



Minnesota State Auditor Rebecca Otto

Renew Minnesota with clean energy, Single-payer health care, \$15 wage, 2 years free tuition

A Civic Caucus Gubernatorial Candidate Interview

January 12, 2018

Present

John Adams, Janis Clay (executive director), Rosa Colman, Pat Davies, Ted Kolderie, Marina Lyon, Rebecca Otto, Dana Schroeder (associate director).

Summary

Minnesota State Auditor and DFL candidate for Minnesota governor Rebecca Otto lays out the first three parts of her five-part Renew Minnesota Agenda: the Minnesota-Powered Plan, the Healthy Minnesota Plan and the 15-5-2 Plan. The remaining two parts of the plan, which have not been released yet, will deal with transportation and education.

The Minnesota-Powered Plan, Otto says, gets at climate change and will create up to 250,000 jobs in the clean-energy economy. She says the Healthy Minnesota Plan would move Minnesota to a single-payer, universal health care system, which would reduce the overall cost of providing health care to Minnesotans by about 15 percent.

Otto's 15-5-2 Plan calls for a \$15 minimum wage statewide, phased in over five years, and two years of free postsecondary tuition in the Minnesota State system (formerly the Minnesota State Colleges and Universities or MnSCU system) for high school graduates and people who've earned a GED. She says the free tuition plan would cost \$229 million for a biennium.

Otto says we need long-term financial planning in transportation. She would consider an increase in the gas tax, although she says the tax will have diminishing value over time as we transition away from fossil fuels to electricity. She believes transit is critical for a strong economy and notes Greater Minnesota's need for bus service.

She supports keeping the Metropolitan Council an appointed body and thinks it would be valuable to have a State Planning Agency again. She favors empowering teachers and believes early childhood education is critical. Otto says the legislative process is broken, with a lack of transparency and

accountability, decisions being made behind closed doors by a very few people, the erosion of the committee structure and the Legislature ignoring the state Constitutional requirement that every bill must be restricted to a single


Rebecca Otto is the Minnesota State Auditor and a DFL candidate for governor of Minnesota. She was first elected State Auditor in 2006 and is currently serving in her third term. Otto oversees \$20 billion spent annually by local governments. She serves on six state boards: the Rural Finance Authority; the Land Exchange Board; the Minnesota Housing Finance Agency; the Minnesota State Board of Investment, which invests over \$80 billion; the Public Employees Retirement Association of Minnesota and the Minnesota Executive Council.

Otto served as a State Representative in the Stillwater area from 2003 to 2005. She served on the following House committees: Agriculture and Rural Development Finance, Agriculture Policy, Environment and Natural Resources Policy, and Local Government and Metropolitan Affairs. Prior to her election to the Legislature, she served on the Forest Lake School Board and chaired a successful \$52 million school levy campaign.

Previously, Otto taught seventh-grade life science for five years in the Mounds View Public Schools. Before she was a teacher, she started and grew a 50-employee painting, decorating and historic restoration business and later sold it.

Otto received her B.A. degree in biology from Macalester College in 1985 and her Master's of Education degree from the University of Minnesota in 1994. She lives on a small farm in Washington County's May Township in a renewable energy-powered home she and her husband built.

Background

Continuing its focus on Minnesota's competitiveness, since September 2015, the Civic Caucus has been undertaking a review of the quality of Minnesota's public-policy process for anticipating, defining and resolving major community problems. On November 27, 2016, the Caucus issued a report based on that review,  *Looking Back, Thinking Ahead: Strengthening Minnesota's Public-Policy Process*.

As part of that look at Minnesota's public-policy process, the Civic Caucus began a series of interviews in October 2017 with major, announced candidates for the office of governor of Minnesota. The interviews are centered on what can be done to keep Minnesota and its people competitive in a number of realms. This interview with State Auditor Rebecca Otto is the seventh in that series.

Discussion

Opening Remarks.

State Auditor Rebecca Otto said she'll be an evidence-based governor. As a former science teacher, Otto believes research and evidence is extraordinarily important.

Long-term financial planning and making sure people can trust their government has been important in all the elective offices Otto has held. "I know when people can trust their government, they tend to support their government," Otto said. "We are known as a good-government state

nationally and internationally. The U.S. State Department has sent people from all around the world to Minnesota, because they want to know how we do it."

One delegation was fascinated that we require transparency, audits and reporting, Otto said. When people hire lobbyists, that's public. "We have all these mechanisms to make sure we can trust our government and that has served us very, very well," she said.

"We want good government," she said. "We don't want waste, fraud or abuse. In Minnesota, we like to lead the nation in good public policy and we care about the common good."

Governor Mark Dayton and former Governor Arne Carlson both served as state auditors before becoming governor. Otto said both governors told her that state auditor is one of the best jobs you can ever have in government. They said the auditor gets to see how all the money flows from federal to state to local and knows how all the programs work.

