Governor/House Proposal of May 20th

Compared to Governor's Original Recommendation

The May 20th proposal includes new revenues to support an additional $384 million more spending than in the Governor's budget. The key item is the Health Impact Fee that is expected to raise $380 million in the 2006-07 biennium. In addition, the Governor offered compromise positions on the $75 million federal contingency reserve and other revenue items proposed by the Senate and House. These new revenue sources more than offset the unrealized gaming revenues of $200 million.

The proposal includes $241 million in additional spending for K-12 Education, an amount necessary to support 4.5% formula increases in FY 2006 and FY 2007. In addition, $100 million is added to the Governor's proposed spending level for Health & Human Services.

Additional Resources:

Health Impact Fee	$380 million
No federal reserve	75 million
Loss of gaming revenues	-200 million
Other Revenues	134 million
Total	$389 million

Additional Spending:

K-12 Education	$241 million
Health & Human Services	100 million
Other	43 million
Total	$384 million

Governor/House May 20 Proposal
($ in millions)

	2006-07					
	Gov	House	Senate	Gov/House Proposal	Change from Gov	Notes
Education Net	**12,405**	**12,423**	**12,809**	**12,646**	**241**	4.5 & 4.5% increase on the formula, plus reforms
Higher Education Net	**2,759**	**2,735**	**2,794**	**2,761**	**2**	Bill passed
Taxes Spending	2,888	2,835	3,135	2,888	0	Adds misc. House/Sen items;
Taxes - Tax Revenues	159	123	1,569	248	89	Streamlined Sales passed 5/23
Taxes - Non-Tax Revenues	200	52	0	0	(200)	Removes gaming revenue
Taxes Net	**2,529**	**2,660**	**1,566**	**2,641**	**112**	
Health & Human Svcs Spending	7,889	7,887	8,645	7,989	100	Increase target by $100 M
Health & Human Svcs Rev	(273)	(249)	(25)	(273)	0	
Health Impact Fee	0	0	0	380	380	Based on 75 cent/pack offer
Health & Human Svcs Net	**8,162**	**8,136**	**8,670**	**8,262**	**(280)**	
Env, Agric, Econ Dev Spending	662	652	727	679	17	Last House/Gov offer
Env, Agric, Econ Dev Rev	32	32	23	32	0	
Env, Agric, Econ Dev Tax Rev	(25)	(25)	0	(25)	0	
Env, Agric, Econ Dev Net	**655**	**645**	**704**	**672**	**17**	
Transportation Spending	159	162	159	159	0	Open issue
Transportation Rev	12	15	17	12	0	
Transportation Net	**147**	**147**	**142**	**147**	**0**	
Public Safety Spending	1,667	1,681	1,681	1,685	18	
Public Safety Rev	11	26	38	38	27	
Public Safety Net	**1,656**	**1,655**	**1,643**	**1,647**	**(9)**	Bill passed
State Govt Spending	563	565	573	559	(4)	
State Govt Rev	73	90	82	91	18	Bill passed - includes compliance changes
State Govt Net	**490**	**475**	**491**	**468**	**(22)**	
Debt Service	771	781	781	781	10	Recognizes cost of larger bonding bill
Other	51	54	54	51	0	
Misc Bills	0	0	3	0	0	
Spending Totals	**29,814**	**29,775**	**31,361**	**30,198**	**384**	
Total Change in Revenues	189	64	1,704	503	314	
Base Revenues	29,711	29,711	29,711	29,711	0	
Total Revenue	**29,900**	**29,775**	**31,415**	**30,214**	**314**	
Change in Reserves	75	0	0	0	(75)	Assumes no Federal Contingency Reserve
Ending /Structural Balance	**11**	**0**	**54**	**16**	**5**	Money on bottom line

DOF
Updated 5/24/2005

OFFICE OF GOVERNOR TIM PAWLENTY

130 State Capitol ♦ Saint Paul, MN 55155 ♦ (651) 296-0001

NEWS RELEASE

FOR IMMEDIATE RELEASE:
May 20, 2005

Contact: Brian McClung
(651) 296-0001

GOVERNOR PAWLENTY LEADS EFFORTS TO SOLVE LEGISLATIVE IMPASSE

~ Governor's proposal would boost K-12 education funding by double digits ~

St. Paul – Stating that the public is tired of staredowns, gridlock, and legislative impasse, Governor Tim Pawlenty today made a global offer to Senate Democrats to bring closure to the 2005 legislative session. The Governor's features a dramatic increase in spending for K-12 education with his accountability reforms also included in the package.

The Governor proposed the creation of a dedicated Health Impact Fee that will raise $380 million over the next two years. The fee will be related to the cost of smoking attributable expenses incurred by government subsidized health care programs will be 75 cents per pack. It will be an increase to the existing tobacco distributor fee.

The fee will fund health care programs and free up additional general fund dollars to dramatically increase funding for K-12 education.

"It's time for all of us to set aside our differences and show the leadership necessary to get this done. The world is changing rapidly and Minnesota needs to move ahead and prepare for the future," said Governor Pawlenty.

"Minnesotans are fed up with political bickering and games that take place year after year at the Capitol," the Governor continued. "People expect us to get the job done. Today, I'm putting on the table an offer that should conclude the session within a matter of days.

