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Senate

State of Minnesota

TO: Members of the Senate Tax Committee

FROM: Jo Anne Zoff Sellner, Senate Counsel (651/296-3803) JZS

DATE: April 27, 2005

RE: Bills to be Heard April 28, 2005

S.F. No. 1195 - Neuville

This bill provides a mechanism by which an individual, estate, trust, or corporation may designate on their income or franchise tax return that $5 or more would be added to their tax or deducted from their refund to be placed into an account for one of the following purposes:

1. K-12 education, for technology or capital improvement grants to school districts;
2. higher education, for state assistance to individual students based on student need;
3. transportation, for local road and bridge funds;
4. health care, to provide funding for public health care programs;
5. nursing home assistance, for state reimbursement of nursing home costs; or
6. environmental clean water, for grants to cities for wastewater treatment facilities.

This option would be in effect for taxable years 2005 and 2006.

S.F. No. 1333 - (Hottinger)

This bill increases the individual income tax rate as follows:

	Current Law	S.F. No. 1333	
	Tax Year 2005	Tax Year 2005	Tax Year 2006 and After
1st Bracket	5.35%	5.38%	5.40%
2nd Bracket	7.05%	7.38%	7.70%
3rd Bracket	7.85%	8.28%	8.70%

S.F. No. 2256 - (Hottinger)

Section 14 of this bill provides for a temporary surtax on individual income. The surtax would be in effect for taxable years 2005 and 2006. The surtax rates are as follows:

	Tax Year 2005	Tax Year 2005
1st Bracket	0.03	0.05
2nd Bracket	0.33	0.65
3rd Bracket	0.43	0.85

The bill also provides increased funding for child care assistance, early childhood family education programs, general community education, adult basic education, special education, and the general education formula allowance. It suspends and reduces fees related to child care and provides grants.

JZS:dv

Agenda #1

Senators Hottinger, Skoe, Stumpf, Tomassoni and Scheid introduced--

S.F. No. 1333: Referred to the Committee on Taxes.

A bill for an act

relating to taxation; increasing individual income tax rates; amending Minnesota Statutes 2004, section 290.06, subdivisions 2c, 2d.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2004, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. [SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES, AND TRUSTS.] (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code must be computed by applying to their taxable net income the following schedule of rates:

(1) For taxable years beginning after December 31, 2004, and before January 1, 2006, on the first ~~$25,680, 5.35~~ $29,070, 5.38 percent, and for taxable years beginning after December 31, 2005, on the first bracket amount determined under subdivision 2d, 5.4 percent;

(2) For taxable years beginning after December 31, 2004, and before January 1, 2006, on all over ~~$25,680~~ $29,070, but not over ~~$102,030, 7.05~~ $115,510, 7.38 percent, and for taxable years beginning after December 31, 2005, on the second bracket amount determined under subdivision 2d, 7.7 percent;

(3) For taxable years beginning after December 31, 2004, and before January 1, 2006, on all over ~~$102,030, 7.85~~ $115,510,

8.28 percent, and for taxable years beginning after December 31, 2005, on the third bracket amount determined under subdivision 2d, 8.7 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts.

(b) The income taxes imposed by this chapter upon unmarried individuals must be computed by applying to taxable net income the following schedule of rates:

(1) For taxable years beginning after December 31, 2004, and before January 1, 2006, on the first ~~$17,570, 5.35~~ $19,890, 5.38 percent, and for taxable years beginning after December 31, 2005, on the first bracket amount determined under subdivision 2d, 5.4 percent;

(2) For taxable years beginning after December 31, 2004, and before January 1, 2006, on all over ~~$17,570~~ $19,890, but not over ~~$57,710, 7.05~~ $65,330, 7.38 percent, and for taxable years beginning after December 31, 2005, on the second bracket amount determined under subdivision 2d, 7.7 percent;

(3) For taxable years beginning after December 31, 2004, and before January 1, 2006, on all over ~~$57,710, 7.85~~ $65,330, 8.28 percent, and for taxable years beginning after December 31, 2005, on the third bracket amount determined under subdivision 2d, 8.7 percent.

(c) The income taxes imposed by this chapter upon unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code must be computed by applying to taxable net income the following schedule of rates:

(1) For taxable years beginning after December 31, 2004, and before January 1, 2006, on the first ~~$21,630, 5.35~~ $24,490, 5.38 percent, and for taxable years beginning after December 31, 2005, on the first bracket amount determined under subdivision 2d, 5.4 percent;

(2) For taxable years beginning after December 31, 2004, and before January 1, 2006, on all over ~~$21,630~~ $24,490, but not

over ~~$86,910, 7.05~~ $98,390, 7.38 percent, and for taxable years beginning after December 31, 2005, on the second bracket amount determined under subdivision 2d, 7.7 percent;

(3) For taxable years beginning after December 31, 2004, and before January 1, 2006, on all over ~~$86,910, 7.85~~ $98,390, 8.28 percent, and for taxable years beginning after December 31, 2005, on the third bracket amount determined under subdivision 2d, 8.7 percent.

(d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than $100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to $1.

(e) An individual who is not a Minnesota resident for the entire year must compute the individual's Minnesota income tax as provided in this subdivision. After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code and increased by the additions required under section 290.01, subdivision 19a, clauses (1), (5), and (6), and reduced by the subtraction under section 290.01, subdivision 19b, clause (11), and the Minnesota assignable portion of the subtraction for United States government interest under section 290.01, subdivision 19b, clause (1), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in section

290.01, subdivision 19a, clauses (1), (5), and (6), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1) and (11).

Sec. 2. Minnesota Statutes 2004, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. [INFLATION ADJUSTMENT OF BRACKETS.] (a) For taxable years beginning after December 31, ~~2000~~ 2006, the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, 1999, and before January 1, 2001. The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest $10 amount. If the rate bracket ends in $5, it must be rounded up to the nearest $10 amount.

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "1999" shall be substituted for the word "1992." For 2001, the commissioner shall then determine the percent change from the 12 months ending on August 31, 1999, to the 12 months ending on August 31, 2000, and in each subsequent year, from the 12 months ending on August 31, 1999, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

No later than December 15 of each year, the commissioner shall announce the specific percentage that will be used to adjust the tax rate brackets.

A

Senator ..... moves to amend S.F. No. 1333 as follows:

Page 4, delete section 2 and insert:

"Sec. 2. Minnesota Statutes 2004, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. [INFLATION ADJUSTMENT OF BRACKETS.] (a) For taxable years beginning after December 31, ~~2000~~ 2005, the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, ~~1999~~ 2004, and before January 1, ~~2001~~ 2006. The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest $10 amount. If the rate bracket ends in $5, it must be rounded up to the nearest $10 amount.

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~1999~~ 2004" shall be substituted for the word "1992." For ~~2001~~ 2006, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1999~~ 2004, to the 12 months ending on August 31, ~~2000~~ 2005, and in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2004, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

No later than December 15 of each year, the commissioner shall announce the specific percentage that will be used to adjust the tax rate brackets."

Senators Hottinger, Stumpf, Rest, Pappas and Kelley introduced--

S.F. No. 2256: Referred to the Committee on Finance.

A bill for an act

relating to education; providing increased funding for child care assistance, early childhood family education programs, general community education, adult basic education, special education, and the general education formula allowance; suspending and reducing certain fees relating to child care; imposing a temporary individual income tax surtax; providing grants; appropriating money; amending Minnesota Statutes 2004, sections 119B.09, subdivision 1; 119B.13, by adding a subdivision; 124D.135, subdivision 1; 124D.20, subdivision 3; 124D.52, subdivision 3; 124D.531, subdivisions 1, 4; 125A.76, subdivisions 1, 4; 125A.79, subdivisions 1, 6; 126C.10, subdivision 2; 245A.10, by adding a subdivision; 290.06, by adding a subdivision; repealing Laws 2003, First Special Session chapter 14, article 9, section 36.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2004, section 119B.09, subdivision 1, is amended to read:

Subdivision 1. [GENERAL ELIGIBILITY REQUIREMENTS FOR ALL APPLICANTS FOR CHILD CARE ASSISTANCE.] (a) Child care services must be available to families who need child care to find or keep employment or to obtain the training or education necessary to find employment and who:

(1) meet the requirements of section 119B.05; receive MFIP assistance; and are participating in employment and training services under chapter 256J or 256K;

(2) have household income below the eligibility levels for MFIP; or

(3) have household income ~~less than or equal to 175 percent~~

~~of the federal poverty guidelines, adjusted for family size, at program entry and~~ less than 250 percent of the federal poverty guidelines, adjusted for family size~~, at program exit~~.

(b) Child care services must be made available as in-kind services.

(c) All applicants for child care assistance and families currently receiving child care assistance must be assisted and required to cooperate in establishment of paternity and enforcement of child support obligations for all children in the family as a condition of program eligibility. For purposes of this section, a family is considered to meet the requirement for cooperation when the family complies with the requirements of section 256.741.

[EFFECTIVE DATE.] <u>This section is effective July 1, 2005.</u>

Sec. 2. Minnesota Statutes 2004, section 119B.13, is amended by adding a subdivision to read:

<u>Subd. 3a.</u> [PROVIDER RATE DIFFERENTIAL FOR ACCREDITATION.] <u>A family child care provider or child care center shall be paid a 15 percent differential above the maximum rate established in subdivision 1, up to the actual provider rate, if the provider or center holds a current early childhood development credential or is accredited. For a family child care provider, early childhood development credential and accreditation includes an individual who has earned a child development associate degree, a diploma in child development from a Minnesota state technical college, or a bachelor's degree in early childhood education from an accredited college or university, or who is accredited by the National Association for Family Child Care or the Competency Based Training and Assessment Program. For a child care center, accreditation includes accreditation by the National Association for the Education of Young Children, the Council on Accreditation, the National Early Childhood Program Accreditation, the National School-Age Care Association, or the National Head Start Association Program of Excellence. For Montessori programs, accreditation includes the American Montessori Society,</u>

<u>Association of Montessori International-USA, or the National Center for Montessori Education.</u>

[EFFECTIVE DATE.] <u>This section is effective July 1, 2005.</u>

Sec. 3. Minnesota Statutes 2004, section 124D.135, subdivision 1, is amended to read:

Subdivision 1. [REVENUE.] The revenue for early childhood family education programs for a school district equals $120 ~~for fiscal-years-2003-and-2004-and-$96~~ for fiscal year ~~2005~~ <u>2006</u> and later, times the greater of:

(1) 150; or

(2) the number of people under five years of age residing in the district on October 1 of the previous school year.

Sec. 4. Minnesota Statutes 2004, section 124D.20, subdivision 3, is amended to read:

Subd. 3. [GENERAL COMMUNITY EDUCATION REVENUE.] The general community education revenue for a district equals $5.95 for fiscal year ~~2003-and-2004-and-$5.23-for-fiscal-year-2005~~ <u>2006</u> and later, times the greater of 1,335 or the population of the district. The population of the district is determined according to section 275.14.

Sec. 5. Minnesota Statutes 2004, section 124D.52, subdivision 3, is amended to read:

Subd. 3. [ACCOUNTS; REVENUE; AID.] (a) Each district, group of districts, or private nonprofit organization providing adult basic education programs must establish and maintain a reserve account within the community service fund for the receipt and disbursement of all funds related to these programs. All revenue received pursuant to this section must be utilized solely for the purposes of adult basic education programs. State aid must not equal more than 100 percent of the unreimbursed expenses of providing these programs, excluding in-kind costs.

(b) <u>For purposes of paragraph (a), an adult basic education program may include as valid expenditures for the previous fiscal year program spending that occurs from July 1 to September 30 of the following year. Program spending may only</u>

be counted for one fiscal year.

(c) Notwithstanding section 123A.26 or any other law to the contrary, an adult basic education consortium providing an approved adult basic education program may be its own fiscal agent and is eligible to receive state-aid payments directly from the commissioner.

[EFFECTIVE DATE.] This section is effective the day following final enactment.

Sec. 6. Minnesota Statutes 2004, section 124D.531, subdivision 1, is amended to read:

Subdivision 1. [STATE TOTAL ADULT BASIC EDUCATION AID.] (a) The state total adult basic education aid for fiscal year 2004 equals $34,388,000. The state total adult basic education aid for fiscal year 2005 ~~and later is~~ equals $36,509,000. The state total adult basic aid for fiscal year 2006 equals $37,604,000. The state total adult basic education aid for fiscal year 2007 and later equals:

(1) the state total adult basic education aid for the preceding fiscal year; times

(2) the lesser of:

(i) 1.03; or

(ii) the greater of 1.00 or the ratio of the state total contact hours in the first prior program year to the state total contact hours in the second prior program year. Beginning in fiscal year 2002, two percent of the state total adult basic education aid must be set aside for adult basic education supplemental service grants under section 124D.522.

(b) The state total adult basic education aid, excluding basic population aid, equals the difference between the amount computed in paragraph (a), and the state total basic population aid under subdivision 2.

Sec. 7. Minnesota Statutes 2004, section 124D.531, subdivision 4, is amended to read:

Subd. 4. [ADULT BASIC EDUCATION PROGRAM AID LIMIT.] (a) Notwithstanding subdivisions 2 and 3, the total adult basic education aid for a program per prior year contact hour must not exceed $21 per prior year contact hour computed under subdivision 3, clause (2).

(b) For fiscal year 2004, the aid for a program under subdivision 3, clause (2), adjusted for changes in program membership, must not exceed the aid for that program under subdivision 3, clause (2), for fiscal year 2003 by more than the greater of eight percent or $10,000.

(c) For fiscal year 2005, the aid for a program under subdivision 3, clause (2), adjusted for changes in program membership, must not exceed the sum of the aid for that program under subdivision 3, clause (2), and Laws 2003, First Special Session chapter 9, article 9, section 8, paragraph (a), for the preceding fiscal year by more than the greater of eight percent or $10,000.

(d) For fiscal year 2006 and later, the aid for a program under subdivision 3, clause (2), adjusted for changes in program membership, must not exceed the aid for that program under subdivision 3, clause (2), for the first preceding fiscal year by more than the greater of eight percent or $10,000.

(e) Adult basic education aid is payable to a program for unreimbursed costs occurring in the program year as defined in section 124D.52, subdivision 3.

(f) Any adult basic education aid that is not paid to a program because of the program aid limitation under paragraph (a) must be added to the state total adult basic education aid for the next fiscal year under subdivision 1. Any adult basic education aid that is not paid to a program because of the program aid limitations under paragraph (b), (c), or (d) must be reallocated among programs by adjusting the rate per contact hour under subdivision 3, clause (2).

[EFFECTIVE DATE.] This section is effective the day following final enactment and applies for revenue distributions for fiscal years 2006 and later.

Sec. 8. Minnesota Statutes 2004, section 125A.76, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] For the purposes of this section, the definitions in this subdivision apply.

(a) "Base year" for fiscal year 1998 and later fiscal years means the second fiscal year preceding the fiscal year for which aid will be paid.

(b) "Basic revenue" has the meaning given it in section 126C.10, subdivision 2. For the purposes of computing basic revenue pursuant to this section, each child with a disability shall be counted as prescribed in section 126C.05, subdivision 1.

(c) "Essential personnel" means teachers, cultural liaisons, related services, and support services staff providing direct services to students. Essential personnel may also include special education paraprofessionals or clericals providing support to teachers and students by preparing paperwork and making arrangements related to special education compliance requirements, including parent meetings and individual education plans.

(d) "Average daily membership" has the meaning given it in section 126C.05.

(e) "Program growth factor" means 1.046 for fiscal year 2003, ~~and~~ 1.0 for fiscal year 2004 through fiscal year 2006, and 1.046 for fiscal year 2007 and later.

[EFFECTIVE DATE.] This section is effective for revenue for fiscal year 2006.

Sec. 9. Minnesota Statutes 2004, section 125A.76, subdivision 4, is amended to read:

Subd. 4. [STATE TOTAL SPECIAL EDUCATION AID.] The state total special education aid for fiscal year 2004 equals $530,642,000. The state total special education aid for fiscal year 2005 equals $529,164,000. The state total special education aid for fiscal year 2006 equals $578,967,000. The state total special education aid for later fiscal years equals:

(1) the state total special education aid for the preceding fiscal year; times

(2) the program growth factor; times

(3) the ratio of the state total average daily membership for the current fiscal year to the state total average daily

membership for the preceding fiscal year.

