountability legislation passed in much the same way many corporate legislative deals are made (between lobbyists sitting around a table off a conference committee meeting in the waning hours of the legislative session). But the legislation itself, and the fact that MAPA's lobbyist was "on the inside," came about only through years of grass roots mobilization and education. Still, this tension between coalition work and the "insider" political negotiations necessary to pass a bill is an uneasy one. Focusing too much attention on the inside tactical maneuverings necessary to pass a bill can subvert the equally important work of building progressive coalitions and creating new ways of exercising power.

The law itself significantly strengthened accountability for business subsidies and is still one of the strongest, most comprehensive corporate-accountability laws in the country. In 2000, the law was further strengthened, despite a spirited attempt by opponents to gut it. As it now stands, Minnesota law requires that all businesses receiving a public subsidy of more than \$25,000 define how the

subsidy meets a "public purpose" and serves the public interest other than simply increasing the tax base. It requires businesses to set wage and job goals or, in the absence of job creation as a goal, to establish "other tangible, measurable, and specific" goals. All subsidies over \$100,000 must have a public hearing and all subsidies over \$25,000 must be approved by an elected public body. Finally, the new law has strong and detailed reporting requirements and enforcement provisions, including repayment of the subsidy if the public purpose goals are not met.<sup>21</sup>

## **New Organizing Opportunities**

### ***Pushing for community corporate accountability standards***

The 1999 law also requires that each local and state government entity that provides business subsidies develop "public subsidy criteria," which must include a wage policy. This requirement opens up new organizing opportunities in virtually every city in Minnesota. In a press release announcing the bill's passage, Senator John Hottinger highlighted this opportunity for public involvement, saying, "Citizens will no longer be excluded from the critical decisions about how their money is spent."<sup>22</sup> Yet, in practice, the results have been more mixed. Cities such as Minneapolis, St. Paul, Mankato, and Duluth passed strong corporate subsidy criteria and accountability measures because there were existing, organized groups advocating for more accountability. Cities that had no organized groups often passed boilerplate criteria developed by a Minneapolis law firm that skirts the law's intent by meeting the minimum legal requirements.

In cities where advocates pushed for significant subsidy criteria, new opportunities for organizing have opened. Mankato, for example, passed criteria that included requiring businesses to commit 2 percent of their subsidy to improving housing for employees. St. Paul and Minneapolis also passed subsidy criteria that pushed beyond what the legislature mandated. Duluth passed the strongest public subsidy criteria in the state. Included in their criteria are specific questions that must be answered as part of a report to the City Council defining the public purpose served by the subsidy, the potential environmental and economic impacts of the subsidy, and full disclosure of any conflicts of interest. This report is public and must be completed at least two weeks before the city council can pass any subsidy of \$25,000 or more.

*Using corporate accountability to leverage a better deal for workers*

Duluth's public subsidy criteria also proposed "labor peace" language requiring "project labor agreements" for all construction over \$100,000 done by businesses receiving public subsidies and "card check and neutrality language" for all business subsidy agreements of \$25,000 or more. Project labor agreements guarantee labor peace and that public money is not used for substandard contractors. Card-check and neutrality agreements also preserve labor peace and protect the city's proprietary interest by requiring the employer to recognize its employees' wishes to form a union if a majority of its employees indicate that is their desire. This alternative recognition process avoids the long delays often experienced during traditional union elections directed by the National Labor Relations Board (NLRB) and the often hostile anti-union campaigns that many employers wage against employees who want to organize a union. Unfortunately, these labor peace criteria were vetoed by the mayor and did not go into effect. Under strong pressure from the mayor, the Duluth Building Trades quietly withdrew their support of project labor criteria, fearing that the mayor's opposition might result in fewer union construction projects.