"I'm opposed to increasing taxes in large part because Minnesota is already one of the highest taxed states in the nation, and we do not want to add disincentives to investments and future job growth in our state. This Health Impact Fee will provide additional revenues, decrease smoking, improve health and not be a drag on business investment and job growth," Governor Pawlenty said.

"This proposal represents a dramatic increase in funding for our schools which is a key ingredient to Minnesota's future success," Pawlenty said.

-- more --

Pawlenty's offer would increase base funding for our schools by over 9% during the upcoming budget cycle plus additional increases for special programs and add-ons. Pawlenty said the proposal will increase per pupil funding for many schools "well into double digits."

The Governor's proposed increase per pupil has funding by 4.5 percent each year which means schools would receive $4808 on the basic funding formula per student in FY 2006, an additional $207, and $5024 per student in FY 2007, an additional $216.

The Governor said the package must include his two featured education accountability proposals – QComp and "Get Ready, Get Credit." QComp moves payment for school staff from a seniority based system to a performance based system. "Get Ready, Get Credit" better prepares students for post-secondary education by providing college credit while in high school.

In addition, the Governor expects an increase in referendum caps for all districts, including the "Grandfather" districts, providing additional equalization aid, which benefits districts that have less property wealth, and direct equity revenue that reduces funding disparities among districts, be part of the agreement.

As part of the package, the Governor said the legislature must pass two of the following measures:

- Initiative and Referendum – a citizen solution when their leaders logjam.
- Meaningful school choice – so that disadvantaged kids can succeed.
- A ban on teacher strikes during the school year – so students aren't hostages.
- Tribal/Racino partnership – for fairness

The Health Impact Fee amount was arrived at based on the impact of tobacco use of the state's publicly funded health programs, such as Medical Assistance, GAMC and MinnesotaCare. The Governor's budget currently provides a nearly 15% increase in spending for health and human services. Under this proposal, $100 million will be added for spending for health and human service programs. The Governor's proposal also safeguards the existing revenues for the Medical Education Research and Research Costs (MERC) and Academic Health Centers generated from tobacco.

The Governor said the health impact fee falls well within accepted principles for defining a fee. The existing revenue source is in statute as a fee.

Governor also noted that for the package to be acceptable there needs to be sufficient funds on the bottom line in '08-'09 for future cost increases.

"Governor Pawlenty's bold and decisive leadership gives Minnesota hope and the legislature the direction to finish the job," said Speaker of the House Steve Sviggum.

--30--

USE OF FEES vs. TAXES

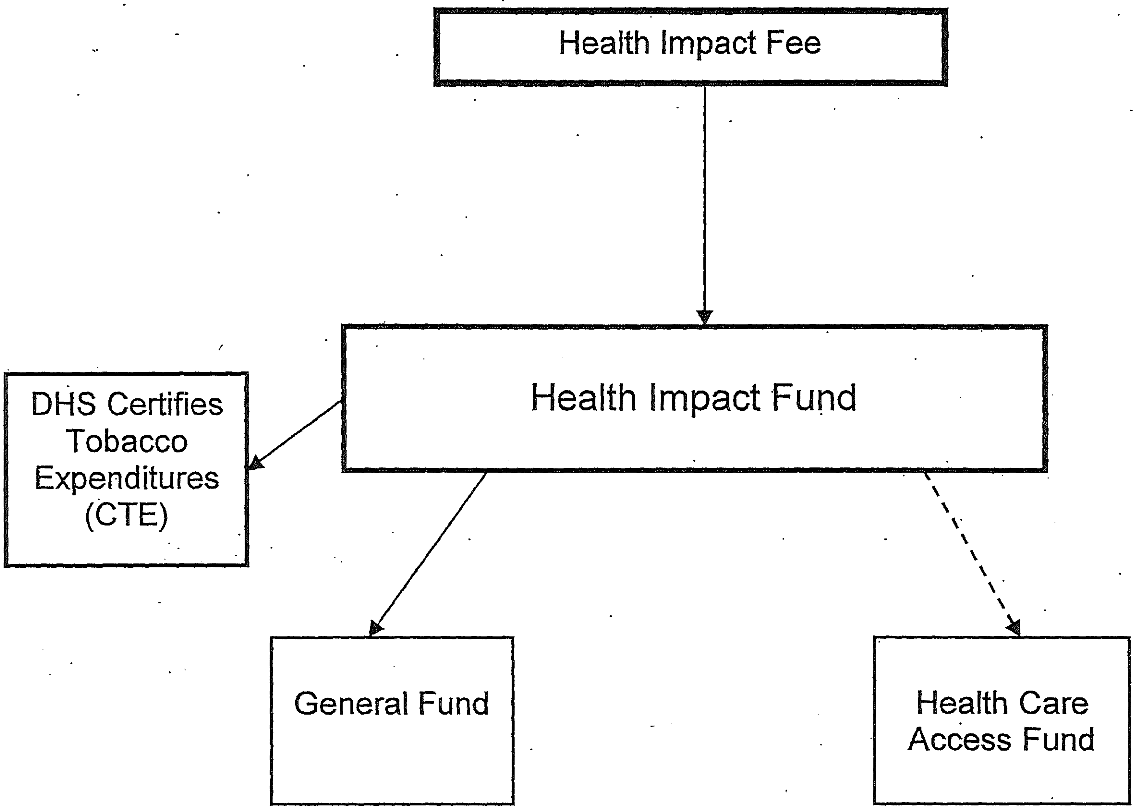
Based on the thrust of the public finance literature, the distinction between a fee and a tax depends on the conditions described below. If all the conditions are met, the case for a fee is very strong. If none are met, the case for general taxation is strongest. There's a lot of room in between.

