

Exhibit C
**Implications of Life in the “Energy-Climate Era” for Minnesota’s SLGR and SLFS:
Urban and Rural - Minnesota Compared with China and India**

Thomas L. Friedman’s thesis in Hot, Flat, and Crowded (“HFC”)¹ is that the Common Era ended and the Energy-Climate Era (E.C.E.) began in 2000 due to five problems reaching critical mass: energy supply and demand, petropolitics, climate change, energy poverty and biodiversity loss.² Friedman’s message: “change now or suffer greatly.”

HFC is relevant to Minnesota SLGR and SLFS redesign in four respects:

- Minnesota’s SLGR and SLFS, especially the property tax system at the core of each, influence behavior by governments, businesses and citizens in the wrong direction with respect to energy supply and demand and climate change. This SLGR and SLFS redesign would make the incentives directionally correct.³
- Minnesota’s property tax system makes many Greater Minnesota cities “do not invest” zones, potentially losing flat world business investment opportunities.
- Change is urgent, underscoring taking advantage of the unparalleled opportunity for change provided by the fiscal crisis.
- Friedman’s description of the challenge of energy poverty in a crowded world causes comparisons with implications for Minnesota SLGR and SLFS between urban and rural in Minnesota and in China and India to leap off the page.

The urban/rural comparisons are generated by the following passage:⁴

Energy Poverty and the Crowded World

“Energy can not only make a hotter world more tolerable and a flatter world more equitable; it can also make a crowded world more comfortable...[I]n the village of Ethakota [Andhra Pradesh, India] ... is ...a remote data center. Beginning in 2006, Satyam dispatched some of the simpler outsourcing work that the company had been doing from its Hydwerabad headquarters to be performed by villagers in Ethakota. Amid the banana and palm groves, 120 college-educated Indian villagers ... connected to the world by wireless networks, were processing data for a British magazine publisher and selling services for an Indian phone company. The data center operates in two eight-hour shifts, but it could run three – if only the electricity didn’t go off for six hours a day!

... Several of [the workers] were city slickers. They had been born in the area, had migrated to India’s megacities for work, and then had chosen to come back to Ethakota to live, because, although the pay was lower, the life was richer and

¹ Thomas L. Friedman, “Hot, Flat, and Crowded” (Farrar, Straus and Giroux 2008)

² HFC at 47

³ The problems are wasteful land use and wasteful energy consumption, much of it flowing from the wasteful land use, which produce wasteful infrastructure spending, tying into Minnesota’s fiscal crisis.

⁴ HFC at 166-169, quotation marks omitted

more tranquil. Thanks to the [data center] they could live locally and act globally – as long as they had the electricity to do so....

Unlike in the city, where there is now a high turnover rate at outsourcing centers that operate overnight, in the village, nobody gives up these jobs ... They are very innovative and positive, and because some of them had never worked on a computer before, their respect for the opportunity is so much more than for a city child who takes it for granted.

This phenomenon, if it could be implemented on a large scale, could provide relief for India's strained megacities, like Mumbai (nineteen million people) and Calcutta (fifteen million), which simply cannot keep growing. The social and environmental implications of packing more and more people into such relatively small areas are already becoming unbearable for those on the bottom rung.

The only solution is to strengthen villages.... But [the villages] need both abundant, clean, reliable, and cheap electrons and connectivity – Internet and telephones.... Internet access enables village artisans to upload digital pictures of locally made arts and crafts, and to make their goods directly available to a world market.

People in India and China leave their villages and cram themselves and their families into megacities not because they actually like living that way, but, in many cases, simply because that is where the jobs and opportunities are. That is always going to be true to some extent, but we can make it less true if we can bring to villages ... an ecosystem of energy plus education plus connectivity plus investment. That is what makes a sustainable village. And we need to make a lot of sustainable villages. Every time you make a village work, you not only help the poor, most of whom still live in villages, but you also create a better balance in the world. To make villages work, though, you have to empower people to live locally and act globally; you have to give them opportunity and access. But to empower takes power – electric power.

For the first time in the history of the world we have the opportunity to achieve a balance between localization and globalization at scale If the rural poor on every continent no longer feel they have to move to cities and take manufacturing jobs or drive taxis or work as maids, because they have the tools and skills to connect globally and the abundant, clean energy to support their connectivity, they will be able to get the best out of both localization and globalization....