Minneapolis led the way on these issues passing labor peace provisions as part of its 1997 living wage policy, and then, in 1999, passing an ordinance requiring card-check and neutrality provisions for all new hotels that receive public subsidies greater than \$100,000.<sup>23</sup> Unions and community groups are building off of these earlier efforts. In early 2003, Teamsters Local 120 launched a non-NLRB organizing drive to organize nearly 400 parking lot attendants that work in municipal parking ramps. Throughout the spring, organizers mobilized workers and other community groups to demand card check recognition from Municipal Parking Inc., the contractor who runs the city ramps. As part of its earlier living wage requirements, the Minneapolis city council had passed labor peace provisions. These provisions require all city contractors to engage in "responsible labor practices" defined as agreeing to card check recognition. City ramp contracts go out for bid in the fall of 2003, and organizers are working to ensure that labor peace provisions are included as part of the contract specifications.

SEIU has employed similar tactics to leverage a historic card check agreement with the Swedish corporation Securitas, one of the world's largest employers of private security guards, including about 2000 private security guards in the Twin Cities. In 2001, SEIU's Building Services Division launched a campaign to organize Minneapolis security guards as part of a nationwide strategy to

organize Securitas's 250,000 U.S. security guards.

Key to the union's strategy was the Minneapolis Housing Authority (MHA), which subcontracts with Securitas along with two smaller firms to provide security services for its public housing units. But once SEIU began talking with workers, Securitas supervisors lashed back and threatened pro-union workers. In the wake of 9-11, one supervisor remarked to a pro-union Somali guard that he "had gotten a call from the FBI which said I should kill all Muslims."<sup>24</sup> SEIU filed unfair labor charges and mobilized employees along with the religious, labor and Somali communities to express outrage and demand that the Minneapolis Housing Authority require their security contractors to agree to card check recognition. Then "Securitas went ballistic," according to SEIU organizer Julia Grantham, and fired and suspended several pro-union employees.<sup>25</sup> The union, along with the Minneapolis Central Labor Council (CLC) and community supporters went back to MHA to ask them to delay renewing Securitas's \$2.5 million contract until the company agreed to card check and neutrality. Unfortunately, the board simply required Securitas to hold a "cultural sensitivity training" and remove the offending supervisor.

Although disappointed, SEIU with strong community support had successfully delayed the contract and demonstrated to Securitas that the union would not go away. When Securitas held an anti-union meeting under the guise of "sensitivity training," SEIU again filed lawsuits and mobilized a series of highly visible street actions and rallies.<sup>26</sup> One of the key turning points was a series of rallies organized by the Minneapolis CLC in front of American Express, and other key Securitas buildings. After these highly visible events, Securitas quickly signaled interest in talking. After a year's negotiation, SEIU won card check recognition for all Securitas security guards in five urban markets, including the Twin Cities. This potentially covers 100,000 workers nationwide.

On the other side of the river in St. Paul similar efforts are underway. Four years ago, SEIU Local 284, which represents many Twin Cities bus drivers, launched a drive to organize 1700 drivers, school bus aides, and wash rack employees working for Ryder Student Transportation Services. After a vicious anti-union campaign, Ryder employees rejected the union by a mere 59 votes.<sup>27</sup> The union filed unfair labor practice charges, and in March 2001, the NLRB ordered a new election. In the interim, Ryder sold the company to First Student Transportation. When a new election was held in April 2001, First Student also waged a very aggressive anti-union campaign, and once again workers rejected the union.