A fee is more appropriate than a general tax when:

- The activity on which the fee is imposed is optional.
- Public benefits or costs can be apportioned or attributed to sub-groups of citizens in some reasonable manner--the more precise the assignment, the better
- Fees approximate the costs incurred by, or imposed on, government
- There are no significant "positive external benefits" (spillovers) from the public expenditures being financed (eg. a fee would not be appropriate for national defense expenditures)--but large "negative spillovers" from the action of a sub-group of citizens strengthen the case for fees.
- The use or level of consumption of fee-funded services is not mandated by government
- Low income people receive subsidies for fee-funded necessities (assuming low-income concerns cannot be appropriately dismissed)
- The charge is enacted in statute as a fee.
- The charge is administered by an agency related to the activity or the impact of the activity.
- The costs of collecting the fee are reasonable relative to the amounts being collected.

Minnesota Department of Revenue
Based on a review of the national literature from groups such as the Federation of Tax Administrators and the National Council of State Legislators

Updated: May 18, 2005



Health Impact Fund

- Deposit the revenues in a new **Health Impact Fund** (HIF).
- DHS would annually certify, as tobacco expenditures, the dollar amount associated with smoking attributable health care expenditures in our Minnesota Health Care Programs (MA, GAMC, MinnesotaCare, and other health care programs).
- Funds would be transferred from the HIF fund to the General Fund to offset **Certified Tobacco Expenditures** (CTE) in that fund.
- Any remaining funds would be transferred to the HCAF to the extent of CTE in that account.

Governor Pawlenty's Education Budget Solution Proposal

$869 million in new funding for Minnesota's schools to improve student learning and increase accountability

---

Education Funding Formula - $597 million

- 4.5% formula increase for each year of the biennium for a total of $597 million.

- The average general fund revenue per student, excluding the Q Comp proposal, is $8,336 per student in FY 2006 (4.2%) and $8,913 in FY 2007 (6.9%). This will result in a two-year average increase of 11.4%.

- Basic funding formula is linked to categoricals and inflated at 4.5% each year.

Quality Compensation for Teachers "Q Comp"- $85.9 million

The quality of the teacher in the classroom is one of the most important factors affecting student achievement. Yet, our compensation system is outdated both in terms of accountability for results and professional growth for teachers. The Q Comp proposal improves teacher compensation by providing multiple career paths, performance and accountability goals for individual teachers, professional development aligned to school and student needs, and enhanced pay based on performance.

- Participating districts will receive an additional $260 per student in FY 2006. In FY 2007, participating districts will receive $190 in aid per student and the authority to levy up to $70 per student. School districts that elect to participate in Q Comp would receive an average two-year increase of 14.7% or $8,596 in FY 2006 and $9,173 in FY 2007.

- Includes language as outlined in Governor's proposal and as agreed to by the administration.

Get Ready, Get Credit - $11.6 million

Too many of our high school students are academically under prepared for college at a time when higher education is more essential than ever. The number of remedial courses taken when students enter college and the length of time needed to graduate increase expenses for students, families and taxpayers.

- Provide greater access and funding for AP/IB programs.

- Allow students who complete college level courses in high school and pass a College Level Examination Program (CLEP) test to receive college credit from the MnSCU system.

- Contain funding for a system that allows students to gauge their degree of college readiness and interests through ACT's "EPAS" system.

- Eliminate the Basic Skills Test (BST) and links the graduation requirement to the High School Minnesota Comprehensive Assessments (MCA-IIs).

Miscellaneous Items

- Special education excess cost aid at $24 million to comply with federal Maintenance of Effort (MOE) requirement.
- Equity and equalization provided for low property wealth districts - $23.4 million.
- Referendum cap increased to 28% for all school districts, with so-called Grandfather districts receiving $200 per student on the referendum cap.
- Department of Education budget at Governor's recommended budget levels, including additional funds for statewide testing program and value-added program - $4.3 million.
- State does not opt-out of *No Child Left Behind* and does not change the statewide testing program to adaptive testing.
- $11.7 million for conference committee for other education spending.

Fiscal Impact of $0.75 Health Impact Fee

	FY06*	FY07	Bien	FY08	FY09	Bien
Health Impact Fund			(000's)			
Health Impact Fee	173,455	187,016	360,471	184,747	182,281	367,028
Floor Stocks Fee	20,250	0	20,250	0	0	0
Health Impact Fund Subtotal	193,705	187,016	380,721	184,747	182,281	367,028
Other Funds						
General Fund (Sales Tax Effect)	4,786	5,190	9,976	5,153	5,106	10,259
Academic Health Center Fund	(2,708)	(2,806)	(5,514)	(2,669)	(2,548)	(5,217)
Medical Education and Research Account	(1,042)	(1,079)	(2,121)	(1,026)	(979)	(2,005)
Other Funds Subtotal	1,036	1,305	2,341	1,458	1,579	3,037