[EFFECTIVE DATE.] This section is effective for revenue for fiscal year 2006.

Sec. 10. Minnesota Statutes 2004, section 125A.79, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] For the purposes of this section, the definitions in this subdivision apply.

(a) "Unreimbursed special education cost" means the sum of the following:

(1) expenditures for teachers' salaries, contracted services, supplies, equipment, and transportation services eligible for revenue under section 125A.76; plus

(2) expenditures for tuition bills received under sections 125A.03 to 125A.24 and 125A.65 for services eligible for revenue under section 125A.76, subdivision 2; minus

(3) revenue for teachers' salaries, contracted services, supplies, and equipment under section 125A.76; minus

(4) tuition receipts under sections 125A.03 to 125A.24 and 125A.65 for services eligible for revenue under section 125A.76, subdivision 2.

(b) "General revenue" means for fiscal year 1996, the sum of the general education revenue according to section 126C.10, subdivision 1, as adjusted according to section 127A.47, subdivision 7, plus the total referendum revenue according to section 126C.17, subdivision 4. For fiscal years 1997 and later, "general revenue" means the sum of the general education revenue according to section 126C.10, subdivision 1, as adjusted according to section 127A.47, subdivisions 7 and 8, plus the total referendum revenue minus transportation sparsity revenue minus total operating capital revenue.

(c) "Average daily membership" has the meaning given it in section 126C.05.

(d) "Program growth factor" means 1.02 for fiscal year 2003, ~~and~~ 1.0 for fiscal year 2004 through fiscal year 2006, and 1.02 for fiscal year 2007 and later.

[EFFECTIVE DATE.] This section is effective for revenue for fiscal year 2006.

Sec. 11. Minnesota Statutes 2004, section 125A.79, subdivision 6, is amended to read:

Subd. 6. [STATE TOTAL SPECIAL EDUCATION EXCESS COST AID.] The state total special education excess cost aid for fiscal year 2004 equals $92,067,000. The state total special education aid for fiscal year 2005 equals $91,811,000. The state total special education aid for fiscal year 2006 equals $95,520,000. The state total special education excess cost aid for fiscal year ~~2006~~ 2007 and later fiscal years equals:

(1) the state total special education excess cost aid for the preceding fiscal year; times

(2) the program growth factor; times

(3) the ratio of the state total average daily membership for the current fiscal year to the state total average daily membership for the preceding fiscal year.

[EFFECTIVE DATE.] This section is effective for revenue for fiscal year 2006.

Sec. 12. Minnesota Statutes 2004, section 126C.10, subdivision 2, is amended to read:

Subd. 2. [BASIC REVENUE.] The basic revenue for each district equals the formula allowance times the adjusted marginal cost pupil units for the school year. ~~The-formula-allowance-for-fiscal-year-2001-is-$3,964.--The-formula-allowance-for-fiscal-year-2002-is-$4,068.~~ The formula allowance for fiscal year 2003 through fiscal year 2005 is $4,601. The formula allowance for fiscal year 2006 is $4,851. The formula allowance for fiscal year 2007 and subsequent years is ~~$4,601~~ $5,101.

[EFFECTIVE DATE.] This section is effective for revenue for fiscal year 2006.

Sec. 13. Minnesota Statutes 2004, section 245A.10, is amended by adding a subdivision to read:

Subd. 7. [TEMPORARY SUSPENSION OF CHILD CARE LICENSE FEES.] County fees for background studies and licensing inspections in family and group family child care under subdivision 2 and annual child care center license fees under subdivision 4 are suspended. The commissioner shall use unallocated federal child care development fund money from the 2004-2005 biennium to reimburse the state and counties for the reduced child care licensure fee revenue due to the temporary suspension. The commissioner shall also set a standard statewide license and background study fee for family child care providers based on the average fees currently being charged. This subdivision expires on June 30, 2007.

[EFFECTIVE DATE.] This section is effective July 1, 2005.

Sec. 14. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision to read:

Subd. 2g. [TEMPORARY SURTAX ON INDIVIDUALS.] (a) The tax computed under subdivision 2c for individuals is increased for taxable years beginning after December 31, 2004, and before January 1, 2007, as provided in this subdivision.

(b) For married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code the additional tax under this subdivision must be computed by applying to their taxable net income the following schedule of rates:

(1) for taxable years beginning after December 31, 2004, and before January 1, 2006, on the first $29,070, 0.03 percent, and for taxable years beginning after December 31, 2005, and before January 1, 2007, on the first bracket amount determined under subdivision 2d, 0.05 percent;

(2) for taxable years beginning after December 31, 2004, and before January 1, 2006, on all over $29,070, but not over $115,510, 0.33 percent, and for taxable years beginning after December 31, 2005, and before January 1, 2007, on the second bracket amount determined under subdivision 2d, 0.65 percent;

(3) for taxable years beginning after December 31, 2004, and before January 1, 2006, on all over $115,510, 0.43 percent, and for taxable years beginning after December 31, 2005, and before January 1, 2007, on the third bracket amount determined under subdivision 2d, 0.85 percent.

Married individuals filing separate returns, estates, and trusts must compute their additional income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts.

(c) For unmarried individuals the additional tax under this subdivision must be computed by applying to taxable net income the following schedule of rates:

(1) for taxable years beginning after December 31, 2004, and before January 1, 2006, on the first $19,890, 0.03 percent, and for taxable years beginning after December 31, 2005, and before January 1, 2007, on the first bracket amount determined under subdivision 2d, 0.05 percent;

(2) for taxable years beginning after December 31, 2004, and before January 1, 2006, on all over $19,890, but not over $65,330, 0.33 percent, and for taxable years beginning after December 31, 2005, and before January 1, 2007, on the second bracket amount determined under subdivision 2d, 0.65 percent;

(3) for taxable years beginning after December 31, 2004, and before January 1, 2006, on all over $65,330, 0.43 percent, and for taxable years beginning after December 31, 2005, and before January 1, 2007, on the third bracket amount determined under subdivision 2d, 0.85 percent.

(d) For unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code, the additional tax under this subdivision must be computed by applying to taxable net income the following schedule of rates:

(1) for taxable years beginning after December 31, 2004, and before January 1, 2006, on the first $24,490, 0.03 percent, and for taxable years beginning after December 31, 2005, and before January 1, 2007, on the first bracket amount determined under subdivision 2d, 0.05 percent;

(2) for taxable years beginning after December 31, 2004, and before January 1, 2006, on all over $24,490, but not over $98,390, 0.33 percent, and for taxable years beginning after December 31, 2005, and before January 1, 2007, on the second

bracket amount determined under subdivision 2d, 0.65 percent;

(3) for taxable years beginning after December 31, 2004, and before January 1, 2006, on all over $98,390, 0.43 percent, and for taxable years beginning after December 31, 2005, and before January 1, 2007, on the third bracket amount determined under subdivision 2d, 0.85 percent.

Sec. 15. [PARENT FEE SCHEDULE.]

Notwithstanding Minnesota Rules, part 3400.0100, subpart 4, the parent fee schedule is as follows:

Income Range (as a percent of the federal poverty guidelines)	Co-payment (as a percentage of adjusted gross income)
0-74.99%	$0/month
75.00-99.99%	$5/month
100.00-104.99%	2.61%
105.00-109.99%	2.61%
110.00-114.99%	2.61%
115.00-119.99%	2.61%
120.00-124.99%	2.91%
125.00-129.99%	2.91%
130.00-134.99%	2.91%
135.00-139.99%	2.91%
140.00-144.99%	3.21%
145.00-149.99%	3.21%
150.00-154.99%	3.21%
155.00-159.99%	3.84%
160.00-164.99%	3.84%
165.00-169.99%	4.46%
170.00-174.99%	4.76%
175.00-179.99%	5.05%
180.00-184.99%	5.65%
185.00-189.99%	5.95%
190.00-194.99%	6.24%
195.00-199.99%	6.84%
200.00-204.99%	7.58%
205.00-209.99%	8.33%
210.00-214.99%	9.20%

215.00-219.99%	10.07%
220.00-224.99%	10.94%
225.00-229.99%	11.55%
230.00-234.99%	12.16%
235.00-239.99%	12.77%
240.00-244.99%	13.38%
245.00-249.99%	14.00%
250%	ineligible

A family's monthly co-payment fee is the fixed percentage established for the income range multiplied by the highest possible income within that income range.

[EFFECTIVE DATE.] This section is effective July 1, 2005.

Sec. 16. [ADULT LITERACY GRANTS FOR RECENT IMMIGRANTS TO MINNESOTA.]

Subdivision 1. [ESTABLISHMENT.] An adult literacy grant program for recent immigrants to Minnesota is established in fiscal years 2006 and 2007 only to meet the English language needs of the unanticipated refugees and immigrants to the state of Minnesota.

Subd. 2. [GRANTS.] The commissioner of education shall consult adult basic education service providers in establishing the form and manner of the grant program. The commissioner shall award grants to organizations providing adult literacy services to help offset the additional costs due to unanticipated high enrollments of recent refugees and immigrants.

Sec. 17. [APPROPRIATION.]

Subdivision 1. [DEPARTMENT OF EDUCATION.] The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated.

Subd. 2. [COMMUNITY EDUCATION AID.] For community education aid under Minnesota Statutes, section 124D.20:

$3,391,000	.....	2006
$3,143,000	.....	2007

The 2006 appropriation includes $509,000 for 2005 and $2,882,000 for 2006.

The 2007 appropriation includes $720,000 for 2006 and

$2,423,000 for 2007.

Subd. 3. [SCHOOL READINESS.] For revenue for school readiness programs under Minnesota Statutes, sections 124D.15 and 124D.16:

$10,684,000 2006

$11,093,000 2007

The 2006 appropriation includes $1,813,000 for 2005 and $8,871,000 for 2006.

The 2007 appropriation includes $2,217,000 for 2006 and $8,876,000 for 2007.

Subd. 4. [EARLY CHILDHOOD FAMILY EDUCATION AID.] For early childhood family education aid under Minnesota Statutes, section 124D.135:

$19,092,000 2006

$21,241,000 2007

The 2006 appropriation includes $2,612,000 for 2005 and $16,480,000 for 2006.

The 2007 appropriation includes $4,120,000 for 2006 and $17,121,000 for 2007.

Subd. 5. [HEAD START PROGRAM.] For Head Start programs under Minnesota Statutes, section 119A.52:

$18,375,000 2006

$18,375,000 2007

Subd. 6. [ADULT BASIC EDUCATION AID.] For adult basic education aid under Minnesota Statutes, section 124D.531:

$....... 2006

$....... 2007

The 2006 appropriation includes $....... for 2005 and $....... for 2006.

The 2007 appropriation includes $....... for 2006 and $....... for 2007.

Subd. 7. [ADULT LITERACY GRANTS FOR RECENT IMMIGRANTS TO MINNESOTA.] For adult literacy grants for recent immigrants to Minnesota:

$....... 2006

Sec. 18. [REPEALER.]

<u>Laws 2003, First Special Session chapter 14, article 9, section 36, is repealed.</u>

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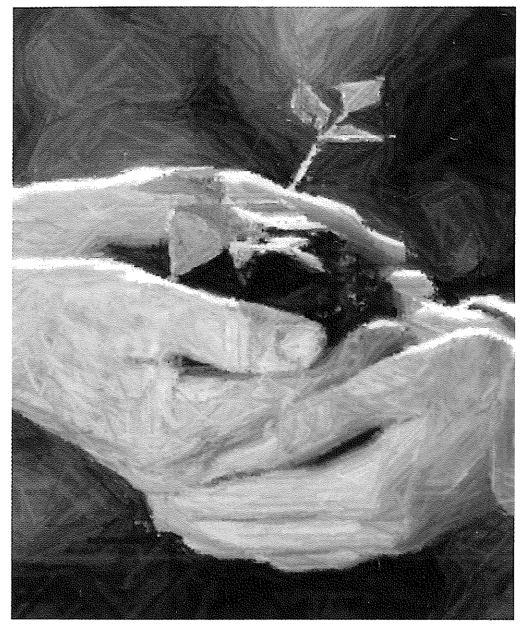
Handout #1

Sharing Our Blessings and Our Burdens

A Pastoral Statement on Taxation and the State Budget by the Catholic Bishops of Minnesota



Minnesota Catholic Conference

As the spiritual leaders of Minnesota's 1.25 million Catholics, and as concerned citizens, we are moved to speak out on public policy issues that affect human lives. We offer our comments and recommendations in a spirit of cooperation and good will.

We are all really responsible for all

Pope John Paul II

January, 2005

As Pastors, we share serious concerns about the human consequences of our state's economic policies and budgetary priorities. As religious teachers, we share a duty to speak out on the moral dimensions of public policies proposed or adopted by our elected officials. As Bishops, who are the successors of the apostles of Jesus Christ, we have a serious responsibility to emphasize the values of the Gospel, hoping that the Catholic faithful will integrate them into their lives and put them into practice in their daily activities.

I. Our present situation

It is well known that when our 2005 Minnesota State Legislature convenes on January 4, 2005, our elected officials will again face the task of resolving a budget deficit for the upcoming biennium, which is estimated to be in the amount of $700 million or, adjusted for inflation, $1.4 billion.

The same problem occurred in 2003, when our state faced a budget deficit in the amount of $4.2 billion. To balance the budget then, our legislature cut funding for a wide range of programs and services, adopted payment shifts, raised approximately $400 million through increased fees paid by Minnesotans for various services, and used one-time funding reserves without raising any additional revenues.

As a result of the cuts made to services and programs, many struggling Minnesota families face more serious financial difficulties than before, and the needs of many of our children, our poor, our vulnerable, our elderly, our sick and our disabled brothers and sisters went unmet (*please see endnote*).

II. The solution

As pastors, teachers and bishops, we do not believe that we can use the solution of two years ago to address our current situation without doing further harm to the values of the Gospel and to the principles of our Catholic social teaching.

According to these values and principles, we are one human family and every member of this family is created in the image and likeness of God and therefore has sacred dignity. Every member of God's human family has a right to life and to everything needed to support that life in dignity.

According to these same values and principles, we believe that we will be judged according to the way in which we respond to the "least" of our brothers and sisters, that is, to those who are hungry, thirsty, homeless, naked, sick or imprisoned (Matthew 25: 31-46). Moreover "if anyone is well-off in worldly possessions and sees his brother in need but closes his heart to him, how can the love of God be remaining in him?" (1 John 3, 17).

Guided by these values and principles, and after examining the realities of our state's economy, its budgetary needs and revenue resources, we believe the responsible and necessary solution to the current situation is to raise income taxes in a just and equitable way.

In Catholic teaching, paying taxes flows from the virtues of justice and love because taxes are one of the means by which we share our blessings with the poor and vulnerable, and build up the common good. The just collection and distribution of tax revenues are important functions of government, for government is a means to do together what we cannot accomplish on our own.

Government requires the payment of taxes from its citizens because it has the responsibility to serve the common good, provide a safety net for the vulnerable, defend human life, rights and dignity, overcome discrimination, and ensure equal opportunity for all. Among other things, taxes allow us to build roads and develop public transit systems, educate our children, protect our families and homes, invest in economic and agricultural development, safeguard our environment and, most importantly, care for our brothers and sisters in need.

In our judgment, if we Minnesotans are going to continue our long and proud tradition of caring for our people and investing in our society, we cannot rely on the solutions of the recent past, since these solutions would only cause greater hardship than ever for families and individuals already financially stressed. We must chart a new direction.

Because human needs require it and other resources are not available to meet these needs, we believe that it is right and proper to raise income taxes justly and equitably. Our hope is that these increased income taxes, which should be based upon each individual's ability to pay, will generate adequate revenues to resolve the projected budget deficit for the 2005-06 biennium, to increase funding to services and programs that were cut during the 2003-04 biennium, and to invest appropriately in providing a better future for our children.

III. Our hope and confidence

We as bishops place our hope and confidence in the people of Minnesota, who have always shown great love and compassion for people in need. We know they are willing to sacrifice for their poor brothers and sisters facing difficult financial hardships. The taxes we pay today, and those paid by our parents and grandparents before us, have allowed us, as Minnesotans, to develop and sustain a high quality of life in our state. But more importantly, the taxes we pay allow us to meet our moral responsibility toward our fellow citizens, our brothers and sisters in the family of God, who need our help to live a life in accord with their God-given dignity.