SEIU organizers and bus employees began looking at alternative election

procedures, including card check and neutrality (or proprietary interest agreements).<sup>28</sup> They shifted their attention away from the NLRB to St. Paul's school board. The school district subcontracts the transportation of two-thirds of the district's 43,000 students with First Student Transportation and three other companies. "As long as the law allows disruptive employer tactics during traditional organizing drives, employees weren't going to win and continuous bus services for school kids was at risk," said Jon Youngdahl, SEIU's State Council Director, "so we had to convince the school board that it was in their interest (and the district's interest) to establish criteria that ensured a more peaceful and streamlined process."<sup>29</sup> SEIU, the St. Paul Trades and Labor, Twin Cities Religion-Labor Network, MAPA, and others began educating and lobbying St. Paul school board members, held rallies, and dropped literature in key precincts throughout the city. The St. Paul Trades and Labor, for example, convened one-on-one meetings with school board members and key labor leaders, including the St. Paul Federation of Teachers. In May 2003, just before bus contracts were put out on bid, the board passed what Shelly Hagglund, an SEIU organizer, called "truly a victory for workers" -- a "proprietary interest agreement" that reinforces the district's 1999 "right to organize" policy and ensures that bus companies transporting district students must recognize the union and begin bargaining as soon as a third party verifies a majority of workers have signed union authorization cards.<sup>30</sup> In exchange, the union agrees not to take any economic action against the company that might disrupt the transportation of students.

The St. Paul fight is not over, and it remains unclear whether the companies will fight the provision in the courts. Yet, all of these new efforts build off earlier corporate accountability efforts and offer new models for insisting that private firms that do the public's work be accountable to basic community standards.

### ***Raising state revenue by going after tax expenditures***

During the 2003 Minnesota legislature, activists also began looking for innovative ways to secure new revenues for social spending by scrutinizing corporate tax breaks. Like many states, Minnesota faced huge budget deficits in 2003 -- more than \$4.2 billion to be precise. Newly elected Governor Pawlenty vowed to balance the budget without raising taxes. In response, MAPA's Beth Fraser and I drafted a proposal to shift money going to tax expenditures (special tax breaks and loopholes) to other social spending priorities.<sup>31</sup> Every two years, Minnesota requires the Department of Revenue to publish a "tax expenditure

budget," which lists all preferential tax breaks. There are over \$8.5 billion worth of these tax expenditures in Minnesota; we targeted about \$1.6 billion that we felt gave preferential treatment to corporations and wealthier Minnesotans. The proposal drew on ideas that first arose as part of the Corporate Subsidy Reform Commission in 1998. Our premise was simple: sunset certain preferential tax breaks so they could be debated in the context of other budget priorities.

Quite unexpectedly, this proposal gained widespread attention. Eventually, parts of it were adopted by various groups, including the State AFL-CIO, which incorporated about \$900 million in its tax proposal, and the Coalition for the Homeless, which advocated capping the home mortgage deduction at \$20,000 (approximately a \$400,000 mortgage) and using the additional revenue to pay for low-income housing. The Senate included about \$160 million in its tax bill, but failed to win the Governor's or the House Republican leadership's support. There is much work to be done building coalitions and legislative support around this concept, but it shows promise as part of a longer-term strategy to hold corporate tax breaks as accountable to public scrutiny as other forms of spending.

### *New groups -- new coalitions -- new directions*

New organizing efforts continue to open up. In Duluth, the Living Wage Coalition has been replaced by a very active Community Religion Labor Network, which focuses on wage inequality and workers' right to organize. The Duluth Public Policy Alliance (DPPA) formed at the end of the living-wage campaign as a citizen coalition committed to monitoring and demanding accountability for economic development projects in Duluth. It now claims a membership of more than 300 people. The Northland Sustainable Business Alliance (NSBA) emerged from earlier development and living wage debates as a progressive alternative to the Duluth Chamber of Commerce. Its focus is on promoting sustainable economic development and seeks "to secure the economic, environmental, and community health of the region by supporting independent local businesses."<sup>32</sup> The NSBA now represents 87 businesses and non-profits.

Statewide, Joel Kramer, former publisher of the *Star Tribune*, launched a new nonpartisan think tank -- *Growth & Justice* -- in early 2003. *Growth & Justice* aims "to create economic growth in Minnesota that is widely shared and sustainable."<sup>33</sup> Its recent "Wage Project" takes as its problem "the inability of lower-income workers to support their families," and explicitly adopts as its standard the *Jobs Now Coalition's* "basic needs wage" -- a wage significantly above

minimum and most previous living wage measures.<sup>34</sup> *Growth & Justice* is gathering a multi-partisan group of people from labor, environment, business, and economic development in communities across the state to explore a variety of ways of raising wages for low-income workers, including mandated wages and changes in tax policy.