* July 1, 2005 effective date, 11 months of collections only

MN DOR, May 20, 2005

dollars in thousands

		FY06		FY07		FY08		FY09
MA	$	320.5	$	352.4	$	381.8	$	409.5
GAMC	$	47.6	$	59.5	$	68.0	$	72.9
TOTAL GENERAL FUND	$	368.0	$	411.9	$	449.8	$	482.4
MNCare	$	28.2	$	22.2	$	19.0	$	20.2
TOTAL HCAF	$	28.2	$	22.2	$	19.0	$	20.2

Certify as smoking-related expenditures

Scenarios of possible uses for Governor's recommendation for $100 million of additional funds for Health and Human Services – Costs are for biennium FY06/FY07

Scenario A

- Use $100 million to offset MNCare eligibility cuts. This would only offset 57% of the eligibility reduction (total proposal cuts $175 million)

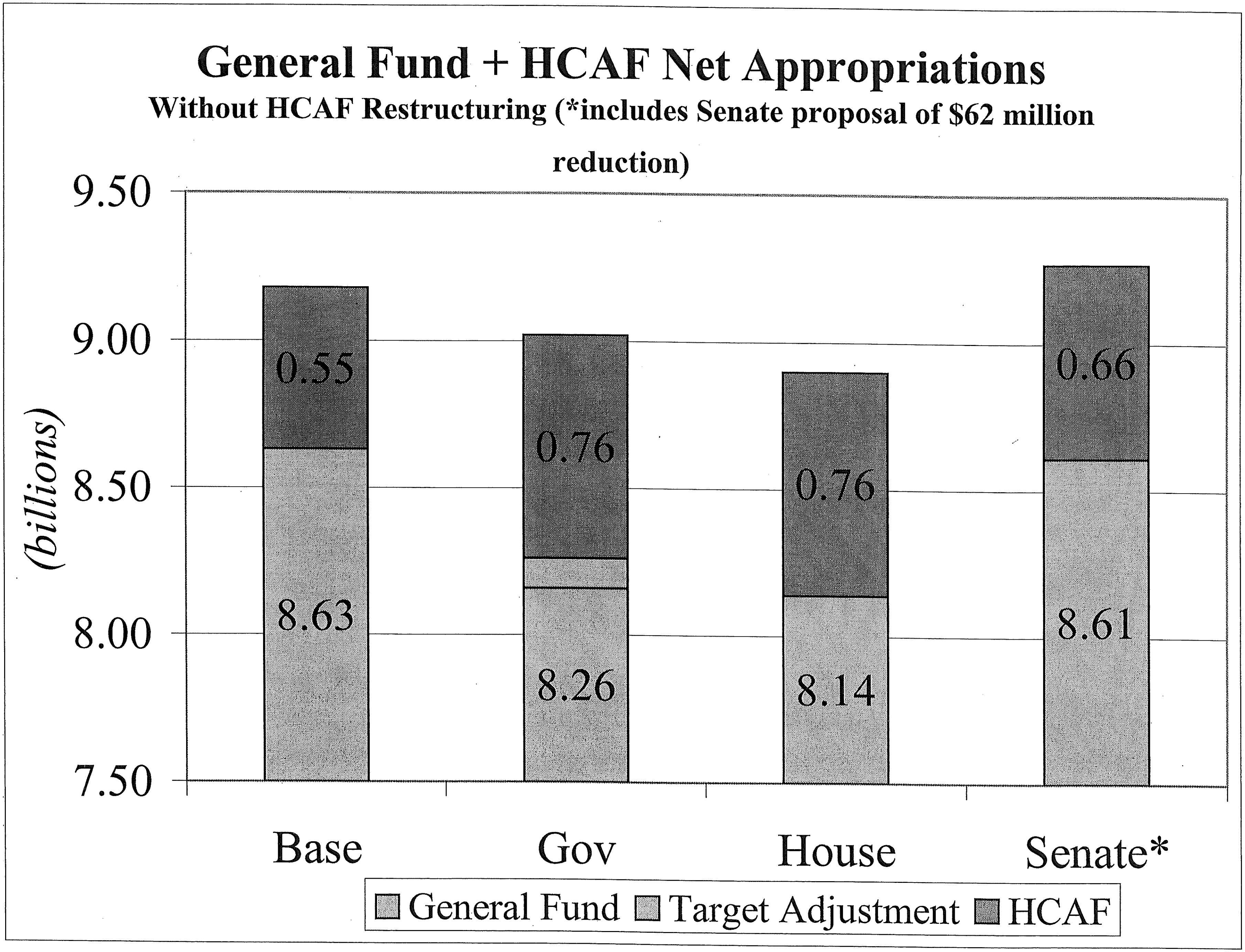
Scenario B

- Buy back pharmacy cut = $9 million
- Buy back child care rate freeze = $68 million
- Buy back almost half of hospital rate cut = $23 million

Scenario C

- Increase waiver slots by 10% over Governor's proposal = $3 million
- One year, 2% COLA for Nursing Facilities and Home Care providers in FY06 =$32 million
- Buy back hospital rate cut = $56 million
- By back pharmacy rate cut = $9 million

Prepared by David Godfrey, Senate Fiscal



David Godfrey Matt Massman, Senate Fiscal

Health & Human Services Spending FY06/FY07

Without Governor's Recommendation for Health Care Access Fund Restructuring

General Fund FY06-FY07

	Governor	House	Senate	Senate-Gov	Senate-House
Expenditure	$ 8,434,591	$ 8,432,478	$ 8,645,333	$ 210,742	$ 212,855
Revenue	$ (1,582)	$ (3,258)	$ (24,921)	$ (23,339)	$ (21,663)
Net fiscal Imapact	**$ 8,436,173**	**$ 8,435,736**	**$ 8,670,254**	**$ 234,081**	**$ 234,518**