The auditor serves on the Minnesota Housing Finance Agency Board, the Rural Finance Authority, the Land Exchange Board, the Minnesota State Board of Investment, the Public Employees Retirement Association and the Executive Council. And the auditor works with local governments from around the state and understands the strengths and challenges of Minnesota's communities.

When Minnesota's economy is doing well, we can invest in the things that make us very special. Otto said we should invest to ensure we have strong intellectual capital, are a good-government state and are protecting our natural resources.

Not all Minnesotans are able to engage in the economy in a meaningful way and we have some gaps in education. "That's something we need to have a greater sense of urgency around," Otto said, "so we have equality of opportunity." When Otto announced her campaign in January 2017, she launched a statewide listening tour in order to understand people's hopes and dreams and their concerns and struggles.

There are reasons Minnesota hasn't grown a 3M or a Medtronic in a long time. "When our economy is doing well and we are competitive, we can attract the innovators and we can have homegrown businesses," Otto said. As work is getting mechanized and automated, she said, we have to plan for it. And as our population ages and people leave the workforce, we have to understand what that means for the state's future revenues.

Otto's Renew Minnesota Agenda: Renewable energy, single-payer health care, \$15 minimum wage and two years free tuition

Otto's Renew Minnesota Agenda has five parts and she has released three of them to date.

1. The Minnesota-Powered Plan. Otto said this part of her agenda gets at climate change, while creating up to 250,000 good-paying, 21st century jobs. "It's going to empower Minnesotans to do something very different by accessing the clean-energy economy," she said. "I want to put Minnesota on the cutting edge of the clean-energy economy. We started years ago—and it's been a very bipartisan effort—but we are slipping behind. My plan will create small businesses and opportunities statewide."

2. The Healthy Minnesota Plan. Otto said this plan would move Minnesota to a single-payer, universal health care system. "It's guaranteed, publicly financed, quality and we're going to reduce costs and increase health outcomes," she said. "If you're a Minnesotan, you're covered. We must and can do this as a state."

The plan will get rid of making our health care providers do coding, billing and pre-authorizations, Otto explained. "Get that out of the way," she said. "We incent and reward them for keeping us all healthy." People will choose their own providers and there will be a reimbursement per enrollee, rather than a fee for service. "It's going to allow Minnesotans to make better life decisions," she said, such as deciding when it's best to retire.

Otto's campaign website describes the Healthy Minnesota Plan as "universal, guaranteed, portable, comprehensive, affordable, high quality, value-driven, single-payer, privately delivered health care."

She said the countries that have single-payer health care are the ones that are attracting innovators and growing businesses.

3. The 15-5-2 Plan. Otto said this plan calls for a \$15 minimum wage statewide, phased in over five years, and two years of free postsecondary tuition in the Minnesota State system (formerly the Minnesota State Colleges and Universities or MnSCU system). "We value work," she said. "If you work 40 hours per week, you should be able to come close to supporting yourself."

The two years of free tuition in the Minnesota State system would be available for high school graduates or people who've earned a GED. Students getting free tuition would be required to maintain a 2.5 or better grade-point average, perform 25 hours of community service over the two years, have a mentor relationship in their chosen field and stay in Minnesota for four years after completing the tuition-free two years of school. "This says to the nation that we have the workforce of the 21st century," Otto said.

The remaining two parts of the Renew Minnesota Agenda will deal with transportation and education, Otto said.

Fifty percent of our health care is funded by the federal and state governments. Otto said under the single-payer plan, all of that funding would go into a protected single fund at the state level. Employers are already spending a lot of money, she said, so we would tell employers we're going to reduce costs. The Legislature could determine broad-based payroll taxes or other funding plans that would be fair to employers.

Otto said her single-payer plan would reduce the overall cost of providing health care to Minnesotans by about 15 percent. "We're going to get the administrative burden out of the way and ask our providers to focus back on health and keeping us healthy," Otto said. "We will define a standard set of benefits as a state. We won't get totally away from fee-for-service, but getting to an upfront quarterly reimbursement per enrollee will incent providers to innovate and to reduce the cost of keeping their patients healthy. We can and we must do something better."

Otto said many doctors are supporting her plan because the current system is "burning them out. They want joy to be brought back to practicing medicine." She said the single-payer system will allow medical innovation and will incent and reward coordinated care, like the Mayo Clinic provides.

Higher Education.

What is keeping people away from postsecondary opportunities? An interviewer asked that question and Otto said we're creating so many barriers now: students and their families have to take on so much debt; students from families where no one has had a postsecondary education don't know how to access it; and students whose families are living hand-to-mouth or are transient, moving all the time, don't see postsecondary education as an option, because it's a struggle just to survive.

Providing two years of free tuition at Minnesota State institutions would cost \$229 million for a biennium. Otto believes the business community would support the free-tuition plan, because they would have a trained workforce.

An interviewer commented that somehow we have to organize our communities and our institutions to be on same page, so the message about access to education is consistent. "We must reinforce that message outside the classroom," he said.