MAPA is also building on of its earlier corporate accountability coalition work. During the 2003 legislative session, MAPA brought together a coalition of over 60 labor, non-profit, religious, and human service groups to counter the Minnesota Business Partnership and Taxpayer League during Minnesota's \$4.2 billion budget battle. "There was a fear that we would all go to the legislature and cannibalize each other. We needed a common message and understanding that we were all in it together," recalls Beth Fraser, the MAPA lobbyist who facilitated the group.<sup>35</sup> During the session, this coalition -- loosely called "The Budget Group" -- worked closely with other groups, and by the end of the session these combined efforts morphed into an effort called "Minnesotans are Watching," which sent in over 600 volunteers to monitor conference committees in the waning days of the session. Although ultimately unsuccessful in achieving their immediate goal, this cross-constituency legislative effort was unprecedented in the state. This coalition is continuing to work together to set a long-term pro-worker, pro-human service agenda.

According to Fraser, the 2003 budget fight also strengthened two other MAPA coalition efforts -- passing comprehensive, publicly funded campaign finance reform (the Fair and Clean Elections, or FACE bill) and a new Livable Communities initiative. FACE directly builds on previous corporate accountability efforts to show "how big business dominates the legislative process and often gets what it wants because it has a lot of cash to throw around."<sup>36</sup> In the 2003 session, MAPA researched campaign contributions and linked them to specific issues (like Minnesota's new "conceal and carry" law) to suggest how corporate and special interest money influences the legislative process. The Livable Communities project taps into what Bernie Hesse, UFCW organizer and key activist in the new project, describes as a growing awareness among many people that increased sprawl is connected to more low paying jobs. "They are no longer just resigned to the inevitability of low paying jobs in these malls; they are asking 'How do we make these jobs better?'" says Hesse.<sup>37</sup> He believes that the language of corporate accountability can help frame the issue of sprawl in ways that can leverage better deals for workers.

## **Lessons Learned**

Despite all these efforts and with new efforts under way, it is important to note realistically that very few workers have seen wage increases or successfully organized as a direct result of living-wage and corporate-accountability initiatives. This is not an indictment of past efforts, but a caution that we are engaged in a long-term strategy. We have built a foundation, not achieved our goals. Below are some of the lessons learned along the way.

### ***Change the Terms of the Debate***

In recent years, the political left has not done a very good job of shaping public debate in ways that further a progressive agenda. In contrast, the political right has successfully claimed terms like "family values," "competition," "accountability," and "big government" and has used these terms to rhetorically mainstream its agenda. Living-wage and corporate-accountability campaigns take the rhetoric often used against progressives and turn it toward our own ends. For Alexa Bradley this meant, "The focus was turned from these people over here receiving public assistance to corporations over there that are receiving public assistance. It took businesses' "own words and turned their spotlight back on them."<sup>38</sup> This can be a risky enterprise. MAPA was sometimes criticized for using the term "corporate welfare" as a negative term, since it played into negative social stereotypes of individuals on welfare. In a different way, the term "living wage" has achieved enormous cultural currency, yet defining a living wage as somewhere around the federal poverty line ignores that such a wage, although significantly higher than the federal minimum wage, is nowhere near a true "living wage."

### ***Never Stop Organizing***

One of the strengths of corporate-accountability campaigns is their ability to unmask the hidden ways corporate power operates through tax policy, government regulations, and special-interest laws. They offer a way for progressives to be proactive and have others react to *our* proposals. In Duluth, the Living Wage Coalition won a strong ordinance, despite fierce opposition from the Chamber of Commerce and most elected officials, because it had built enough community support and political pressure that it did not have to engage in negotiating a weaker compromise ordinance. MAPA agreed to take out the living-wage provision in the 1999 law and lost a critical issue necessary for

mobilizing, yet was then able to pass a very good law. The bottom line is that where the most active grass roots organizing occurred is where the best legislation passed and where new efforts and coalitions continue to grow.