Health Care Access Fund FY06-FY07

	Governor	House	Senate	Senate-Gov	Senate-House
Expenditure	$ 560,970	$ 562,515	$ 674,200	$ 113,230	$ 111,685
Revenue	$ -	$ -	$ 10,670	$ 10,670	$ 10,670
Net fiscal Imapact	**$ 560,970**	**$ 562,515**	**$ 663,530**	**$ 102,560**	**$ 101,015**

Combined General Fund & Health Care Access Fund FY06-FY07

	Governor	House	Senate	Senate-Gov	Senate-House
Expenditure	$ 8,995,561	$ 8,994,993	$ 9,319,533	$ 323,972	$ 324,540
Revenue	$ (1,582)	$ (3,258)	$ (14,251)	$ (12,669)	$ (10,993)
Net fiscal Imapact	**$ 8,997,143**	**$ 8,998,251**	**$ 9,333,784**	**$ 336,641**	**$ 335,533**

Offers

	Governor	House	Senate	Senate-Gov	Senate-House
Governor's	$ 100,000			$ (100,000)	
Senate's			$ (62,008)	$ (62,008)	
Total General Fund Net	**$ 8,536,173**		**$ 8,608,246**	**$ 72,073**	
Total GF & HCAF Net	**$ 9,097,143**		**$ 9,271,776**	**$ 174,633**	

David Godfrey and Matt Massman, Senate Fiscal

PORTICO
Healthnet

May 25, 2005

Senate Health Human Services Budget Division
C/O Senator Linda Berglin
75 Rev Dr. Martin Luther King Jr. Blvd; Room 309
St. Paul, MN 55155-1206

Testimony of Debra Holmgren, Portico Healthnet, to the Senate Health and Human Services Budget Division

Dear Chairman Berglin and Members of the Committee:

I write today on behalf of Portico Healthnet, a non-profit organization dedicated to reducing the number of Minnesotans without health care coverage, to testify to the detrimental effects of the proposed outreach and funding cuts to Minnesota's Health Care Programs in Governor Pawlenty's budget.

Outreach efforts are vital to ensuring that low-income uninsured Minnesotans have access to affordable health care. The Minnesota Department of Health estimates that nearly half of the adults who are uninsured in Minnesota may be eligible for fully or partially subsidized public health coverage. Among children, more than 70 percent are likely eligible for public programs. In survey after survey, people without health insurance have indicated that they face many barriers in applying for public health care programs:

- Many are unaware that public insurance programs exist, particularly immigrants who are new to the country and the concept of insurance.
- Many mistakenly believe they are ineligible for public insurance, especially if they are working and have some income.
- The forms necessary for enrollment can be long and confusing, especially when people face language and literacy barriers.
- Having to make several trips to public service offices in order to complete the enrollment process can be daunting, especially for people who have transportation and child care needs.

Outreach funding allows for knowledgeable individuals to search and find those who do not make use of available resources because they lack basic understanding of the system and how to negotiate through it. According to numbers from the Minnesota Department of Health and the Health Economics Program, 6.7 percent of Minnesotans lack health insurance and 72 percent of the uninsured are employed. Outreach grants direct funding to community-based organizations with established ties to local communities to connect individuals and families with resources vital to their well-being.

2610 University Ave West
Suite 550
Saint Paul, Minnesota
55114-2007

Tel: (651) 603-5100
Fax:(651) 603-5101

Portico's outreach workers go out into the community and forge relationships with community agencies, churches, schools, public health agencies, workforce centers, and others to reach as many people without health insurance as possible with information about available health care programs. Working one-to-one with uninsured community members, outreach workers help people understand and complete the many forms the state requires to apply for programs such as MinnesotaCare and Medical Assistance. They also assist families in finding the information necessary to complete the forms, making photocopies, supplying postage, and providing translation and interpreter services as needed. In 2004, Portico's staff of three outreach workers provided approximately 9,400 people with information on preventive health care options and programs, assisted 618 households (or 1,421 individuals) with applications to Minnesota's Health Care Programs, and connected 3,742 community members to resources for immediate health care and other needs including housing, employment, and food.

Decreasing eligibility for MinnesotaCare would exacerbate overall health care costs to Minnesota. According to the Center for Studying Health Systems Change, 1 in 3 families that have problems meeting medical bills forgo filling drug prescriptions, 1 in 4 delay seeking medical care and 1 in 8 forgo care entirely. When individuals and families do finally seek medical assistance, they are more likely to use a hospital Emergency Department whose costs they are unable to afford. The hospital then passes the bad debt costs on to other patients thereby increasing the cost for health care even more.

Individuals who use MinnesotaCare do so because they cannot afford to obtain health insurance from another source. In 2001, 70 percent of Minnesotans were insured through their employers but in 2004 only 63 percent had employer sponsored health care coverage. According to the Kaiser Family Foundation, the average premium for employer offered health insurance for an individual was $3,695 and $9,950 for family coverage. Employee payments for these plans were $558 and $2,261 respectively. 72 percent of Minnesota's uninsured are employed but find the cost of coverage prohibitively expensive. MinnesotaCare is a crucial source for affordable quality health care for these individuals and families.