They will be able to remain in the countryside, enjoy its benefits, maintain their traditions, food, dress, and family ties, but also be able to generate the income they need to thrive. Also, the more that rural populations have their standards of living raised, the fewer children mothers will have – another way to reduce crowding.

And when you can get localization and globalization into balance, what you end up with is humanization – an age of humanization.... When you have roots – local – and wings – global – you can be both grounded and aspiring. You can realize your full human potential. But that can only happen if IT and ET, information technology and energy technology, flat and green, are working together, because only then can everyone and everything be both distributed and connected. If we can get that ...the world will have a new operating system.

Differences:

- Minnesota has no mega cities with serious crowding, and needs more dense development to save energy, reduce emissions, and save on infrastructure
- Fast growing impoverished population segments more urban than rural here
- Minnesota's rural areas are far better off – education and electricity universally available, connectivity variable, but probably virtually universally present
- Minnesota's waters and habitat potential big plusses for quality of life and tourism

Similarities:

- Dirty energy is a problem
- Concentrated urban poverty could be reduced by more rural opportunities
- Greater Minnesota has had some success with call centers
- Parts of Greater Minnesota could benefit from greater Internet connectivity
- Rural areas have economic development, including investment, needs
- An economically healthy Greater Minnesota would be a better Minnesota

The implications for Minnesota SLGR and SLFS redesign and Greater Minnesota that leap from Friedman's energy poverty analysis are these:

- The change from state emphasis on property tax relief to state emphasis on investment in human capital is especially on target for Greater Minnesota
- Subsidies for corn based ethanol should end, saving budget dollars and halting incentives to pollute land and waters, two major Greater Minnesota assets
- Minnesota should emphasize and protect its iconic waters and habitat lands, not only for their own sake and that of all Minnesotans, but also as valuable economic assets for Greater Minnesota. The asset of the waters is obvious. On habitat, consider South Dakota's success at luring pheasant hunters.
- If the Legislature decides to close one or more MNSCU campuses in Greater Minnesota, which could be warranted on efficiency grounds (all Greater Minnesota residents in need of higher education could get all they need without as many campuses as there are), it should consider reinvesting in those communities by converting the campuses into centers for helping urban poor children and their families succeed instead of fail. Alternatively, perhaps an urban campus could be closed to most efficiently deploy Minnesota's resources to best augment the state's human capital.⁵

⁵ A proposal for how to do this is beyond the scope of this proposal. The point here is that effort should go into designing one for its four fold benefits: better use of capital investments, mitigation of harm from

- Stop pouring property tax relief money into Greater Minnesota because home owners could pay more to support their local governments and the money could be more effectively deployed, increasing human capital in Greater Minnesota's residents and ensuring that Greater Minnesota's great natural assets – land and waters – are maintained
- Higher local taxation of business property discriminates against less prosperous cities, making it more difficult for them to attract business investment and exacerbating the problem of too little economic activity. By contrast, emphasizing state level business taxation would both reduce the average business tax rate and dampen the differences among communities. See Exhibit B.
- Minimizing home property taxes as the highest priority state policy toward local government⁶ fails to send a price signal to local officials and local citizens to focus on providing services more efficiently, which is very unwise given
 - The 19th century governmental structure and 20th century bureaucratic governmental practices – governmental units as service producers as well as providers – that are the Minnesota norm well into the 21st century
 - The insight from the Gillasp/Stinson scholarship that Greater Minnesota can be seen as five communities with spatially separated neighborhoods
 - The tools for improving service provision efficiency presented by the Public Strategies Group in its Bridges to a Better Bottom Line ideas and similar ideas that have been successfully used by other governments
 - The fiscal crisis, which makes the status quo unsustainable

Tom Friedman's message is change now or suffer greatly. The fiscal crisis makes the old way unsustainable. The old way provides little incentive for Greater Minnesota communities or citizens to care about governmental service delivery efficiency. The Gillasp/Stinson scholarship and the Bridges to a Better Bottom Line ideas make clear that improvement is possible. The time for change is now.

campus closure, better lives for at risk children, and more efficient human services delivery to Minnesotans at risk of failure

⁶ Which it is with property tax aids and credits as one of 10 or so major appropriations bills and 8-9% of the state general fund budget devoted to this purpose