### ***Building Ongoing Relationships and Broad-Based Grass roots Community Coalitions***

Duluth was able to pass its ordinance because of the strength of its coalition, and building strong coalitions is a long-term enterprise. AFSCME and the Senior Federation had a long-term relationship working on shared issues like the county's attempt to close its two nursing homes and other health-care issues. Because of this history, both organizations felt comfortable donating staff time to the campaign. Conversely, the 1995 St. Paul referendum lost, in part, because there was never a broad, unified coalition behind it. Issues such as hiring halls and residency requirements split off or dampened the support from what should have been key allies. ACORN, the principle backer of the ordinance, also did not have ongoing long-term relationships with key labor groups.

MAPA, on the other hand, has institutional relationships with a number of key unions such as AFSCME, the Steelworkers, and the International Union of Electrical Workers (IUE) within the MAPA coalition itself. They have also developed a close working relationship with other unions and the state AFL-CIO while working together on legislative issues such as the Dislocated Workers Program. Consequently, it was easier for labor to trust MAPA's corporate accountability proposal. One of the key negotiators was even AFSCME's seasoned lobbyist Steve Hunter (now Secretary-Treasurer of the State AFL-CIO). Whether his involvement was principally due to his serving on the MAPA board or because of AFSCME's support of the bill only underscores the importance of building long-term coalition relationships.

### ***Sustaining broad-based community coalitions***

Strong, ongoing community coalitions are necessary to enforce the laws that are passed, but sustaining such diverse coalitions is easier said than done. Looking back, Alexa Bradley sees constant vigilance as the key for long-term success, since "No law alone can make the difference. It's people who are organized who make it happen. If you don't have a committed activist base to maintain vigilance, the best law on the books won't do anything."<sup>39</sup> Yet, without an immediate, galvanizing issue to organize around, diverse coalitions tend to drift apart. In Duluth, the coalition's shift in focus from living wages to other corporate-accountability measures, such as card check and neutrality and

disclosure reports from subsidized businesses, began to lessen the coalition's solidarity. Groups such as the Duluth Building Trades had less enthusiasm for any requirement that might limit new construction projects, and although it never opposed coalition efforts, it was notably absent during the campaign. Those of us in the coalition who wanted to shift the focus to other corporate-accountability measures never made the compelling case to other coalition members as to how such measures might open new ways of securing living-wage jobs or building power for workers.

### *Changing the Electoral and Economic Development Culture*

For Buddy Robinson of the Senior Federation, what is most significant is the fact that the Duluth Coalition for a Living Wage even formed. Participating in the coalition solidified his organization's ties with labor groups and built an informal coalition that has significantly transformed Duluth's political landscape. After the passage of the living-wage ordinance, a loose alliance composed largely of coalition groups elected a coalition member to the city council, and then went on to win a majority of city council seats in the next election. This political shift has changed the way economic development is done in the city and made development a key electoral issue. Ironically, however, it may be the coalition's electoral success that has also made it harder to build and sustain the Living Wage Coalition itself, since the sense of "crisis" has passed. Nevertheless, living-wage jobs have become a benchmark for evaluating economic development in ways that they were not before. And although no worker has actually seen a raise directly because of Duluth's ordinance, the city is also no longer pursuing low-wage businesses and many non-labor groups now understand the need for further accountability measures, including labor peace agreements. These are all direct related to the living-wage and corporate-accountability efforts over the past six years.

### **Looking Forward**

Living-wage and corporate-accountability opponents often charge that such laws aren't really effective in achieving what they aim to achieve. If our goal is limited to raising the wages of specific types of low-wage workers, then our critics may be right. But living-wage and corporate-accountability laws are best used as ways of building coalitions and furthering a progressive agenda, not as ends in themselves. They can shape a public debate over corporate power and the economic inequities that go along with such concentrated power. Corporate

accountability and living wage campaigns can help build broad-based political coalitions to secure more economically just legislation and exercise the power of government to leverage a better deal for workers. Finally, they can help change the political and economic landscape so certain types of practices become increasingly more difficult. One of the key lessons from the Minnesota experience is to always think of new ways to keep the issue alive. If we see such activities as tactics in a larger struggle, then we are at a point in the struggle where we must take a complex and strategic look at where we want to go next.