Access to health insurance is not just a problem for the individual who is uninsured. It is a broader community issue that affects us all. According to the Institute of Medicine's report Hidden Cost, Value Lost: Uninsurance in America (June 2003), when community members lack health coverage, society's costs are substantial. Communities risk increases because high rates of uninsurance result in hospitals reducing services and cuts in public health programs such as communicable disease surveillance. Children and adults who cannot afford recommended vaccinations or prescription medications put the rest of the community at risk for infections, and the economic vitality of the community is diminished by productivity lost as a result of the poorer health and premature death or disability of workers without health insurance.

Minnesota values a strong community. Health care coverage plays a vital role in protecting and enhancing the health and well-being of the individual, the family, and the community. Outreach grants are vital to ensuring that all Minnesotans have access to, and knowledge of, health coverage options available to them. We urge you to reflect on the importance of health care coverage to the vitality of our state and oppose reductions to enrollment in MinnesotaCare and outreach grants.

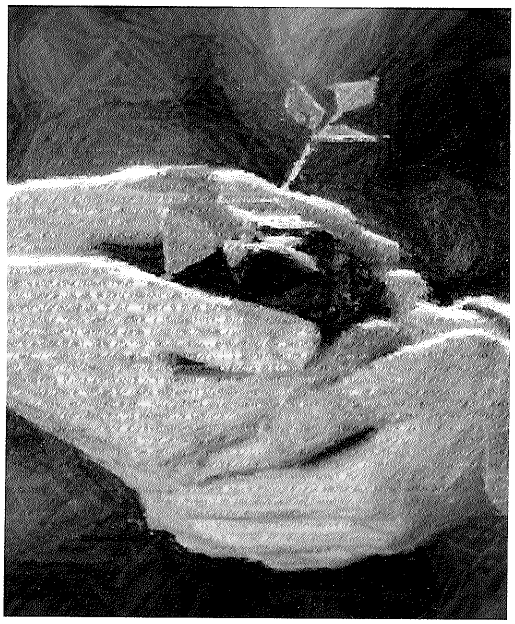
Thanks you very much for your time and consideration

Sincerely,

Debra Holmgren
Executive Director
Portico Healthnet

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 the Pain: 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

Minnesota Catholic Conference
475 University Avenue West
St Paul, MN 55103
651-227-[illegible]77 www.mncc.org

Minnesota Hospital Association

2550 University Ave. W., Suite 350-S
St. Paul, MN 55114-1900
phone (651) 641-1121 fax (651) 659-1477
toll free (800) 462-5393 www.mnhospitals.org

Testimony of David Orbuch
Executive Vice President, Corporate Responsibility and Community Relations
Allina Hospitals & Clinics
Before the Senate Health and Human Services Budget Division
On behalf of the Minnesota Hospital Association

May 25, 2005

Madame Chair and Members,

I am David Orbuch and I am Executive Vice President, Corporate Responsibility and Community Relations at Allina Hospitals & Clinics. Allina is the largest hospital system in the state, providing a wide variety of health care services to Minnesotans across the state. I am testifying today on behalf of the Minnesota Hospital Association.

Earlier this year the Minnesota Hospital Association testified before this committee, highlighting our significant concerns with the Administration's budget proposal. At the top of that list were two key concerns: the reduction in MinnesotaCare eligibility that would leave at least 27,000 Minnesotans without insurance *and* a further reduction below costs in the rate the state pays hospitals. Collectively, those two cuts would mean a loss of $143 million to hospitals and have a detrimental effect on the health of our communities.

Today we are here to respond to the Governor's proposal to create a Health Impact Fee which would generate $380 million over the biennium; Governor Tim Pawlenty has offered to spend $100 million of that on health care. Hospitals have commended the Administration for recognizing the need for additional resources in the state's health care budget *and* benefits to community health from increasing the cost of cigarettes.

Tobacco use is a major risk factor for heart disease, cancer, stroke, and chronic obstructive pulmonary disease (COPD)—four of the top five chronic disease killers. These chronic diseases account for the nearly 70% of health care spending. A user fee makes sense, especially in light of the budget deficit and the proposed cuts to health and human services.

However, it is important to note, that even with this additional $100 million, the Senate and House budget bills are $340 million apart and contain numerous policy differences.

Clearly, preserving health care eligibility for tens of thousands of Minnesotans is the most important thing the state could do with any additional funds. Research demonstrates that insured patients make wiser health care choices thus reducing the financial impact on our state. Low-income, working Minnesotans, all of whom help pay premiums, still need health care services. Without MinnesotaCare they will end up in emergency rooms - the most expensive place to receive care- and they would not receive the preventive care they need.

(Over)

It is important to note that the Health Care Access Fund, which supports MinnesotaCare, is solvent. Between the enrollees' premium contributions and the revenues generated by the provider tax, no enrollment cuts are needed. The Administration has proposed these eligibility cuts to free up money to pay for the General Assistance Medical Care program, which has been a General Fund obligation.

Should additional dollars be available, Minnesota Hospitals ask that you also consider mitigating the 5% rate cut to hospitals. This rate cut of $55 million in state funding represents a loss of $103 million when federal matching dollars are included. In 2004, Minnesota hospitals saw a 38% increase in charity care, triggered in part by the last round of eligibility cuts. In addition, hospitals received a 5% rate cut to our base Medicaid rate along with a 10% rate cut in GAMC payments. This leaves hospitals in a situation where Medicaid/GAMC reimbursement is significantly below the cost of providing care.