Transportation

We need long-term financial planning in transportation. Otto said there's a disconnect between the Legislature and the Minnesota Department of Transportation (MnDOT). The Legislature wants to know how MnDOT selects projects. As governor, she said, she would change how MnDOT is communicating and make sure the Legislature trusts MnDOT's process.

When we regularly maintain infrastructure, it has a longer life, Otto said. When we defer maintenance, it's going to cost us more. "I want to get to a system that is long-term and stretching our dollars as far as they can go," she said. She'll have a plan for transportation coming out as part of her Renew Minnesota Agenda, she said.

Transit is critical for a strong economy. Otto said employers support transit. We need public transportation because young people don't want or can't afford cars and we're an aging population and can't drive forever. She said Greater Minnesota wants bus service, especially seniors.

Otto said she would consider an increase in the gas tax. The gas tax has value, but will have diminishing value over time, she said. Her Minnesota-Powered plan moves away from fossil fuels to electricity. The plan would allow people replacing a car to get 30 percent off an electric vehicle, new or used.

"We must have an open and honest conversation about how we will fund roads as we transition away from fossil fuels," she said.

Otto said Minnesota has a pilot project with three driverless buses that have been tested in rural parts of the state. The bus is controlled remotely.

The Metropolitan Council.

There would be a conflict of interest if the Metropolitan Council were appointed directly by counties and cities, rather than by the governor. Governors are accountable for the appointments they make, Otto said, so they should think carefully about whom they appoint. She said every governor has protected the Met Council and its role in regional planning.

The State Planning Agency.

It would be valuable to have a State Planning Agency again. The State Planning Agency was created in 1965 and abolished in 2003. "We must do long-term planning and have someone focusing on that," Otto said. "Otherwise you watch the Legislature go in circles. It is not good for us as a state. When you see projects picked because of who's in control of the Legislature, that's not the right way to do it, either."

K-12 Education.

How can we persuade K-12 district school boards and, sometimes, superintendents who are deeply into control to allow schools to change anything? An interviewer asked that question and said we should allow teachers and principals to adapt to the needs they see and the students they have. The interviewer said the public school district sector has a hard time picking up on innovation, because of school boards' "remorseless preference for sameness across the schools and down through time."

The interviewer noted that since state revenues now cover about three-quarters of public school financing, we could think of public education as a single-payer system.

Otto replied that when a teacher has a class with 40 children, it's very hard to give individual attention to every student. We educate children by age, but two children the same age can be very different in what they can accomplish. What a child's early, early—including prenatal—experiences are makes a big difference. "If you have a child with chaos in the home and who's moving constantly, it's very hard for teachers to make progress," she said.

We should empower our teachers. An interviewer asked Otto whether, if a governor wants to change something in education, the governor should put chips on expanding what teachers can do or on expanding what school boards can do. "Teachers, teachers, teachers," Otto responded. She said we need to do more as a state to utilize the University of Minnesota's research capacity, with a real sense of urgency, to focus on what we need to do to have all our children succeeding.

She said people are demonizing teachers today. It's hard to make progress with children who are worried about their next meal or violence in their home, she said. As a state we have not been funding schools to keep up with inflation. Our schools are subsidizing special education, because the federal government has never fully funded special education, she said. School budgets are strained.

Otto said children succeed when their parents are involved in their education—showing up for parent-teacher conferences, having books in the home, helping their children with homework and having meals together.

Early childhood education is critical. "It's an intervention we can use for our most at-risk kids," Otto said.

The Legislative Process.

The legislative process is broken. Otto said there is a lack of transparency and accountability, decisions are made behind closed doors by a very few people and the state Constitutional requirement that every bill must be restricted to a single subject is ignored.

(*The Civic Caucus is one of the amici* on the section of *Rebecca Otto v. Wright County* that deals with the single-subject rule. The case is now before the State Supreme Court.)

"This is not working," Otto said of ignoring the single-subject requirement. "Garbage bills are how you play monkey business and how you run over what the founders contemplated: a single subject and a title that would reflect the content of the bill." Otto said the State Supreme Court has not wanted to weigh in on this issue for decades. "If they don't do it now, I don't know when," she said.

"It's not political," she said. "It's absolutely critical that we get this done as a state so the people understand what's happening in their government. Right now, big money rules. If we are successful on that single-subject case, that would be game-changing for us."

An interviewer asked if Otto would pledge that as governor, she would not sign bills that violated the single-subject rule. Otto replied that she wants to wait to see what the Supreme Court does in her case first.

The Legislature should be subject to the state's Open Meeting Law. "They're doing a lot behind closed doors and things are being decided by too few people," Otto said. "As governor, you have to manage the Legislature, be clear about the expectations, and say what you mean and mean what you say."

The committee structure and so much has eroded at the Legislature. Otto noted that the Legislature is passing fewer bills than ever. "What they're doing is hearing policy, taking no action and then laying it over for possible inclusion in the Omnibus bill," she said. "Because they take no action, nothing shows up in the legislative bill tracker and we can't follow the process anymore. That is really bad."