## Notes

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<sup>1</sup> Minnesota Budget Project, "Making a Living? The State of Working Minnesota" (2000); Michael P. Ettlinger, Tyson Slocum, and Robert Lynch, "Tax Strategies for a Strong Minnesota" (Washington, DC: Institute on Taxation and Economic Policy, 1998); "Tax Facts," newsletter of the Property Tax Study Project (November/December 1999).

<sup>2</sup> Dave Mann, unpublished memo on MAPA's history, 4. All quotations from this section are from Mann's memo.

<sup>3</sup> Interview with Alexa Bradley, co-executive director of MAPA from 1994 to 1999, St. Paul, 2001.

<sup>4</sup> Greg LeRoy, *No More Candy Store: States and Cities Making Job Subsidies Accountable* (Washington, DC: Federation for Industrial Retention and Renewal and the Grassroots Policy Institute, 1989, updated in 1994). LeRoy wrote the book with Richard Healey, Dan Doherty, and Roger Kerson.

<sup>5</sup> The term "corporate welfare" first appeared in newspaper stories in early 1993, but the term may have actually been coined by Senator William Proxmire. It broke into widespread usage when Robert Reich gave his famous speech to the Democratic Leadership Council on November 22, 1994. In this speech, Reich paraphrased President Clinton's campaign slogan and pledged to make "ending corporate welfare as we know it" a goal. In Minnesota, the term was first introduced by the Minnesota Alliance for Progressive Action (MAPA) in an April 1994 op-ed piece in the *Star Tribune* titled "Minnesota Would Do Well to Consider Corporate Welfare Reform."

<sup>6</sup> Bradley interview.

<sup>7</sup> Interview with Buddy Robinson, executive director of the Northeast Minnesota Senior Federation since 1979, Duluth, 2001.

<sup>8</sup> Tax increment financing originated in the mid-1970s as an innovative way to redevelop polluted or blighted properties, known as "brownfields." When a property is developed using TIF, the property is given an initial property value assessment of  $x$  dollars. Once the property is developed, it is worth significantly more, or  $y$  dollars. The "increment" is the difference between the two ( $y$  value -  $x$  value), and it is the property tax on this increment that is used to pay off the costs of development. It is like individual homeowners being able to use their property taxes to pay off their mortgage. Since TIF redirects property tax revenue to private businesses instead of to general fund expenditures such as fire and police protection, sewers, and parks, unless a city cuts these services or reduces costs in other ways, the net result of a city's high reliance on TIF is to shift the tax burden from business property to individual property taxpayers. Twenty percent of all of Duluth's property value was under TIF in 1995. Robinson interview.

<sup>9</sup> See Minnesota Statutes for 1996, chapter 224, sections 48 and 54 for the full Corporate Welfare Law. These sections were repealed in 1999 when the Corporate Subsidy Reform Law was passed.