We applaud the members of this committee for putting together a budget bill that addresses the needs of the uninsured and avoids deep cuts to hospitals. While hospitals support the 75 cent Health Impact Fee, it is not enough to meet the state's health needs. We support raising the fee to $1 and also urge legislators to set the target for this budget division as close to the Senate's spending total as possible.

Thank you for providing an opportunity for comment on this very important budget proposal. Minnesota Hospitals appreciate your consideration of our views on this proposal and I am happy to answer any questions that you may have.

ADVOCACY DIRECTOR
Maureen O'Connell

LEGAL SERVICES ADVOCACY PROJECT
Suite 101 Midtown Commons
2324 University Avenue
St. Paul, MN 55114
(651) 222-3749 Fax: (651) 603-2750

visit our website at: www.lsapmn.org

ATTORNEYS
Kathleen McDonough
Reggie Wagner

ADVOCATE
Ron Elwood

OFFICE MANAGER
Colette Bergeron

DATE: May 25, 2005

TO: Senator Linda Berglin, Chair
Committee Members
Health & Human Services Budget Division

FROM: Kathy McDonough

SUBJECT: Governor's Revised Budget Recommendations
Proposed "Health Impact Fee"

Legal Services Advocacy Project (LSAP) is a statewide division of Mid-Minnesota Legal Assistance representing the interests of low-income Minnesotans. Many legal services clients are enrolled in publicly-funded health care programs such as Medical Assistance (MA), MinnesotaCare and General Assistance Medical Care (GAMC).

LSAP supports using the Governor's proposed "health impact fee" to avoid any further cuts in health care. In 2003, 38,000 low-income Minnesotans lost health care coverage due to budget cuts. This session, proposals by the Governor and the House would result in another 40,000 low-income people losing MinnesotaCare.

MinnesotaCare Cutbacks

- **Adults without children:** The proposal to eliminate MinnesotaCare coverage for approximately 27,000 adults without children will cause significant hardship for many low-income Minnesotans with chronic illnesses such as heart disease, cancer, diabetes and mental illness and others who have been determined disabled but must wait 2½ years for Medicare eligibility.

- **Low-income working Parents:** The proposal to eliminate MinnesotaCare for parents with income above 175% of the federal poverty level ($1,822 per month for a family of 2) will leave approximately 9,200 working parents who do not have access to employer-subsidized health insurance without health care insurance. A1996 DHS study found that MinnesotaCare coverage prevented more than 4,000 families from applying for cash "welfare" programs because they could afford to stay in low-wage jobs without health care benefits.

- Providers pay a 2% provider tax and enrollees pay premiums, copayments and deductibles which are deposited in the Health Care Access Fund to fund MinnesotaCare. This money should only be used for MinnesotaCare.

Copayments

- The 2003 Legislature passed a law requiring low-income Medical Assistance, MinnesotaCare and General Assistance Medical Care recipients to pay copayments for their medications and other health care services.

- Federal law states that providers cannot deny services to recipients who are not able to pay the copayment.

- However, the State passed a law allowing providers to refuse to provide services to any individual with an uncollected debt. This includes unpaid copayments.

- LSAP supports repealing the 2003 copayments. If copayments are not repealed, LSAP supports repealing the law allowing providers to refuse services to recipients with unpaid copayments.

Case examples of the impact of the copayment requirements:

- A 48 year old woman who suffers from seizures, asthma, ulcers and a learning disorder. She cannot afford the copayments required for the 16 different medications she takes. Her pharmacy has told her not to come back until she has the money to pay her copayments.
- A 50-year old woman who is in a wheelchair due to degenerative arthritis and curvature of the spine. She suffers from extreme pain. Her pharmacist has told her she cannot get her medications without paying the copayments.
- A woman with spinal injuries who has received letters from several pharmacies stating they will no longer serve her because she owes copays of $1, $3 & $7.
- A woman who went to the hospital emergency room because her blood pressure was out of control. She was not able to pay the copayment for her blood pressure medication.
- A man with diabetes and high blood pressure who is not taking his medications because he can't afford the copayments.
- A woman with mental retardation, encephalitis and a severe uncontrolled seizure disorder. She is fed through a stomach tube. She lives in a group home. She has $90 per month personal needs allowance (PNA) for which she must pay for things like haircuts, toothpaste, shampoo, soap, clothing, shoes, books and magazines. She must also pay $20 per month in copayments for her medications out of the PNA.

LSAP also supports eliminating the following 2003 cutbacks:

- **MinnesotaCare $5,000 annual cap:** Many MinnesotaCare enrollees suffer from chronic illnesses such as heart disease, cancer, diabetes and mental illnesses. Often they exceed their $5,000 cap after two or three months and are not able to get medications or medically necessary services;

- **$500 dental cap for adults on MA, GAMC and MinnesotaCare:** The $500 dental cap passed in 2003 has greatly reduced access to dental care for low-income Minnesotans. Since the dental cap was enacted, more dentists have stopped providing dental care for people enrolled in public health care programs and people have been hospitalized because of abscessed teeth costing thousands of dollars. Such infections contribute to systemic illnesses such as heart disease. In addition, many low-income people have had their teeth pulled. It is hard to find a job if a person has missing teeth.