See, for example, the following: Association of Minnesota Counties, *Responses to AMC Survey on the Impact of State Budget Cuts on Local Public Health Departments*, January 26, 2004; Minnesota Budget Bites, *Consequences: The Impact of Minnesota's Government Budget Cuts*, April 2004; and Children's Defense Fund-Minnesota and Child Care WORKS, *Feeling t[illegible] in: The Emerging Impact of Minnesota's $86 million Cut to Child Care*, January 2004 (links to these reports and other resources may be found on the Minnesota Catholic Conference website at: www.mncc.org).

Archbishop Harry J. Flynn
Archdiocese of St. Paul/Minneapolis

Bishop Richard E. Pates
Archdiocese of St. Paul/Minneapolis

Bishop Victor H. Balke
Diocese of Crookston

Bishop Dennis M. Schnurr
Diocese of Duluth

Bishop John C. Nienstedt
Diocese of New Ulm

Bishop John F. Kinney
Diocese of St. Cloud

Bishop Bernard J. Harrington
Diocese of Winona

Handout #2

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CATHOLIC SOCIAL TEACHING: MAJOR THEMES

Catholic Social Teaching is a central and essential element of our faith. It is based on and inseparable from our understanding of human life and human dignity. Catholic Social Teaching is built on a commitment to the poor and vulnerable. It calls us all to reach out and to build relationships of compassion and justice. It calls us all to defend the dignity of life and build the common good.

In these brief reflections, we present the key themes that lie at the heart of our Catholic social tradition.

Life and the Dignity of the Human Person

Our belief in the sanctity of human life is the foundation of Catholic Social Teaching. We believe that every person is precious and that life must be protected and supported from conception to natural death. We assert that the measure of every institution is whether it threatens or enhances the life and dignity of the human person.

Call to Family, Community, Participation

Our tradition proclaims that the person is not only sacred but also social. How we organize our society - in economics, politics and law - directly affects human dignity and the capacity of individuals to grow in community. We believe that the family is the central social institution and it should be supported and strengthened. We believe that people have a right and duty to participate in society to build the common good and seek the well being of all.

Rights and Responsibilities

The Catholic tradition teaches that human dignity can be protected and a healthy community can be achieved only if human rights are protected and responsibilities are met. We believe that every person has a fundamental right to life and to access to the necessities of life. Corresponding to these rights are duties and responsibilities - to one another, to our families and to the larger society.

Option for the Poor and Vulnerable

Catholic teaching proclaims that a basic moral test of society is how its most vulnerable members are faring. We are called to put the needs of the poor and vulnerable first. We believe political institutions should craft just and fair policies, providing access to basic necessities.

The Dignity and Rights of Workers

We believe that the economy must serve people, not the other way around and that work is a form of continuing participation in God's creation. To uphold the dignity of work, the rights of workers must be upheld. The rights to productive work, to fair and livable wages, to organize and join unions and to economic initiative all contribute to full human development.

Solidarity

We are one human family, whatever our national, racial, ethnic, economic or ideological differences. We are our brothers' and sisters' keepers, wherever they live. The principle of solidarity calls us to seek a just social order where goods are distributed fairly, opportunity is promoted equally and the dignity of all is respected.

Care for God's Creation

The Catholic tradition insists that we show respect for the Creator by our stewardship of creation. We are called to protect people and our planet, living our faith in harmony with all of God's creation. Our commitment to the common good and our concern for neighbors and for generations yet unborn require responsible stewardship of our natural resources.

This information has been adapted from; *Sharing Catholic Social Teaching: Challenges and Directions*, United States Conference of Catholic Bishops, June 1999.

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HANDOUT #3

Minnesota PTA

every child. *one* voice.®

Testimony of Minnesota PTA on SF 2256- E-12 funding

April 27, 2005

My name is Peggy Smith. I am the mother of a 12 year old boy who attends South View Middle School in Edina, and I was also the mother of a son who was developmentally disabled. I am representing Minnesota PTA, which is affiliated with National PTA, the oldest and largest volunteer child and youth advocacy organization in the United States. We are non-profit and non-partisan. I am testifying in support of SF 2256.

Minnesota PTAs' members live across the state of Minnesota in rural, urban and suburban districts. For the last few years public school funding in the state of Minnesota has failed to keep pace with inflation and population growth and changing student population mix. In fact between FY 2003 and FY 2005, real growth in state aid to Minnesota school districts declined by 5.8% per pupil based on data from the Department of Finance's price of government report.

PTA members and their children attending public schools have felt the impact of stagnation in school funding. Class sizes have increased significantly and numerous programs have been cut, including special education, programs for English language learners and after school programs.

Consistent with the state constitution which calls for the state to provide a thorough, uniform and adequate system of public education in the state, Minnesota PTA holds the state legislature and governor accountable for " ensuring that each Minnesota child is provided an educational program which meets the state's standards for optimal program without regard to race, sex, national origin, handicapping condition, ethnic or cultural

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heritage, economic or geographical location."[1] We also believe that "the state is responsible for a system of financing education that ensures adequate and equitable financial support of public elementary and secondary schools."[2] We also believe that revenue sources to support elementary and secondary schools must be "adequate, stable, predictable, fair, and equitable."

On a regular basis we hear from our members, who are very frustrated with the impact that cuts and lack of funding increases are having on their schools and children's education.. They are also tired of continually upping the fundraising ante, and providing funding for basic supplies, sometimes teachers' training and library books, through carnivals, gift wrap and candy sales. We are alarmed by the fact that Minnesota dropped to 46th in the nation between 1997 and 2002 in new money going into K-12 education,, according to the Rockefeller Institute.

I'd like to quote from one Minneapolis PTA president's recent letter to Rep. Steve Swiggum. "Going into the 2005-06 school year, we will lose teachers, lose staff and lose much needed resources. Our lower grades will hold as many as 28 kids and our upper grade will have 34 students, with the potential of even more." "Our prep providers (art, music, media and physical education) will be cut more than ½ again." In 2001 their PTA raised $7,000 for extras. Today they are raising $19,000 and are paying for transportation, equipment, books, supplies, etc. Then she raises the question, "what about the school across town that raises $50,000 and is able to hire needed staff and pay for programs. How can this be equal and public education?" She goes on to say that

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[1] Minnesota 2004 State PTA Handbook, page 3-19

[2] Minnesota 2004 PTA Handbook, page 3-19

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Minnesota PTA

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increasingly families in her school are choosing private schools. This story is very representative of what is going on in many school districts and we hear from our members about.

Since the state assumed responsibility for basic K-12 education funding in 2001, but has so far failed to identify a permanent source of revenue to fulfill its promise, Minnesota PTA urges the legislature and this body to approve this bill, which would provide a $250 increase to the base per pupil funding formula in each year of the biennium. We think this bill comes closest to providing the badly needed inflationary increases, in the fairest way. We also support the approach in this bill to restore the special education growth factors. We are concerned about the approach of the House bill which would subject the special education growth factor to local levies.

Finally as far as the sources of funding are concerned, "Minnesota PTA believes our children are our most valuable resource, and (we) oppose any legislation, state or federal, which would result in decreased funding for education or child- related services."[3] In the context of the current budget process, we do not think that increases in public education funding should be made by cannibalizing other services which children and youth depend on. We can not "carnival" our way to adequate funding for public education. Minnesota PTA supports this bill and we hope that your committee will also.

Peggy Smith- Minnesota PTA lobbyist

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[3] Minnesota PTA Handbook 2004, page 3-20

By Children’s Defense Fund Minnesota
and Child Care WORKS

April 2005

Missed Opportunities Produce Costly Outcomes

“Environmental changes, educational shortcomings, economic benefits and ethical imperatives all underline the value of preparing kids better for success in school, work, and life.”

—Minnesota School Readiness Business Advisory Council

Funding for this report was provided by the Minnesota Policy Research and Analysis Network, which is supported by the McKnight Foundation. Members include Children's Defense Fund Minnesota, JOBS NOW Coalition, Legal Services Advocacy Project, Minnesota Budget Project, and Minnesota Community Action Association.

Table of Contents

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Childcare in Minnesota

Successful children become successful adults, so investing in Minnesota's children is good for all of Minnesota. Experts in many different fields—including primary school teachers, police officers, economists, and early brain development researchers—agree that investing in quality early care and education produces good outcomes for children and significant benefits to the broader community. **Yet, public resources that support working Minnesota families' access to quality early care and education for their children continue to diminish.**

Courtney Cushing Kiernat

This report focuses on Minnesota's Child Care Assistance Program (CCAP), which provides low-income working families with financial assistance to access early care and education for their children. The most dramatic policy and funding shifts in early care and education in recent years have been to CCAP. The report analyzes the impact of the changes and makes recommendations for future policy-making. The report uses the terms "early care and education" and "child care" interchangeably—because, in fact, they are one and the same.

Stakeholders of Child Care: Everyone Shares the Outcomes

Affordable and accessible quality child care helps parents to work while providing early education opportunities for Minnesota's youngest citizens. Using public resources to support these families reflects Minnesota's community values—work and education. Rather than fund and administer a bureaucratic child care "system," public resources in Minnesota help parents access the private early care and education market. Consequently, child care has many stakeholders:

- Children
- Parents
- Child Care Providers
- Businesses
- Communities

These interconnected stakeholders are each affected by changes in the system. **And each bears a cost if children are left in low quality or unstable child care arrangements.**

The Public's Role in Early Childhood Care and Education

Federal, state and local governments have an important role in ensuring the stability and accessibility of the early care and education infrastructure—much in the same way government supports other community infrastructures, like roads and public safety.

In Minnesota, less than one percent of the entire state budget is spent on early care and education programs. The Minnesota Child Care Assistance Program (CCAP) is only one of these programs.

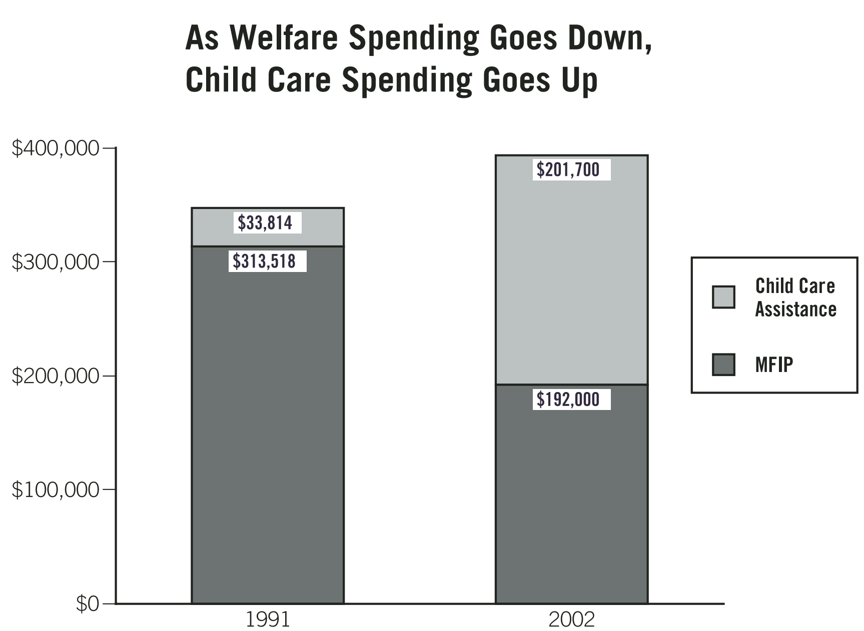
Using public funds to pay for child care assistance is highly effective at helping low-income families work and succeed. A study found that former **welfare-to-work recipients with young children are 60 percent more likely to still be working after two years if they receive child care assistance.** As welfare reform progresses and fewer public funds are spent on providing cash assistance to families moving from Minnesota's welfare-to-work program (the Minnesota Family Investment Program, or MFIP), there is an increased demand for child care assistance (see Figure 1). But estimates suggest that only 16 percent of eligible Minnesota families used child care assistance in 2000. At the same time, 7,300 families on average were on a waiting list for the assistance.

Courtney Cushing Kiernat

Child Care Policy & Funding in Minnesota

In Minnesota, a combination of federal, state and county resources help all working families pay for child care. Income tax breaks for a limited portion of parents' child care costs are available under both state and federal tax codes. In addition, Minnesota uses the federal Child Care Development Block Grant (CCDBG) and Temporary Assistance to Needy Families (TANF) funds, state general funds and special revenue funds to fund Minnesota's Child Care Assistance Program (CCAP).

Federal CCDBG and TANF funding for child care remains stagnant. Consequently, because actual child care costs continue to rise, the federal funding for assistance shrinks over time. For fiscal year 2006, President Bush recommends cuts that will result in a loss of assistance for 300,000 children nationwide—5,000 in Minnesota. This is of great concern, as CCAP relies heavily on federal funding. It accounted for almost 45 percent of CCAP funds in the 2004–2005 state biennium.



From 1991 to 2002, total MFIP and CCAP expenditures increased by only 14%, less than inflation during those years.

FIGURE 1

Child Care Policy Changes in Minnesota

Despite the emerging evidence-based arguments for investing more public resources into early childhood programs, Minnesota significantly decreased its commitment to helping working families access quality early care and education in recent years.

Reduced State Funding for Child Care by $86 Million in 2004-2005 Biennium

In 2003, the state legislature cut funding for CCAP by $86 million, or about one third, for the 2004-2005 biennium. This included a 48 percent decrease of state funds for BSF (see box "Overview of Key CCAP Components" on next page). The policy changes lowered the program eligibility level, increased family co-payments and temporarily froze provider reimbursement rates. (For a detailed explanation of 2003 legislative changes, see Appendix A.) Many providers had to pass more costs onto families in order to stay afloat. The changes have made stable, quality care unavailable or unaffordable for thousands of families in need of assistance. **An estimated 10,000 children are no longer accessing child care assistance as a result of these changes, although their parents are still working and need assistance.**

Many of the 2003 policy changes in CCAP were permanent. Therefore, projected CCAP funds for the 2006-07 biennium also were reduced by $51 million, or almost 20 percent. However, the freeze on the maximum reimbursement rates paid to child care providers was supposed to be a temporary cost-savings measure, not a permanent policy change. The freeze was scheduled to be lifted in July 2005.

Governor Pawlenty Proposes Cutting Additional $70 Million—Total $121 Million Reduction for 2006-2007 Biennium

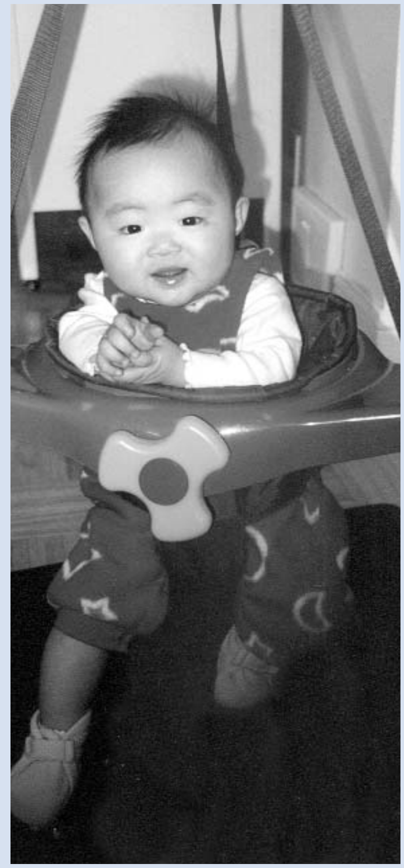
A new proposal in the governor's budget would reduce the state's commitment by an additional $70 million for the 2006-2007 biennium by maintaining the temporary freeze for three more years. **Under this proposal, reimbursement rates for private providers would be based on 2001 private market rates until July 2007.**

Costly Outcome

Cutting public investment in child care does not contain the cost of providing care; it only hurts families and businesses and shifts costs to local Minnesota communities. Access and quality were greatly compromised by the 2003 changes; neither working Minnesota families nor private providers can financially afford more cuts. The governor's proposal

Overview of Key CCAP Components

Resources: The state allocates CCAP funds to counties; counties add their own funds for program administration—including determining family eligibility, and registering and reimbursing providers.