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- <sup>10</sup> Bradley interview.
- <sup>11</sup> Ibid.
- <sup>12</sup> Minnesota Alliance for Progressive Action, "Corporate Welfare Activist Handbook: A Comprehensive Handbook on Corporate Welfare in Minnesota," 3d ed. (1999), 2-3.
- <sup>13</sup> Based on the federal poverty level of \$14,996 per year for a family of four, which, assuming a full-time worker, translates into a \$7.21-per-hour wage.
- <sup>14</sup> Anthony Lonetree, "St. Paul Voters Kill Proposal to Tie Aid to Pay; Results Reflect Citizens' Renewed Faith in City, Coleman Says," *Star Tribune*, November 8, 1995, 1B.
- <sup>15</sup> Ibid.
- <sup>16</sup> Bernie Hesse quoted in Stephanie Luce, "Building Political Power and Community Coalition: The Role of Central Labor Councils in the Living Wage Movement," April 2000 draft of unpublished manuscript, 10.
- <sup>17</sup> Personal communications with Twin Cities living-wage proponents. See also "Council Broadens Living Wage Rule, but Many Projects Remain Exempt as City Officials Tackle a Wide Range of Issues," *Star Tribune*, December 19, 1998, 1B; "Minneapolis Weighs Policy on Living Wage," *Star Tribune*, October 21, 2000, 1B.
- <sup>18</sup> The original ordinance applied the living-wage requirement (set at \$7.25, the federal poverty line for a family of four) to all businesses receiving \$25,000 or more in public subsidies, all workers employed under city service contracts, and all nonunion city employees.
- <sup>19</sup> Corporate Subsidy Reform Commission, "1997 Corporate Subsidy Reform Commission Report," Representative Karen Clark and Senator John Hottinger co-chairs (St. Paul, February 6, 1998).
- <sup>20</sup> Interview with Beth Fraser, current MAPA lobbyist and lead lobbyist on the 1999 legislation, St. Paul, 2001.
- <sup>21</sup> See Minnesota Statute 116.J.993-95.
- <sup>22</sup> MAPA press release, May 19, 1999.
- <sup>23</sup> See Minneapolis Code of Ordinances Title 16, Chapter 422.190.
- <sup>24</sup> Interview with Julia Grantham, SEIU organizer on the Securitas campaign, June 16, 2003, St. Paul.
- <sup>25</sup> Grantham interview.
- <sup>26</sup> At the cultural sensitivity training (held only for employees, not for supervisors) a Justice Department agent asked the employees who were involved with the union to raise their hands. When some did, he began questioning them. Later, when SEIU contacted the agent he denied it, but then proceeded to tell SEIU that he had "already turned them in to Homeland Security because he felt SEIU was 'fanning the flames of hate.'" Grantham interview.
- <sup>27</sup> Michael Kuchta, "School bus drivers get new union election," *workdayminnesota.org*, March 5, 2001; "School bus drivers vote to not join union," *workdayminnesota.org*, April 20, 2001.
- <sup>28</sup> Interview with Todd Anderson, Minnesota Director of Field Mobilization, AFL-CIO, June 16, 2003, St. Paul; interview with Jon Youngdahl, Director, SEIU State Council, June 16, 2003, St. Paul.
- <sup>29</sup> Youngdahl interview.
- <sup>30</sup> Michael Kuchta, "School board puts muscle behind 'right to organize' policy," *workdayminnesota.org*, May 15, 2003.
- <sup>31</sup> Erik Peterson, "Raising Revenues by Closing Loopholes and Preferential Tax Breaks," March 2003. See the online journal at [www.growthandjustice.org](http://www.growthandjustice.org) for a copy of the article.
- <sup>32</sup> "Business Alliance Rolls Out New Website," NSBA Press release. June 3, 2003.
- <sup>33</sup> I serve on the Board of Directors of *Growth & Justice*. See "About *Growth & Justice*," handout to project participants, June 2003. See also their website: [www.growthandjustice.org](http://www.growthandjustice.org). The basic needs wage adopted by *Growth & Justice* is published by the JOBS NOW Coalition which defines a "minimum family budget" or "real living wage" in 1999 as \$13.94 for a single parent with one child or \$9.31 an hour for a single person. See "The Cost of Living in Minnesota," (2001).

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<sup>34</sup> *Growth & Justice* Wage Project narrative. June 2003, p1.

<sup>35</sup> Interview with Beth Fraser. current MAPA lobbyist, June 4, 2003, St. Paul.

<sup>36</sup> Ibid.

<sup>37</sup> Interview with Bernie Hesse. UFCW organizer and key activist on the Livable Wage project, June 6, 2003, St. Paul.

<sup>38</sup> Bradley interview.

<sup>39</sup> Bradley interview.