Families: CCAP helps Minnesota families that participate in the state's welfare-to-work program—the Minnesota Family Investment Program (MFIP), those who have left MFIP within the past year and are part of Minnesota's Transition Year (TY) program, and families with incomes under 175 percent of the poverty guidelines (about $27,000 for a family of three) through the Basic Sliding Fee (BSF) program. BSF families receive assistance until their income rises to 250 percent of poverty (about $39,000 for a family of three). Child care for MFIP and TY families is forecasted so every eligible family who applies is guaranteed assistance. BSF is funded with a capped appropriation, so a limited number of eligible families receive assistance. Others who are eligible and apply are put onto a waiting list.

Parent Choice: Under federal law, CCAP parents must be able choose any provider who is willing to be reimbursed by CCAP up to a maximum reimbursement rate set by the state. Families choose from both informal care (families, friends or neighbors) and licensed options (center- or family-based).

Parent Responsibility: Families are responsible for a monthly co-payment that increases as the family's income increases. Families who earn less than 75 percent of the poverty guidelines are exempt from the monthly parent co-payment. In addition, families may be required by their provider to pay the difference between the state reimbursement rate and the provider's actual rate, as well as any special fees charged by the provider.

Family Faced 500% Increase in Child Care Costs

Mary,* a single mother of twin toddlers who worked full-time as a hotel clerk in Greater Minnesota, earned just over $2,000 per month. Prior to the 2003 cuts, she paid a $58 co-payment for child care utilizing CCAP.

In 2003, her monthly co-payment doubled to $119. In addition, the rate at which her child care center was reimbursed for her children was frozen. The center started charging her an additional $240 per month to make up the difference. Paying $359 per month for child care—a 500 percent increase—was more than Mary could handle. She pulled her children from the center.

**name has been changed*

Courtney Cushing Kiernat

will make their situations worse. Private providers, many of whom (according to the Department of Human Services) are operating with no profit margin, confirm that the continued reimbursement freeze will force them to:

- Pass the rate difference on to CCAP families;
- Stop taking CCAP families; or
- Lower quality by reducing staff.

The Departments of Finance and Human Services estimate that a continued rate freeze will prevent thousands of the lowest-income working families from accessing help to pay for child care.

What Cost Does Each Stakeholder Bear?

Each stakeholder in the child care system will experience costly outcomes if Minnesota does not strengthen its commitment to early childhood and increase investments in the child care infrastructure. Ultimately, taxpayers and lawmakers need to decide if the *cost of not investing* in quality child care is too great, creating life-long impacts on future generations.

Children: Missed Opportunity to Get Ready for Learning and Success

To thrive and succeed, children need nurturing opportunities to develop—cognitively, physically, spiritually, socially and emotionally. Families are the primary influence on their children's development, but most Minnesota parents work outside the home. As a result, two-thirds of young Minnesota children spend time in early care and education settings.

Courtney Cushing Kiernat

Child care is more than "babysitting"; it establishes the foundation for children's development. Brain research studies consistently find that the first five years of a child's life are the most critical for development. Physical, emotional, social and cognitive growth is occurring rapidly. During this critical time, young brains are shaped by the quality of their interactions with adults. High quality interactions can enhance healthy development; poor ones can impede it.

Good quality child care includes:

- Parent involvement;
- Qualified, responsive, nurturing, and reliable caregivers; and
- A stimulating, age-appropriate, safe learning environment.

***Every* Minnesota child deserves the highest quality early childhood experiences, but research shows that high quality early care and education programs have the greatest impact on children from low-income families.** Investing in these children's early education and helping their parents give them the right start can make an enormous difference in getting them ready to learn in Minnesota's schools.

Impact on Minnesota's Youngest Learners

Approximately 670,000 Minnesota children ages 12 and under spend some of their time in non-parental care during a typical week. In 2004, the state provided financial assistance for child care to about 56,000 children through Minnesota's Child Care Assistance Program (CCAP).

After the 2003 budget cuts, many Minnesota children lost assistance to access child care. Between July 2003 and November 2004, more than 10,000 Minnesota children dropped out of CCAP. More than 40 percent of these children live in families accessing CCAP through the state's welfare-to-work program, the Minnesota Family Investment Program (MFIP). Department of Human Services data suggests the vast majority of these families are still working, and thus, their children still need care. However, **where the children now spend their days, and the quality of those settings, is mostly unknown**.

Where young children, particularly low-income, at-risk children, spend their days while their parents work is important. The Department of Education reports that less than 50 percent of Minnesota kindergarteners are fully prepared for kindergarten. But, a Department of Human Services study of children in accredited, or higher quality, child care centers illustrates how quality care can make a difference. Although the study has some limitations, the results are profound. Over 80 percent

Where Are the Children?

"Out of the 15 CCAP families we had, 10 families dropped out of care because of changes to the CCAP program—eligibility or co-pays.

I don't know where most of those children spend their days. Three of the families have relatives or friends watching the children. One family used a teenage cousin to watch the children, and suffered a fire. Two of the families were single mothers who no longer are at their place of employment."

—Child Care Center Director
Austin, Minnesota

of the children in the sample from accredited centers were assessed as "fully proficient," or ready for kindergarten.

Results from low-income children matched those of their fellow students from higher income, more educated households. In addition, there were no differences based on race. This is in stark contrast to the racial disparities for Minnesota children that exist in most other domains, including primary and secondary education, health, child welfare, and criminal justice.

The findings are bittersweet, since the 2003 Legislature eliminated incentives for accredited child care providers to care for CCAP children. Over the past two years, fewer low-income children had access to child care that would make the difference for them as they start school. Quality early education can even the playing field for low-income children, giving them a fair start.

Fewer CCAP Resources Affects ALL Minnesota Children

There are fewer licensed child care providers statewide from which all Minnesota working families can choose. From December 2003 to December 2004, the number of licensed providers statewide decreased by 550. **The impact is particularly acute in Greater Minnesota where families in higher income brackets use the same providers as CCAP families and providers are operating at a zero percent profit margin or at a loss.** When a child care provider shuts down, every child in that program, not just the low-income children, experiences a disruption.

Access to quality care has suffered. Providers across the state report being in financial crisis and having to take sharp measures to contain costs. For example, 26 percent of a sample of Hennepin County centers reduced staff benefits and salaries and 45 percent laid off staff. **These actions increase staff turnover and student-teacher ratios, which negatively impacts the quality of care for all children in these programs.**

Finally, when children reach elementary school, students who are not able to follow directions and pay attention divert resources from their classmates. In a national poll, 86 percent of kindergarten teachers said poorly prepared students in the classroom negatively affect the progress of all children, even the best prepared.

What Does "School Readiness" Look Like in Young Children?

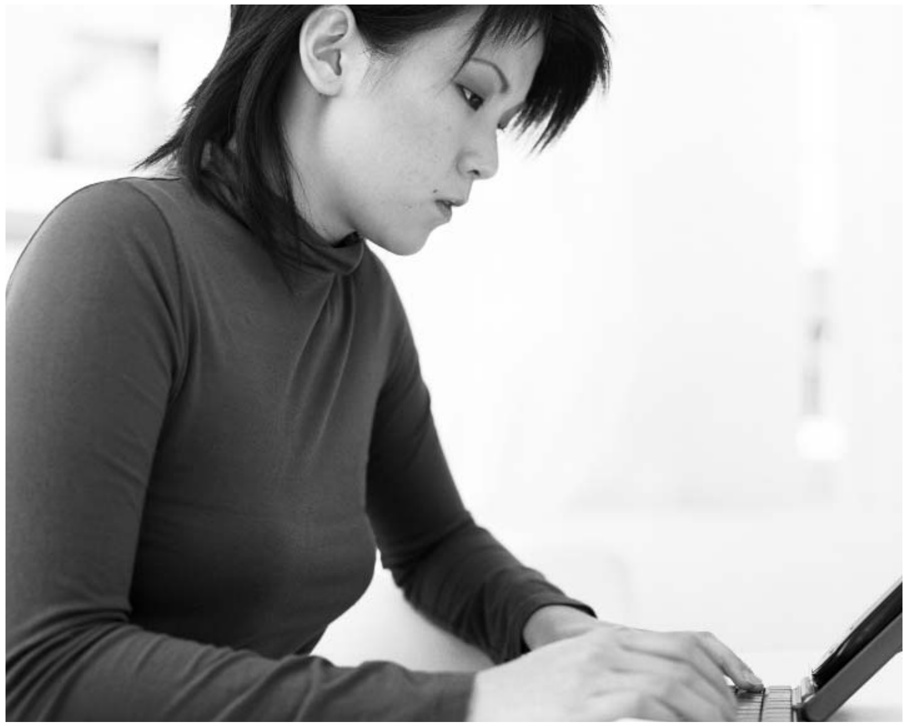
A recent national survey of kindergarten teachers found that school readiness has less to do with mastering the ABCs and counting to 20, and much more to do with being emotionally and socially ready to learn academic material.

Kindergarten teachers want five- and six-year-olds who enter school to be able to:

- Follow directions;
- Pay attention; and
- Get along well with others.

Quality early care and education settings reinforce families' efforts to teach young children these skills.

Parents: Missed Opportunity to Support Working Parents



For most parents, working outside the home is not a choice. In Minnesota today, 21 percent of children live with only one parent. Many two-parent households must have both parents in the workforce to make ends meet. Working parents want the best for their children—nurturing, safe environments in which the children can grow and learn. Sometimes neighbors and grandparents can help out, but many grandparents do not live close by or are in the workforce themselves and not available as consistently as working parents' schedules require. Consequently, many Minnesota families rely on early care and education programs.

But, child care is expensive—both for the providers who run programs and the parents who pay for them. In October 2004, the average annual cost of care ranged from $5,000 and $12,000, depending upon the child's age, type of care, and geographic location.

Working Minnesota families struggle with the costs. A May 2004 survey of people applying for Minnesota's welfare-to-work program showed that **child care was the number one reason parents with young children were applying for cash assistance.**

Figure 2 (see next page) illustrates the financial dilemma many parents face. The chart details a "no frills" monthly budget of a single parent with two young children needing full-time care. **Even at two and a half times the federal poverty line, this family cannot afford child care and all of their other basic needs in the metro area. They are doing slightly better than breaking even in Greater Minnesota.** Although they also would be eligible for limited assistance with health care, they would not be eligible for other forms of assistance, like housing or food support.

Impact on Minnesota's Working Parents

The 2003 budget cuts to CCAP shifted significant child care costs to working parents.

Many parents are no longer eligible for CCAP

The Department of Human Services estimates that 800 working Minnesota families were immediately cut off from child care assistance in July 2003 due to the CCAP eligibility changes. There is no way to estimate how many more families who would have been eligible for CCAP prior to the 2003 changes currently need financial assistance for child care.

"Our neighborhood child care program, operated out of a church in Richfield, has been an asset and a support for working families across all income levels in our community for over 30 years.

About one-third of the children served in our center receive Child Care Assistance payments.

Since 2003, the center lost its accreditation bonus, has struggled to retain and recruit enough families who can afford their co-pays, slashed staff, gave those remaining only a one percent pay raise (which was more than offset by the increase in health care premiums that was passed on to them), and cut the program's budget to the core.

Tuition went up almost ten percent and still the program is operating at a significant deficit.

Even now, I don't know how families are able to afford it—people are just barely hanging on. I am worried that the center will just go out of business. Then where will all the families go?"

—Non-CCAP Working Parent of Five- and Three-Year-Old Children

Many eligible CCAP parents can no longer afford to access the assistance

In 2003, the monthly amount parents pay in co-payments increased by as much as 100 percent for some families. Many CCAP families can no longer afford the co-payments. Child care subsidy workers across the state have seen many families suspend their CCAP cases since 2003—even though the families were still eligible—because they cannot afford the co-payment.

In addition, many CCAP parents are now required by their providers to pay a monthly "differential"—the difference in the rate between what the provider charges private pay families and what the state will pay for CCAP children. A recent survey of Minnesota child care providers indicated that a typical differential is $100-$200 per month. As one center director in Fergus Falls commented, "A hundred dollars a month is a lot for a single mom working at Taco Bell."

Higher costs for parents mean less access to the provider of their choice

According to federal regulations for CCAP, parents must be able to choose from the same options of child care settings that are available to other families, from informal care by relatives or neighbors, to family child care homes, to child care centers, as long as those providers accept CCAP families. Parents who cannot afford the co-payment plus the differential must find a cheaper alternative. But there are fewer and fewer alternatives available. According to Department of Human Services' estimates, if the state used *current* market rates to set reimbursement rates, CCAP families could choose from 82 percent of the providers statewide, as their rates would be at or below the rate the state will pay. **Instead, only 68 percent of the family child care market and 56 percent of the center-based providers are in this category and thus available to CCAP families who cannot afford more than their monthly**

Monthly Budget for a Single Working Parent of a Toddler and Infant in Minnesota in 2002

Monthly Costs

(2002)	Metro Area	Greater Minnesota
Food	$365	$365
Housing	$912	$564
Health Care	$275	$275
Transportation	$344	$445
Clothing/other	$249	$249
Net Taxes	$455	$290
Licensed Child Care	*$1,133*	*$877*
Total Monthly Costs	**$3,733**	**$3,065**

2002 Poverty Levels (Gross Monthly Income)	Net Monthly Income Metro Area	Net Monthly Income Greater Minnesota
175% ($2,190)	-$1,543	-$875
200% ($2,503)	-$1,230	-$562
250% ($3,129)	-$604	$64

FIGURE 2

SOURCE: JOBS NOW Coalition

Courtney Cushing Kiernat

"…A rate freeze is the strategy most likely to restrict access to both licensed family child care and center-based care."

—Minnesota Department of Human Services

co-payments. Figure 3 (see next page) illustrates the loss across Minnesota between 2001 and 2004 of affordable child care for families of toddlers. A similar pattern exists across age groups and types of care.

Working CCAP parents have difficult budget choices

Child care costs have increased substantially over the past two years for CCAP families, but so have other necessities. Rising health care costs, fuel prices, and housing costs have also squeezed their budgets. Child care choices can be more flexible than other line items. Unfortunately, quality can be sacrificed for affordability.

Governor Pawlenty's 2005 Proposal

Governor Pawlenty's proposal to cut an additional $70 million over the next two years by continuing the rate freeze **will directly impact the ability of Minnesota parents with the least resources to access child care for their children.** The Minnesota Department of Human Services was asked to evaluate the impact of various ways to contain the state's child care expenditures. They concluded, ***"…a rate freeze is the strategy most likely to restrict access to both licensed family child care and center-based care."***

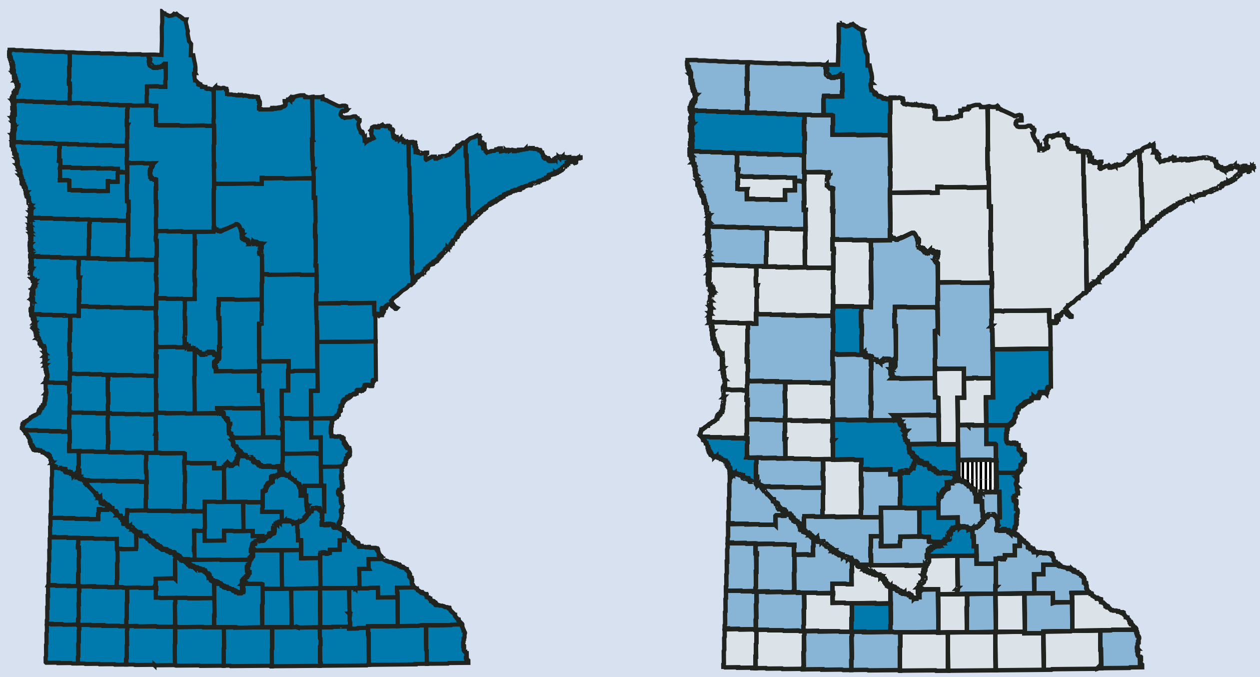
The state will realize savings because CCAP families will have less "purchase power" in the private market, and because fewer families will participate in CCAP as it will be out of reach financially for them. In fact, CCAP is now so restrictive that the program cannot find enough families who are eligible or who can afford to use the program, which has resulted in unused funds that are double the amount that is typical. The Governor's proposal relies on approximately 1,200 children from eligible MFIP families not accessing CCAP funds every month due to the freeze.

Accessibility Decreases

In 2001, in every county in Minnesota, 75–100 percent of family care providers were affordable to CCAP families with toddlers, i.e. the cost of this care did not exceed the monthly co-payment plus the state reimbursement. By 2004, that was true in only 13 counties.

Figure 3

Percent of Family Care Providers Whose Rates Are Below the Maximum State Reimbursement Level for Toddlers



2001

Percent of Family Care Providers (for toddlers)

75–100%

2004

Percent of Family Care Providers (for toddlers)

75–100%
50–75%
less than 50%
no data

Data source: Department of Human Services. Map and analysis by CDF Minnesota

Providers: Missed Opportunity to Support Small Businesses

Licensed child care providers are small private business owners that employ more than 28,000 full-time equivalents and have gross receipts totaling $962 million annually in Minnesota. They set their own rates and find their own clients. Some choose to accept children whose families receive financial assistance from CCAP. Of the licensed slots available for Minnesota children, only 10 percent of those in center care and 6 percent of those in family care are filled by CCAP children.

If providers accept CCAP children, they are reimbursed for the costs of those children's care up to a maximum set by the state. This maximum is determined as the 75th percentile of the private market rate in that provider's geographic region. Providers of most CCAP children receive a portion of their reimbursement directly from family's co-payments and the rest from their county of residence. Unlicensed providers are paid 80 percent of the licensed family child care rate.

Current reimbursement rates for CCAP children have no relation to rates in the current private market. Due to a freeze on reimbursement rates imposed by the 2003 Minnesota legislature, the current reimbursement rates are based on the private market rates from 2001. On average statewide, current maximum reimbursement rates are at the 56th percentile for licensed family care and 48th percentile for centers.

Courtney Cushing Kiernat

If a provider's rate is greater than the maximum reimbursement rate, the provider has several choices—all of them detrimental to the provider's current clients and thus the business. They can:

- Stop caring for CCAP children;
- Charge CCAP families the difference in the rate, which these families can ill afford; or
- Lower the quality of care to contain costs and meet their monthly budgets.

Impact on Minnesota's Child Care Providers

"The average center is [financially] operating on the edge."
—DHS *Cost of Child Care* report

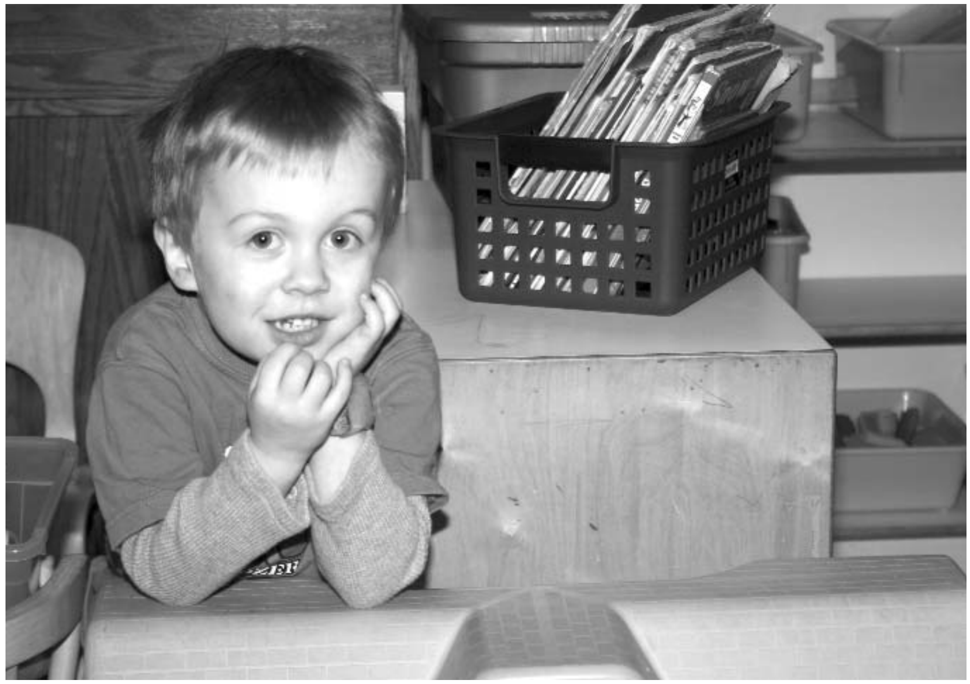
According to a recent report by the Minnesota Department of Human Services, the statewide average profit for child care centers is 3 cents per child per hour—less than 1 percent. When in-kind services are taken into account, child care centers are losing 12 cents per child per hour, on average.

Between July 2003 and January 2005, the number of providers Ramsey County reimburses for CCAP children decreased by 55 percent.

The sharpest decline was in the unlicensed providers who are often referred to as "family, friends, or neighbors."

These providers are not licensed, but are able to be reimbursed for CCAP families so the CCAP parents can afford to work.

The current reimbursement rate for these providers in Ramsey County is about $2 per hour. In July 2003, Ramsey County reimbursed more than 730 of them; by January 2005 that had shrunk to approximately 210.



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Family child care providers are not doing much better

DHS estimates that the annual taxable income for a family provider working more than full-time is $8,500 in Greater Minnesota and $15,500 in the metro area.

Providers were also hit by the 2003 Minnesota legislature with high fee changes

Licensing fees for child care centers were increased as much as 300 percent, on average, and licensing fees of $150 were imposed on family child care providers for the first time. In addition, many providers are now being charged up to $100 annually by their county for performing criminal background checks. While fees, and even increased fees, may be reasonable, the timing of so many changes at one time was a disaster for child care providers.

Providers cannot contain costs any further

The primary costs for child care centers are labor, facility costs, and food. Reducing any of these costs puts children's safety and care at risk. The average child care center worker earns just $16,410. These are some of the lowest wages in the state—just slightly above the wages of dishwashers.

Because of the 2003 freeze, the difference between what providers are being paid and what their actual costs are has grown. Child care businesses have no ability to absorb more financial loss.

Child care providers have gone out of business. Licensed family providers were already suffering in 2003, and Minnesota saw an increased trend in family provider closings following the 2003 budget cuts. From December 2003 to December 2004, the number of providers statewide decreased by 550. **The impact is particularly acute in Greater Minnesota.** For example, the southwestern part of Minnesota saw a seven percent decline in the availability of licensed family providers in that one year.

Businesses and Communities: Missed Opportunity to Improve Minnesota's Prosperity

Whether considering the stability, reliability, and quality of either the current or future workforce, competitive businesses and Minnesota communities must focus on the role of quality early care and education.

A strong child care infrastructure benefits businesses—large and small—as well as Minnesota's economy. The infrastructure enables employers to:

- Recruit employees;
- Reduce turnover and absenteeism; and
- Increase productivity.

Courtney Cushing Kiernat

Working parents are a critical sector of Minnesota's labor force, but their dual roles as workers and parents require them to constantly juggle schedules and obligations.

- Almost 25 percent Minnesota's working parents with young children report that child care problems have prevented them from taking or keeping a job.
- About 22 percent of Minnesota's working parents say they have been late for work, left early, or missed work in the past six months due to child care problems.

The costs of unstable child care to Minnesota's businesses are real. Employers bear costs when parents' child care arrangements are not accessible and reliable. According to a national survey of human resource executives, unscheduled absenteeism cost small businesses an average of $60,000 and large companies an average of $3.6 million per year. Employee turnover is estimated to cost U.S. businesses 1.5 times the annual salary of a salaried employee and .75 times the annual wage of an hourly employee.

Certain sectors of Minnesota's economy rely heavily on working CCAP parents for their labor force. Specifically, health care and social assistance, retail trade, accommodation and food services, and the administrative and support services industries are more likely to employ parents who access CCAP funds.

Quality early care and education for the lowest income children improves the quality of the future workforce and is consequently one of the most efficient uses of today's tax dollars. Economists Art Rolnick and Rob Grunewald of the Minneapolis Federal Reserve Bank assert that putting public resources into high quality early childhood programs for the lowest income children is one of the best returns on public investment—an overall 18 percent rate of return on investment, 17 percent of which is a public rate of return. They rely on two scientific findings:

- The development of young children's brains is shaped by the quality of their interactions with adults. While it is possible to

"Whether it is a lack of transportation, *reliable child care,* or recurring personal problems, 'we are not seeing the same number of good, solid candidates in our worker pool.'"

—Branch manager from temporary employment services agency

As cited in article on labor shortage in the Federal Reserve Bank of Minneapolis' January 2005 fedgazette, emphasis added.

"The early care and education structure currently in place is not up to the task, either in physical capacity or educational quality."

—Minnesota School Readiness Business Advisory Council

have a positive influence on a child's development later in life, it is much less difficult and costly to create a healthy foundation early on.

- At-risk children who were in high quality early childhood programs have significantly better behavioral, social, and cognitive outcomes throughout their lives than their peers who were not in such programs.

The economic analyses show that public investments produce public cost savings because of reduced incidence of:

- Grade repetition and special education;
- Criminal behavior and punishment;
- Welfare and related poverty costs.

Recognizing the public good that can result, the Minnesota School Readiness Business Advisory Council (MSRBAC), a group of executives from more than 100 of Minnesota's leading companies, advocates for more investments in early childhood. Their 2004 task force report concludes that as the trend toward global competition increases, lagging early childhood preparation threatens the continued competitiveness of Minnesota businesses as well as Minnesota's quality of life.

Impact on Minnesota

It is difficult to assess how the 2003 changes to CCAP have affected Minnesota's businesses and communities. What we do know is that the current child care infrastructure is precarious, providers are operating on the edge, and many parents can no longer access affordable care. As the Department of Human Services notes in their recent report, "… we don't know at what point this [loss of access to child care] will have an effect on job stability for families or school readiness for children."

Analyses of demographic and employment trends suggest Minnesota's workforce will have an increased need over time for a strong early care and education infrastructure. Two trends are particularly relevant:

- The working parent workforce is expected to continue growing.
- Significant job growth will occur in the sectors that currently employ the majority of CCAP families.

The increasingly competitive knowledge-based global economy will demand more of tomorrow's workforce. Economists and businesses have made it clear: To invest public funds efficiently and wisely and get Minnesota's future workforce ready to compete, Minnesota needs a strong early childhood infrastructure *now.* The state must help sustain that infrastructure.

Conclusion: Opportunities for ALL Minnesotans

Children, parents, child care providers, businesses, and the broader community—all Minnesotans are impacted when the infrastructure that supports our youngest children is dismantled. Minnesotans must take action to stop the erosion of that infrastructure. We propose the following actions during the 2005 legislative session.

Allow More Low-Income Working Families Access to Child Care Assistance

1. Eligibility and Parent Co-Payment

Increase family income eligibility to allow families earning up to 250 percent of the federal poverty guidelines to enter CCAP. Make low-income working parents' contributions (including the CCAP co-payments as well as any differential rate costs providers need to require) affordable.

2. Provider Reimbursement

Thaw the freeze and reimburse child care providers at a rate at or below the 75th percentile of *current* private market rates. The rate freeze imposed in 2003 has wreaked havoc for child care businesses and weakened the quality and viability of the child care industry.

Increase Access to Quality

3. Accreditation Incentive

Research shows that providers are more likely to seek accreditation when they are able to realize a rate increase of 15 percent or more, based on obtaining that accreditation. Reimburse accredited child care programs at a rate that is at least 15 percent higher than the maximum child care assistance reimbursement rate. This supports quality programs and, in turn, improves the school readiness of all of the children served by those programs.

4. Minnesota Early Learning Fund

Research shows that at-risk children who attend high quality early childhood programs are better prepared for school and life. The State should match private funds to create the Minnesota Early Learning Fund to implement a voluntary quality rating system for early childhood programs and demonstrate successful approaches for serving low-income children and increasing quality of programs for all children.

Provide Relief to Struggling Small Businesses

5. Provider Fees

During the past two years, child care reimbursement rates have been frozen, while fees have increased exponentially. This has added to the financial strain felt by child care businesses, further limiting families' access to quality child care options. Suspend child care license and background study fees for the next biennium and take responsibility for defraying the cost of any licensing revenue lost by counties.

Appendix A: 2003 CCAP Budget Cuts and Program Changes

The 2003 Minnesota Legislature made the following policy changes to the Child Care Assistance Program (CCAP). These changes resulted in the elimination of $86 million in resources for child care assistance in the 2004-2005 biennium and the elimination of $51 million in resources in the 2006-2007 biennium.

Entrance income eligibility lowered from approximately 290 percent of the poverty guidelines to 175 percent

In other words, eligibility went from 75 percent to 44 percent of Minnesota's median income. The nationwide average income eligibility is 59 percent of a state's median income. Prior to 2003, Minnesota ranked 4th amongst states for income eligibility for child care assistance. **Minnesota now ranks 33rd for entrance levels, below Mississippi. Mississippi is the lowest-ranking state for overall child well-being.** Family income eligibility to exit CCAP was also reduced to 250 percent of the poverty guidelines; Minnesota ranks 7th in the nation for exit levels.

Family co-payments increased

Families experienced a steep increase in co-payments—by as much as 100 percent for some. Current co-payments for all other families range from 3-22 percent of the family's gross income. Families who earn less than 75 percent of the poverty line have no monthly co-payment.

Reimbursement rates to providers were temporarily frozen at 2001 rates

Current reimbursement rates for private providers of CCAP children are not related to current private market rates. In fact, the state freeze did nothing to contain child care providers' costs—child care business costs grow as their rents increase and their employees need cost-of-living increases. The freeze only reduced the state's commitment to helping Minnesota children access care.

Provider fees increased

Licensing fees for child care centers were increased as much as 300 percent, on average, and licensing fees of $150 were imposed on family child care providers for the first time. At the same time, counties may now charge up to $100 annually for performing criminal background checks for providers.

Quality incentives eliminated

A key indicator of quality is "accreditation" by the National Association for the Education of Young Children and other accrediting bodies. Prior to 2003, state policy encouraged child care providers to attain this level of quality and serve CCAP children by giving accredited providers a slightly higher reimbursement rate. This increased quality for all Minnesota children in accredited care since accredited programs serve non-CCAP children as well. But in 2003, Minnesota withdrew its commitment to encouraging high quality care—the accreditation incentive was eliminated.

Key Findings

1) The 2003 legislative changes put Minnesota in the bottom third nationwide in terms of child care assistance eligibility. This, combined with dramatic increases in out-of-pocket costs for families and frozen payments for providers, has made the program so restrictive that working families are finding it extremely difficult to access child care assistance.

- 10,000 fewer Minnesota children accessed child care assistance between 2003 and 2004; data indicate that their parents are still working and financially in need of assistance.
- From December 2003 to December 2004, the number of licensed providers statewide showed a net decrease of 550.
- In 2001, more than 75 percent of child care programs in all 87 Minnesota counties charged rates at or below the maximum rate paid by the state—in other words, child care assistance families had access to more than 75 percent of all child care programs without paying an additional fee on top of their co-payment. This met the guidelines suggested by the federal government. In 2004, only 13 counties were left with more than 75 percent of child care providers in that county charging rates financially accessible to child care assistance families.
- Child care assistance has become so restrictive that the unused funds are double the amount that is typical.

2) Governor Pawlenty proposes $70 million in child care cuts for the 2006-07 biennium. This is on top of $51 million in child care cuts for 2006–2007 biennium as a result of the 2003 changes.

The governor's proposal highlights yet a further retreat from Minnesota's commitment to young children and takes the most harmful path for families in terms of spending reduction options.

- The Department of Human Service's recent "Cost of Care" report states that "*…a rate freeze is the strategy most likely to restrict access to both licensed family child care and center-based care.*"

3) Economists at the Federal Reserve Bank of Minneapolis view investment in high quality early care and education programs for low-income children as one of the most efficient uses of tax dollars, citing a 17 percent public return. A consortium of 100 leading Minnesota businesses (the Minnesota School Readiness Business Advisory Council) agree, highlighting the close correlation between quality early childhood programs and the future of Minnesota's workforce, economy and quality of life.

4) Quality child care reinforces families' efforts to provide the foundation for children's development, prepares children for kindergarten, and can level the playing field for low-income children.

- A recent study by the Department of Human Services that evaluated the school readiness of children who attended 22 accredited child care centers in Minnesota found that more than 80 percent of children in the sample were "fully ready for kindergarten"—compared to less than 50 percent in the general Minnesota population.
- Brain research studies consistently find that the first five years of life are some of the most critical for development. During this time, high quality interactions with adults enhance healthy development; poor ones impede it.

5) Parents need affordable, quality child care to work.

- Recent studies found that child care was the number one reason Minnesota families with children under the age of six applied for MFIP.
- Child care problems have prevented 25 percent of Minnesota's working parents from taking or keeping a job.

6) Investing in child care assistance positively correlates with reducing the need for cash assistance.

- One of the goals of welfare reform was to move families from welfare to work. As families make this transition, MFIP expenditures decrease, while child care expenditures naturally increase. Child care is a key component to keeping parents in the work force.

7) Licensed child care providers—a private industry comprised mostly of small businesses—are barely staying afloat.

- The average child care center in Minnesota is operating at a zero percent profit margin or at a loss, while the average family provider is making less than $15,500 in the metro and $8,500 in Greater Minnesota.

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Notes

Children's Defense Fund

Children's Defense Fund Minnesota
University National Bank Building
200 University Avenue West, Suite 210
St. Paul, MN 55103
651-227-6121 • www.cdf-mn.org

CHILD CARE WORKS

Child Care WORKS
212 2nd St SE, Suite 116
Minneapolis, MN 55414
612-455-1055
www.childcareworks.org

HANDOUT #5

H.F. 1516, with A1 amendment (Senator Hottinger proposal, 5.4, 7.7, and 8.7% income tax rates)
Tax amounts shown are tax before all credits

Income levels (adjusted gross income)	**Tax Year 1999 – 6, 8, 8.5% (before rate reductions enacted in 1999)**			**Tax Year 2005 – 5.35, 7.05, 7.85%**			**Proposed 2005* -- 5.4, 7.7, 8.7%**		
	State	Federal	Total	State	Federal	Total	State	Federal	Total
$25,000 single	$1,091	$2,693	$3,784	$899	$2,155	$3,054	$907	$2,155	$3,062
$60,000 head of household, one dependent	$3,255	$7,706	$10,961	$2,763	$6,163	$8,926	$2,909	$6,163	$9,072
$125,000 married joint, two dependents	$7,403	$20,029	$27,432	$6,347	$15,759	$22,106	$6,803	$15,759	$22,562
$350,000 single	$27,064	$98,640	$125,704	$24,669	$86,301	$110,970	$27,183	$86,301	$113,484
*Proposed 2005 shows effect of proposed 2006 rates; 2005 rates will be halfway between current law and fully-phased in 2006 rates.									

Itemized deductions as a percent of adjusted gross income and state income tax deduction as a percent of itemized deduction assumptions based on percentages reported on returns by income range in 2002 individual income tax sample.

$25,000 single filer claims one personal exemption and the standard deduction; federal taxable income and Minnesota taxable income equals $17,950 in 1999, $17,050 in 2004, and $16,800 in 2005.

$60,000 head of household filer claims one personal exemption, one dependent exemption, and itemized deductions equal to 18% of adjusted gross income. Federal taxable income equals $43,563 in 1999, $42,863 in 2004, and $42,663 in 2005. Minnesota taxable income equals $46,001 in 1999, $45,301 in 2004, and $45,101 in 2005.

$125,000 married couple claims two personal exemptions, two dependent exemptions, and itemized deductions equal to 18% of adjusted gross income. Federal taxable income equals $91,518 in 1999, $90,118 in 2004, and $89,718 in 2005. Minnesota taxable income equals $98,838 in 1999, $97,438 in 2004, and $97,037 in 2005.

$350,000 single filer claims one personal exemption and itemized deductions equal to 16 percent of adjusted gross income. Federal taxable income equals $301,496 in 1999, $301,013 in 2004, and $300,916 in 2005. Minnesota taxable income equals $325,792 in 1999, $325,309 in 2004, and $325,212 in 2005.

House Research Department, March 25, 2005

March 24, 2005

TO: Senator Larry Pogemiller

FROM: Jim Schowalter
State Budget Director

SUBJECT: Cost of Shift Buybacks

This memo confirms the information that Commissioner Ingison left for you in her voice mail last week, responding to your question on the cost of various shift buybacks and payment changes.

School Aid Payment Percent. The cost to return to 90/10 in the school aid payment percent, from the current level of 84.3/15.7, is $346.055 million. There are marginal savings in subsequent years related to returning the school aid payment percent to 90 percent.

Property Tax Recognition Shift. The cost to pay off the property tax recognition shift in full is $337.4 million through FY 2007, plus an additional $53 million in FY 2008-09.

Sales Tax Acceleration. The cost to repeal the June sales tax acceleration is $180 million.

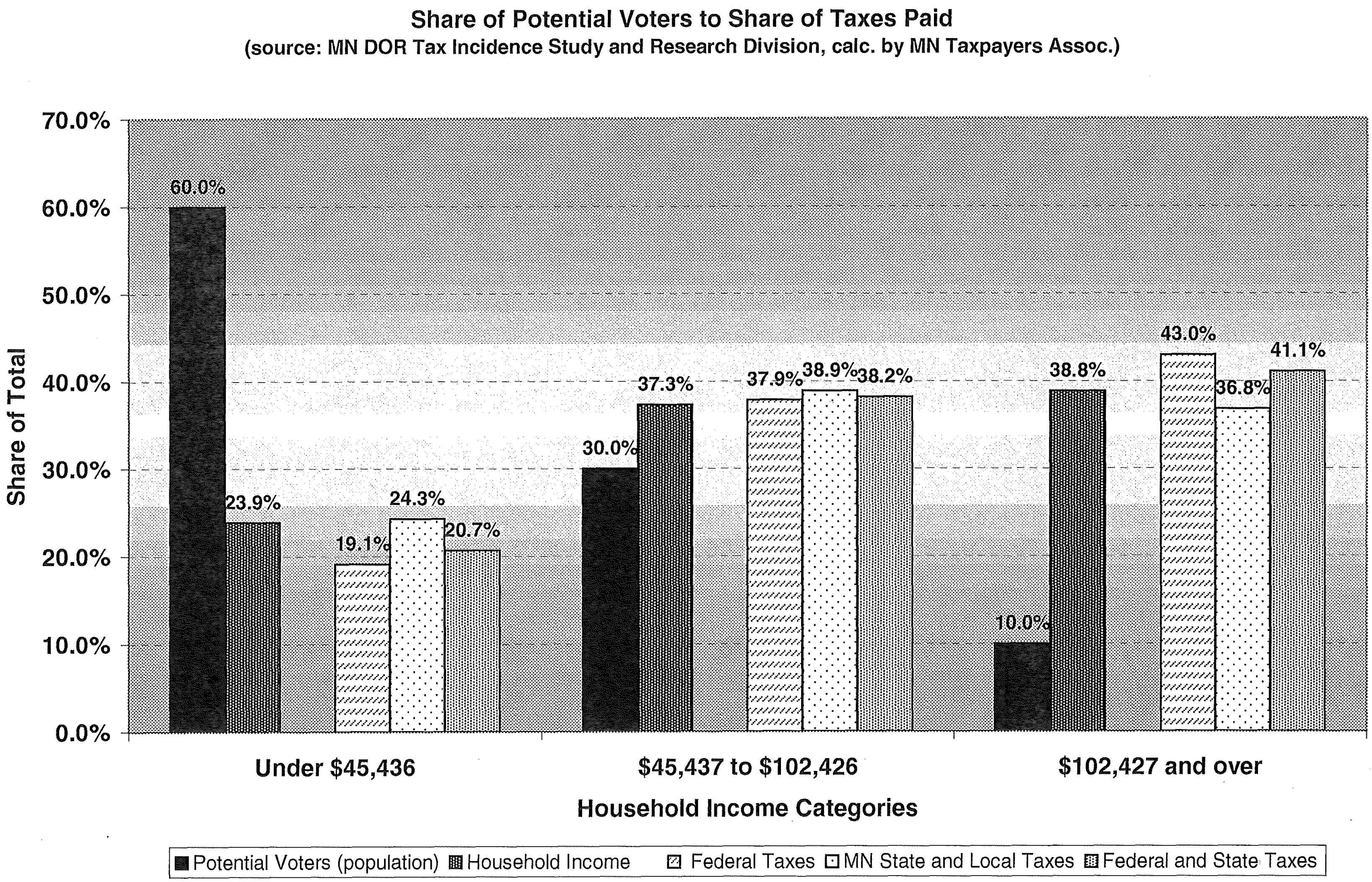
Addition of LGA Payment, to 3/year. The cost to move from two LGA payments a year to three is $145 million.

Capital Equipment. The cost of returning to the former schedule for sales tax refund claims on capital equipment is $60 million.

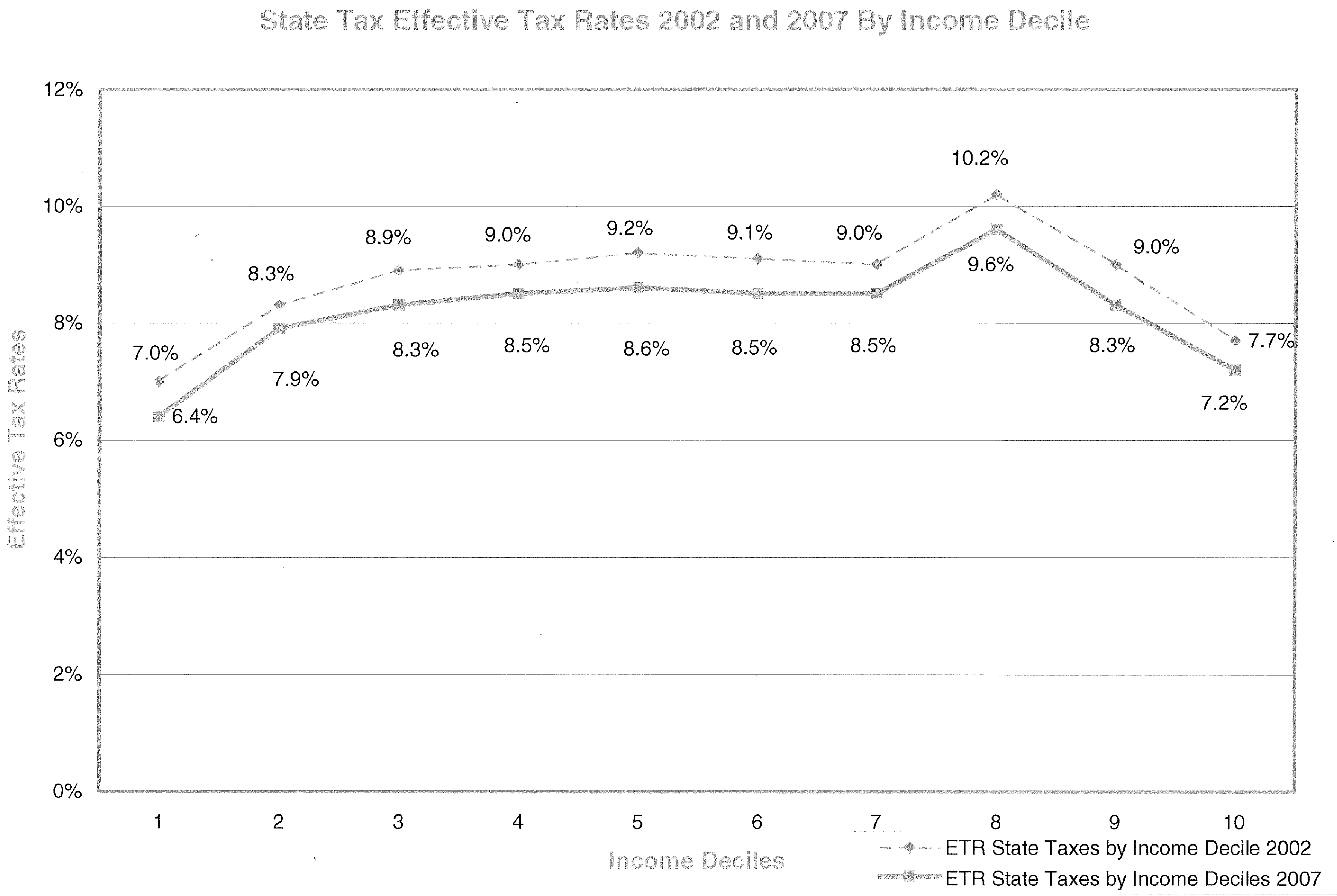
Taconite Production Tax Replacement Aid. The cost of returning to the former schedule is $3.7 million.

cc: Peggy Ingison
Matt Massman

HT HDOUT #7



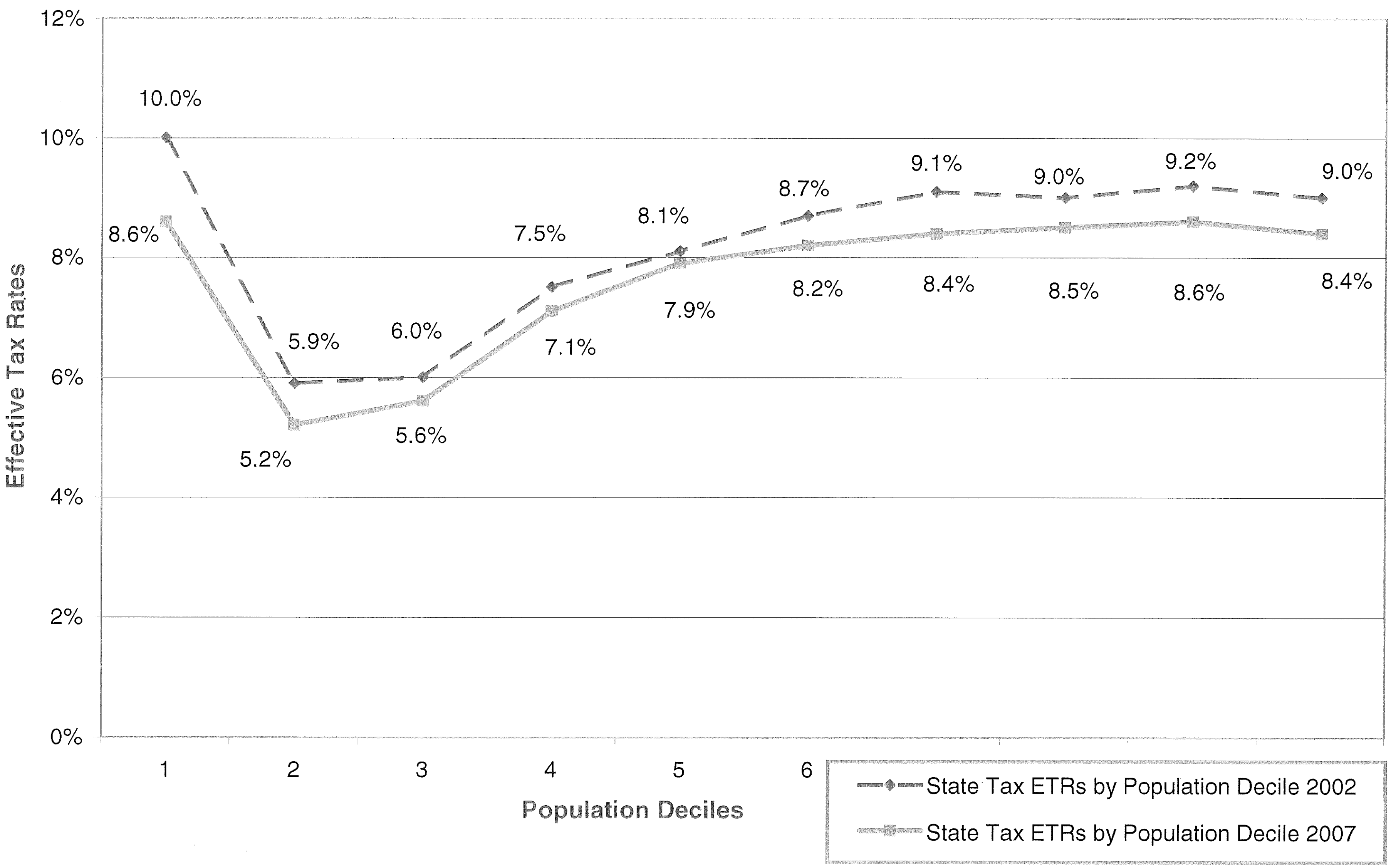
Share of Potential Voters to Share of Taxes Paid
(source: MN DOR Tax Incidence Study and Research Division, calc. by MN Taxpayers Assoc.)
70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
Share of Total
60.0%
23.9%
19.1%
24.3%
20.7%
30.0%
37.3%
37.9%
38.9%
38.2%
10.0%
38.8%
43.0%
36.8%
41.1%
Under $45,436
$45,437 to $102,426
$102,427 and over
Household Income Categories
Potential Voters (population)
Household Income
Federal Taxes
MN State and Local Taxes
Federal and State Taxes



Source: DOR Tax Incidence Study, 2005

A. Neumann
4-27-05
Senate Fiscal

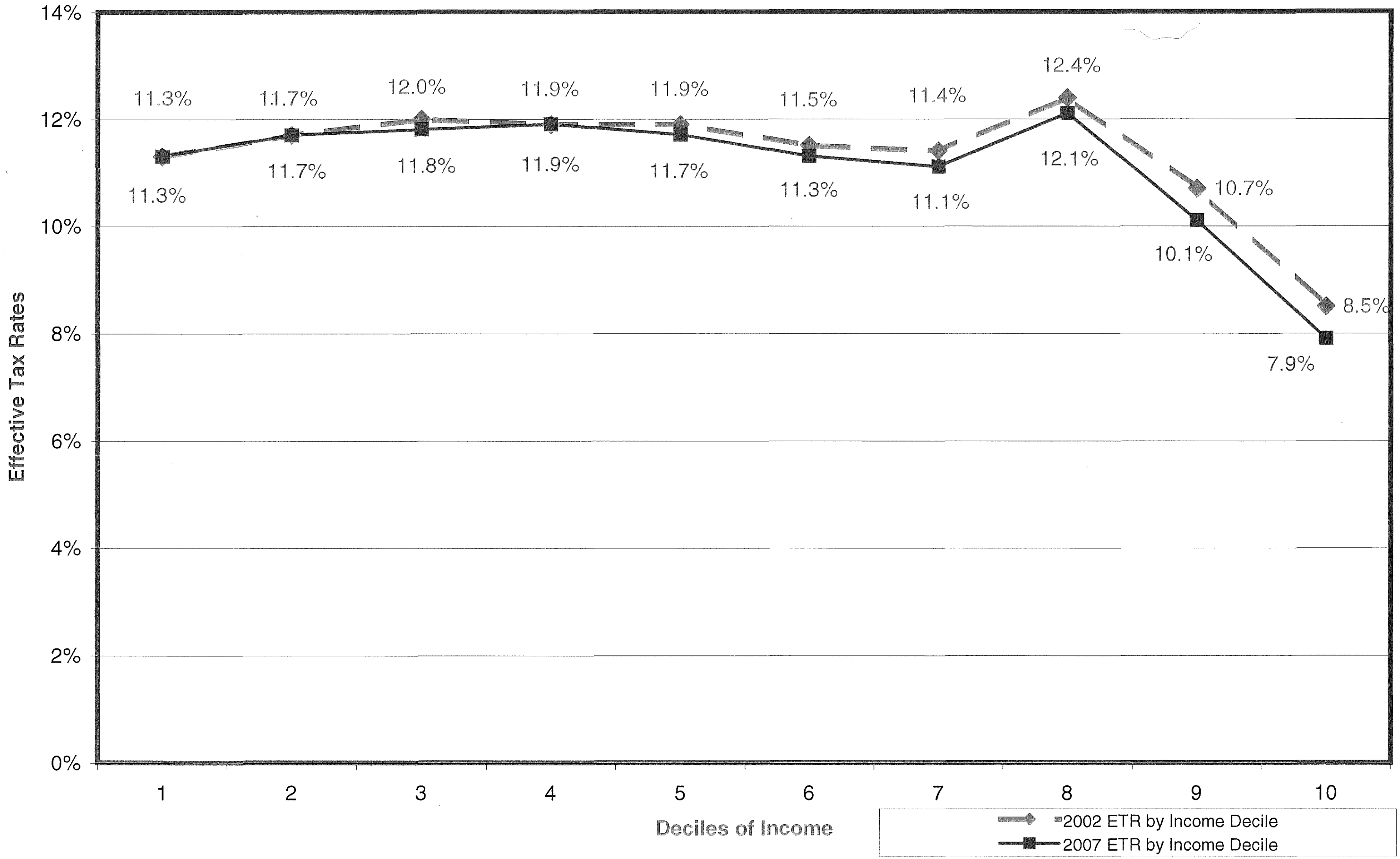
State Tax Effective Tax Rates by Population Deciles 2002 and 2007



A. Neumann
4-27-05
Senate Fiscal

Source: DOR Tax Incidence Study, 2005

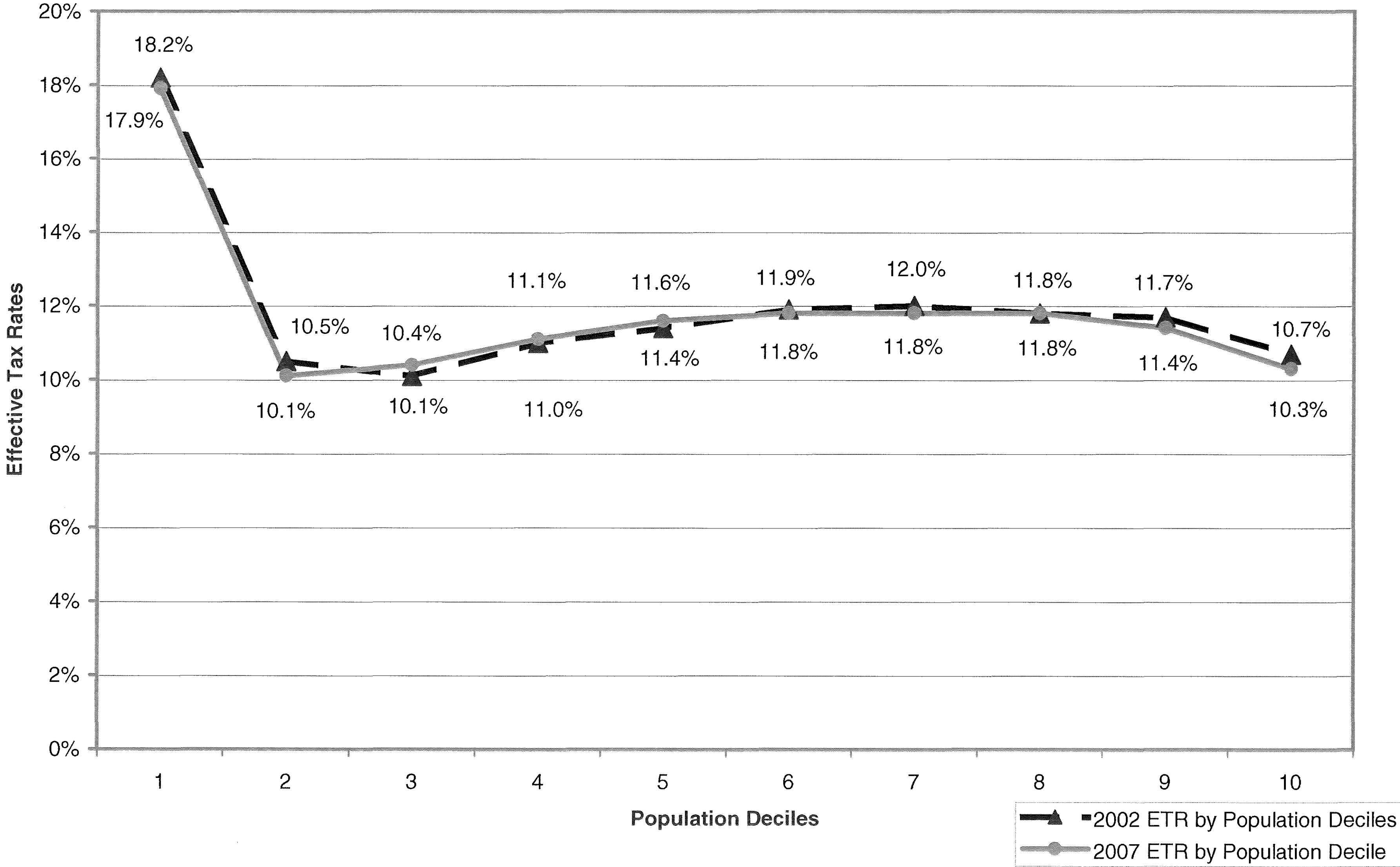
State and Local Taxes -- Effective Tax Rates 2002 and 2007 By Income Decile



A. Neumann
4-26-05
Senate Fiscal

Source: DOR Tax Incidence Study, 2005

State and Local Effective Tax Rates 2002 and 2007 By Population Decile



A. Neumann
4-26-05
Senate Fiscal

Source: DOR Tax Incidence Study, 2005

Agenda #2

Senators Neuville, Belanger, Limmer, Robling and Johnson, D.J. introduced--

S.F. No. 1195: Referred to the Committee on Taxes.

A bill for an act

relating to taxation; providing for an income tax surcharge; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 290.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. [290.433] [INCOME TAX SURCHARGE.]

An individual, estate, trust, or corporation that files a return under this chapter, may designate on their original return that $5 or more shall be added to the tax or deducted from the refund that would otherwise be payable by or to that individual, estate, trust, or corporation.

The taxpayer shall designate that the added or deducted amount shall be paid into one or more of the following accounts and used for the stated purpose:

1 (1) K-12 education, for technology and/or capital improvement grants to school districts;

3 (2) higher education, for state assistance to individual students based on student need;

~~(3) transportation, for local road and bridge funds;~~

2 (4) health care, to provide funding for public health care programs;

~~(5) nursing home assistance, for state reimbursement of nursing home costs; or~~

~~(6) environmental clean water, for grants to cities for wastewater treatment facilities.~~

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2004, and ending before January 1, 2007.

Sec. 2. [APPROPRIATION; SPECIAL ACCOUNTS.]

(a) All amounts designated by taxpayers to be paid into the K-12 education account under Minnesota Statutes, section 290.433, clause (1), must be deposited in the state treasury and credited to a special K-12 education account. Money in the account is appropriated annually to the commissioner of education to make onetime grants to school districts for technology or capital improvements.

(b) All amounts designated by taxpayers to be paid into the higher education account under Minnesota Statutes, section 290.433, clause (2), must be deposited in the state treasury and credited to a special higher education account. Money in the account is appropriated annually to the Minnesota Higher Education Services Office to provide financial assistance to students, based on financial needs, attending postsecondary educational institutions located in and operated by this state.

~~(c) All amounts designated by taxpayers to be paid into the transportation account under Minnesota Statutes, section 290.433, clause (3), must be deposited in the state treasury and credited to a special transportation account. Money in the account is appropriated annually to the commissioner of transportation for improvements to local roads and bridges.~~

(d) All amounts designated by taxpayers to be paid into the health care account under Minnesota Statutes, section 290.433, clause (4), must be deposited in the state treasury and credited to a special health care account. Money in the account is appropriated annually to the commissioner of human services to provide additional funds for adult participation in MinnesotaCare.

~~(e) All amounts designated by taxpayers to be paid into the nursing home assistance account under Minnesota Statutes, section 290.433, clause (5), must be deposited in the state treasury and credited to a special nursing home assistance~~

account. Money in the account is appropriated annually to the commissioner of human services to fund a onetime increase in state paid nursing home reimbursement rates.

(f) All amounts designated by taxpayers to be paid into the environmental clean water account under Minnesota Statutes, section 290.433, clause (6), must be deposited in the state treasury and credited to the wastewater infrastructure fund, and annually appropriated to the public facilities authority to make onetime grants to municipalities for wastewater treatment facilities.

(g) All amounts appropriated from the special accounts under this section are onetime appropriations and do not become part of the base level funding for the 2006-2007 biennium.

[EFFECTIVE DATE.] This section is effective July 1, 2005.

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX
PROPERTY TAX REFUND
CORPORATE FRANCHISE TAX
Fund Contribution Checkoff

March 9, 2005

	Yes	No
Separate Official Fiscal Note Requested	X	
Fiscal Impact		
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 919 (Cox)/ S.F. 1195 (Neuville)

	Fund Impact			
	F.Y. 2006	F.Y. 2007	F.Y. 2008	F.Y. 2009
	(000's)			
Special K-12 education account	Unknown	Unknown	$0	$0
Special higher education account	Unknown	Unknown	$0	$0
Special transportation account	Unknown	Unknown	$0	$0
Special health care account	Unknown	Unknown	$0	$0
Special nursing home assistance account	Unknown	Unknown	$0	$0
Wastewater infrastructure fund	Unknown	Unknown	$0	$0

Effective for tax years 2005 and 2006

EXPLANATION OF THE BILL

Current Law: A taxpayer filing an individual income tax, property tax refund, or corporate franchise tax return may elect to increase tax liability or reduce their refund by making a donation of $1 or more to the nongame wildlife management account.

Proposed Law: Taxpayers would have the additional option of electing to increase their tax liability or reduce their refund by making a donation of $5 or more to any one of six accounts:

- a K-12 education account for technology or capital improvement grants to school districts
- a higher education account for assistance to students based on financial need
- a transportation account for local road and bridge funds
- a health care account to provide additional funds for adult participation in MinnesotaCare
- a nursing home assistance account to increase state paid nursing home reimbursement rates
- an environmental clean water account for grants to municipalities for wastewater treatment facilities

March 9, 2005

REVENUE ANALYSIS DETAIL

- Neither Minnesota nor any other state has experience using checkoffs to fund various state programs as is proposed in this bill. Therefore, direct comparisons are not available.
- In 2003 about 85,000 Minnesota taxpayers contributed approximately $1.2 million to the nongame wildlife fund, at an average rate of about $14 per contributing taxpayer.
- The experience of other states provides some relevant information. According to a recent Federation of Tax Administrators study, all states with an income tax have checkoff programs. Most of them have a nongame wildlife checkoff. In 2000 the average donation for nongame wildlife for all states was $11 per contributor (compared to just over $13 for Minnesota in that year).
- Most states have more than one checkoff option. A wide variety of programs is funded in this manner. The contributions vary with the program funded. Nongame wildlife attracts the highest average donation per contributor. Child abuse prevention and breast cancer research checkoffs, both available in many states, tend to be funded at slightly lower average levels. Other programs experience significantly lower average funding levels per contributing return.
- Because no direct evidence is available concerning the use of checkoffs to fund the type of state programs proposed in the bill, the impact on each fund is unknown. Also, since the program would be in effect for only two years, it is unclear whether lack of familiarity might tend to hold down taxpayer participation rates or whether novelty might increase them.

Number of Taxpayers: About 85,000 taxpayers donated to the Minnesota nongame wildlife fund in 2003. It is unknown how many would contribute to the proposed funds.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

hf0919(sf1195)_1/gt

Senator ..... moves to amend S.F. No. 1195 as follows:

Page 1, line 19, after the comma, insert "one-half" and after "funds" insert ", and one-half for assistance to public transit systems"

Page 2, line 25, after "transportation" insert ", who must expend one-half" and after "bridges" insert ", and one-half for assistance to public transit systems"

Withdrawn

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX
Rate Increases

March 15, 2005

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 1333 (Hottinger)/ H.F. 1516 (Paymar)

	Fund Impact			
	F.Y. 2006	**F.Y. 2007**	**F.Y. 2008**	**F.Y. 2009**
	(000's)			
General Fund	$412,600	$472,000	$490,700	$527,000

Effective for tax years beginning after December 31, 2004.

EXPLANATION OF THE BILL

Individual Income Tax Rate Increase

This proposal increases the individual income tax rates in tax year 2005 for the first bracket from 5.35 percent to 5.38 percent, the second bracket from 7.05 percent to 7.38 percent, and the third bracket from 7.85 percent to 8.28 percent. For tax years 2006 and after, the proposal increases the first bracket from 5.35 percent to 5.40 percent, the second bracket from 7.05 percent to 7.70 percent, and the third bracket from 7.85 percent to 8.70 percent. The tax year 2005 brackets, as indexed under current law, are specified in the bill, and the income tax brackets will be indexed for inflation, starting with tax year 2006.

	Current Law	**Proposed Law**	
	Tax Year 2005	**Tax Year 2005**	**Tax Year 2006 & After**
1st Bracket	5.35%	5.38%	5.40%
2nd Bracket	7.05%	7.38%	7.70%
3rd Bracket	7.85%	8.28%	8.70%

March 15, 2005

REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation (HITS) Model version 5.3 was used to estimate the tax year revenue impact of the proposal.
- These simulations assume the same economic conditions used by the Minnesota Department of Finance for the forecast published in February 2005. The model uses a stratified sample of tax year 2002 individual income tax returns compiled by the Minnesota Department of Revenue.
- In allocating the tax year impacts to fiscal years, a standard rule of thumb formula was applied.

Number of Taxpayers: Approximately 1,819,300 returns would receive an average tax increase of $115 in tax year 2005. For tax year 2006, 1,922,100 returns would receive an average tax increase of $228.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

sf1333(hf1516)_1/mjr

HANDOUT #1

Check-off Programs See Strong Growth

Types of Check-off Programs
Summary of Major Programs

Check-off programs, in which a taxpayer "checks off" a contribution to state programs on a state personal income tax form, have ballooned in scope and popularity over the last decade. In the last two years, state revenue agencies have seen strong growth in both the number of programs and the amount collected. On 2002 state income tax returns to be processed in 2003, the survey identified 220 check-off programs available to taxpayers in 41 states and the District of Columbia. Every state with a broad-based income tax has at least one check-off program. This represents a jump from 179 programs on the tax year 2000 returns and an increase from 103 in 1989, the first year FTA began tracking such programs.

A good economy helped to increase the revenues reaped from check-off programs, as taxpayers contributed $32.8 million to the 210 programs on state tax returns processed in 2002. This is a $5.5 million jump from the 2000 survey, the largest two-year increase reported by FTA.

The use of check-off boxes on income tax returns to fund charitable organizations began in 1972, when the federal government allowed taxpayers to designate $1 of their liability to a special presidential campaign fund. States soon followed with their own check-off programs, beginning with Colorado's implementation of its wildlife check-off program in 1977.

However, these state check-off programs differ from the federal program in two ways. First, states generally allow more options, permitting donations to several charitable and social programs. In some states, taxpayers have an extensive list of possible programs to which they can contribute. Virginia provides a list of 18 different programs for taxpayers to choose among, while Oregon provides a choice of 17 programs. Only three states (and the District) have a single check-off.

Second, most state check-offs reduce the taxpayer's refund rather than redirecting a part of the liability. With the exception of political campaign funds, all state check-offs are donations from a taxpayer's refund. Many states limit the donation to the size of the refund, while a few states permit taxpayers to increase their payment to cover check-off donations. On the other hand, the federal check-off and most state political check-offs make the

contributions from the taxpayer's liability. These programs direct the government how to spend a portion of the tax dollars and do not affect the refund or the amount due on the return.

Types of Check-Offs.
The accompanying tables illustrate the wide variety of programs funded through state personal income tax check-offs. The most common check-off programs provide funding to preserve nongame wildlife, with 35 states including this program on their 2002 individual income tax forms. Only seven jurisdictions with check-off programs - Arkansas, Hawaii, Maryland, Michigan, Missouri, West Virginia and the District of Columbia - do not have nongame wildlife check-offs.

Twenty-one states have check-off programs to contribute to political campaigns that are similar to the federal check-off. North Carolina has two political check-off programs, while Arizona has three. One program type is identical to the federal one in which taxpayers direct $1 ($2 for joint returns) of their tax payments to a political campaign fund. The other programs allow taxpayers to donate a portion of the refund, and a third Arizona program allows taxpayers to donate to a particular political party.

Another common type of check-off program is for child abuse and neglect prevention, available in 20 states. In addition, checkoff programs for breast/cervical cancer research and prevention have grown in popularity, with eleven states offering this checkoff. There are a number of other programs that benefit from state income tax check-offs. Some examples include:

- Eight states have check-off programs to fund state Olympic committees, including Arkansas, Colorado, Delaware, Massachusetts, New York, Pennsylvania, Rhode Island and Virginia.
- Eleven states have various check-off programs geared to veterans. Alabama, Delaware, Kentucky, Missouri, Oklahoma, Oregon and South Carolina have programs to assist veterans, while Colorado, New Jersey (two programs), New Mexico and Pennsylvania have funds to construct memorials or cemeteries.
- Five states have programs to benefit senior citizens, including Alabama, California (two programs), Missouri, South Carolina and Virginia.
- A number of programs are aimed at the research and prevention of diseases. They include programs for Alzheimer's disease in California, Illinois, New York and Oregon, and organ transplants/ gift of life programs in Connecticut, Delaware, Massachusetts, New Jersey, Oklahoma, Pennsylvania, Rhode Island and Utah.

Revenues.
In 2000, total taxpayer donations to check-off programs reached $32.8 million.

California collected the most revenue, with donations of $3.9 million to 10 programs. This was followed by Arizona, contributing $3.8 million to nine programs, and $2.6 million contributed to two programs in Minnesota. On the other end of the spectrum, Louisiana taxpayers donated only $29,757 to four programs. North Dakota reported donations of $35,719 to two programs, while Mississippi generated $44,438.

Among the individual state programs, Arizona generated $3.1 million for its political check-off, followed by the Michigan political check-off at $1.6 million. The largest nonpolitical checkoff was Maryland's Chesapeake Bay Fund, which generated $1.2 million in contributions. At the shallow end, Rhode Island rang up only $2,210 for its Olympic fund.

The table presents the average contributions and percentage participation for the three major types of check-off programs. Political campaign contributions have the highest participation rate with a nationwide average of 7.7 percent; they also have the lowest overall average contribution rate of $2.13. This reflects two points differentiating political check-offs from other charitable check-offs. First, since most political contributions are taken from a taxpayer's liability (not affecting the refund amount), more taxpayers would be expected to participate. Second, the amount of campaign check-offs is often limited to $1 or $2 per return in most states, while other charitable check-offs are limited only by the size of the refund, if at all.

With contributions averaging $11.07 per taxpayer, nongame wildlife check-offs were the most productive programs in 2002. Wildlife check-offs collected $7.4 million from 667,875 returns. Twenty-three states reported averaging more than $10 per contributor and two states had participation rates above 2 percent of the taxpayers. The child abuse check-off was almost as productive, with donations averaging $10.62 per contributor. The participation rate for child abuse funds averaged 0.5 percent.

The Arizona Aid to Education Fund check-off reported the highest average contribution rate of $78 per contributor. The large contribution rate reflects the requirement that taxpayers donate their entire refund. It is followed by the Virginia Nongame Wildlife Fund at $24.19 per contributor, with the Virginia Chesapeake Bay Fund next with $23.58 per contributor. The highest participation rate for a nonpolitical check-off was Hawaii's School Minor Repair and Maintenance program with 7.4 percent of taxpayers making a contribution.

Removing Check-offs.
The continued growth of state income tax check-off programs leads to questions about how the

check-offs can be removed. Good policy would dictate that these programs should be reviewed periodically to determine whether they have met the established goals. However, the survey indicates that only 11 states have a procedure to remove old check-off programs. Check-offs in most states are created by the legislature and require new legislation to remove them.

The states requiring minimum amounts that must be generated for some check-off programs to remain on the tax return are California, Colorado (10 percent of total contributions), Idaho, Illinois, Louisiana, Maryland, Montana, Oklahoma, Oregon and Utah.

California, Idaho, Oregon and Pennsylvania include sunset provisions in the legislation authorizing some of their check-off programs. Also, Iowa law limits the maximum number of check-offs on its return to three. After three years, the program with the least amount contributed can be dropped.

Administration.

State income tax check-offs have proven to be popular ways of funding causes. However, they create some administrative problems for state tax agencies. In fact, the growth in checkoffs has led to crowding problems on some state forms. Oklahoma and New Mexico have separate forms for designating donations to check-off programs, while three other states - New Jersey, Oregon and Virginia - require taxpayers to enter special codes for each check-off program. This adds to their costs of processing tax returns and can lead to a greater number of errors.

Return to FTA Home page

Summary of Check-off Programs

	Political	Wildlife	Child Abuse	Breast Cancer	Other
ALABAMA	X	X	X	X	1, 2, 3, 4, 5, 6, 7, 8
ARIZONA	X	X	X		8, 9, 10, 11, 12, 13
ARKANSAS					14, 15, 16, 17
CALIFORNIA		X	X	X	1, 18, 19, 20, 21, 22 ,23, 24
COLORADO		X	X		3, 9, 14, 25, 26, 27, 28, 29
CONNECTICUT		X		X	30, 31, 32
DELAWARE		X	X	X	3,14, 31, 33, 34
GEORGIA		X	X	X	
HAWAII	X				35
IDAHO	X	X	X		
ILLINOIS		X	X	X	18, 36, 37, 38
INDIANA		X			
IOWA	X	X			39, 40
KANSAS		X			41
KENTUCKY	X	X	X		3, 42
LOUISIANA		X	X	X	43
MAINE	X	X	X		44
MARYLAND	X				45
MASSACHUSETTS	X	X			14, 31, 46
MICHIGAN	X				
MINNESOTA	X	X			
MISSISSIPPI		X			10, 47, 48
MISSOURI			X		1, 3, 49
MONTANA		X	X		50
NEBRASKA	X	X			
NEW JERSEY	X	X	X	X	3, 31, 51, 52, 53
NEW MEXICO	X	X			3, 52, 54
NEW YORK		X	X	X	14, 18
NORTH CAROLINA	X	X			12
NORTH DAKOTA		X			54
OHIO	X	X			55
OKLAHOMA		X		X	3, 16, 31, 56, 57
OREGON		X	X		3, 18, 27, 34, 46, 58, 59, 60, 61, 62, 63,
PENNSYLVANIA		X		X	14, 31, 53
RHODE ISLAND	X	X			14, 31, 52, 68, 69
SOUTH CAROLINA		X	X		1, 3, 52, 60, 70, 71
UTAH	X	X			10, 31, 36, 72
VERMONT	X	X	X		
VIRGINIA	X	X	X		1, 2, 14, 33, 45, 54, 55, 73, 74, 75, 76, 7
WEST VIRGINIA			X		
WISCONSIN	X	X			81
DIST. OF COLUMBIA					52

1. Senior Services, 2. Arts Fund, 3. Veterans, 4. Penny Trust Fund, 5. Indian Children, 6. Foster Care, 7. Mental Health, 8. Neighbors Helping Neighbors, 9. Special Olympics, 10. Education, 11. Domestic Violence, 12. Political Parties, 13. Clean Elections, 14. Olympic Fund, 15. Disaster Relief Fund, 16. School for Blind, 17. School for Deaf, 18. Alzheimers, 19. Fund of Senior Citizens, 20. Firefighters Memorial, 21. Peace Officer Memorial, 22. Emergency Food, 23. Lupus Foundation, 24. Asthma/Lung Disease, 25. Homeless, 26. Child Care, 27. Pet Overpopulation, 28. Special Advocates, 29.Watershed Protection, 30. Aids, 31. Organ Transplant, 32. Safety Net, 33. Housing Fund, 34. Diabetes Eduction, 35. School Repair, 36. Homeless, 37. Prostate Cancer, 38. Multiple Sclerosis, 39. State Fairgrounds, 40. Keep Iowa Beautiful, 41. Meals on Wheels, 42. Bluegrass State Games Fund, 43. Prostate Cancer, 44. Leukoycte Antigen, 45. Chesapeake Bay, 46. AIDS Fund, 47. Volunteer Service, 48. Fire Fighters Burn Center, 49. National Guard, 50. Agriculture in Schools, 51. USS New Jersey, 52. Drug Abuse, 53. Korean or Vietnam Veterans' Memorial, 54. Forest re-leaf, 55. Natural Areas, 56. Indigent Care, 57. Bombing Memorial, 58. Domestic Violence, 59. Habitat for Humanity, 60. Head Start, 61. Coast Aquarium, 62. Early Literacy, 63. Clean Rivers, 64. St. Vincent de Paul Society, 65. Nature Conservancy, 66. Childrens' Hospital, 67. Salvation Army, 68. Arts & Tourism, 69. Childhood Disease, 70. Gift of Life, 71. Civil War Heritage, 72. College Libraries, 73. Community Policing, 74. Historic Resources, 75. Uninsured Medical Fund, 76. Humanities & Public Policy, 77. Center for Government Studies, 78. Law & Economics Center, 79. Jamestown-Yorktown, 80. American Hope, 81. Packers Football Stadium.

State Check-Off Programs: Average Contribution and Percent Yield

	Political Contributions		NonGame Wildlife		Child Abuse Prevention	
	Average Contribution	Percentage Returns	Average Contribution	Percentage Returns	Average Contribution	Percentage Returns
Alabama	0.66	0.7	20.33	0.1	11.44	0.2
Arizona	23.33	0.1	17.00	0.5	17.00	0.6
California			12.07	0.4	10.86	0.4
Colorado			10.85	1.8	10.05	1.5
Connecticut			8.21	0.6		
Delaware			14.53	0.4	13.61	0.4
Georgia			8.81	0.9	8.18	0.8
Hawaii	2.68	15.0				
Idaho	1.52	3.7	12.81	0.8	14.34	0.9
Illinois			11.36	0.4	10.96	0.4
Indiana			11.38	1.1		
Iowa	1.50	6.8	10.63	1.0		
Kansas			10.62	0.9		
Kentucky	2.82	4.6	6.65	0.6	6.28	0.7
Louisiana			11.57	0.0	12.75	0.0
Maine	9.67	0.4	13.43	0.6	15.07	0.5
Maryland	10.49	0.5				
Massachusetts*	1.37	10.2	9.36	0.8		
Michigan	3.00	12.0				
Minnesota	7.07	8.8	13.23	3.6 *		
Mississippi			4.87	0.1		
Missouri						0.0 (#)
Montana			13.05	0.4	14.19	0.5
Nebraska	3.68	0.4	5.91	1.6		
New Jersey	1.00	18.1	12.72	0.5	10.76	0.5
New Mexico	8.83	0.2	20.35	0.2		
New York			11.28	0.5	8.45	0.3
North Carolina	1.00	11.1	11.62	0.9		
North Dakota			8.28	0.7		
Ohio	1.32	7.1	7.35	1.0		
Oklahoma			5.89	0.5		
Oregon			6.51	1.2	6.76	1.6
Pennsylvania			7.59	0.3		
Rhode Island	3.79	27.7	4.17	0.3		
South Carolina			10.39	0.4	8.75	0.3
Utah	2.00	7.50	10.25	0.5		
Vermont	8.40	0.7	13.54	2.3	13.24	1.7
Virginia	18.85	0.1	24.19	0.2	22.25	0.1
Wisconsin	1.41	9.1	14.87	1.7		
West Virginia					7.43	1.0
U.S. Averages	2.13	7.7	11.07	0.7	10.62	0.5

Highest of all states

*Processing year 2000 data.