Prior to 2003, Minnesota was a national leader in providing health care for uninsured Minnesotans. However, the number of uninsured Minnesotans has increased in the last few years. A recent study by the University of Minnesota found that the number of uninsured Minnesotans his risen 30% in the last three years. In 2004, 343,000 Minnesotans were without health insurance. The Study also found that fewer Minnesotans are getting health insurance through their jobs

Health care needs don't just go away because a person is without health insurance. Chronic illnesses, such as diabetes or heart disease can turn into medical emergencies if the patient doesn't receive appropriate care.

According to the Kaiser Commission, many uninsured people postpone seeking medical care due to fear of high medical bills. Delaying treatment can lead to more serious illness and avoidable health problems. The uninsured are less likely to receive preventive care and more likely to be hospitalized for conditions that could have been avoided.

Without health care coverage, many individuals will accumulate large debts that they are not able to pay. A study, reported in the Health Affairs Journal, found that fifty per cent of bankruptcies are due to medical debt. Thirty-five percent of those filing for bankruptcy lost employment due to illness, fifty-six percent did not have health insurance because the premiums were not affordable and others were unable to obtain coverage due to preexisting conditions.

Lack of health insurance exacts a toll on society in terms of more disability, lower productivity and increased burden on the health care system in terms of uncompensated care and higher private premiums.

The Institute of Medicine estimated that at least 18,000 Americans die prematurely each year solely because they lack health coverage.

LSAP opposes any further cuts to health and supports restoring the 2003 cuts. Thank you for the opportunity to testify today.

Minnesota Budget Project

The FY 2006-07 Budget: Impact on Children & Youth

MINNESOTA COUNCIL OF NONPROFITS

This document provides information on how budget proposals for the FY 2006-07 biennium would impact children and youth in Minnesota. It includes the Governor's proposed budget as updated in March 2005, and the House and Senate proposals as they passed the floor of each body. It will be continually updated to include additional information and reflect future action at the State Legislature.[1]

The Situation: Minnesota's children and youth are one of Minnesota's most valuable resources and hold the future hope for the continued social and economic success of our state. Evidence suggests that early investments in their health, education, and general welfare yield incredible benefits for our communities in the long term. Minnesota's historical concern about the welfare of our children and youth has been demonstrated through significant public investment in these key areas. This level of commitment has paid off, with Minnesota consistently ranked number one in national surveys of child well-being.[2]

This investment in our children and youth has yielded other benefits as well. In the past decades, Minnesota has been transformed from a state with below-average per-capita personal income to a state that not only exceeds the national average income, but is in the top ten states in the country. One important reason for this success often cited by economists is the state's strong commitment to education, which leads to a high quality workforce that attracts businesses and jobs.

Achieving these results means ensuring that our children and youth – our future workers – have a healthy beginning, are adequately prepared for school, start along a successful social path, and are helped if something goes wrong. However, recent legislative decisions have substantially eroded the public commitment to the investments needed to sustain this progress in both the well-being of our children and the economic success of the state.

In the 2005 Legislative Session, policymakers again have the opportunity to invest in Minnesota's future...or further erode those commitments. The Governor and House have offered proposals which differ noticeably from the Senate. Although dissimilar in other respects, both the Governor and House budget plans would further reduce access to quality child care and limit the opportunities for youth trying to get back on the right path. The Senate, on the other hand, avoids most of these reductions, and moves towards reversing some of the worst of the cuts made in prior legislative sessions.

The divergent approaches of these budget proposals may reflect a difference in priorities, but they are also a consequence of broader budget decisions. The commitment to avoid raising state taxes means that the Governor and House can only fill the state's budget deficit and make new investments in areas such as K-12 education and public safety by cutting spending in other parts of the budget. Since the Senate has more budgeting tools on the table, it has greater flexibility to craft a balanced budget that makes the needed investments for Minnesota's future.

Understanding the Impact of FY 2004-05 Budget Decisions: The proposals for the current legislative session build on the decisions made by past legislative sessions. Sadly, in 2003, many programs for Minnesota's youngest residents were at the heart of the budget debates at the state legislature. In the end, elected officials made a number of decisions to balance the budget in

[1] Also available in this series of reports: *The FY 2006-07 Budget: Impact on Working Families and Individuals*, www.mncn.org/doc/200607fam.pdf.
[2] More statistics on the welfare of children in Minnesota is available from the Children's Defense Fund Minnesota in *Minnesota Kids: A Closer Look, 2004 Databook*, www.cdf-mn.org/PDF/KidsCountData_04/Databook_2004.pdf.

2314 University Avenue West, Suite 20, St. Paul, Minnesota 55114, 651-642-1904

the short-term by jeopardizing the immediate welfare of our children and the long-term health of our communities.[3]

Although policymakers enacted some improvements in mental health benefits and screening for children, Minnesota also took some steps backwards by reducing access to health care for children and their parents. Over 26,600 Minnesotans, including parents and children, were expected to lose their health care coverage in the FY 2004-05 biennium as a result of the decisions made in the 2003 Legislative Session.

The final 2003 budget also consolidated funding for over a dozen children's grant programs and several community social service programs into a single block grant, while significantly reducing the funding. This consolidation and reduction placed significant financial pressures on county governments trying to provide outreach and treatment for children with severe emotional disturbances. Help for disabled children also became more of a challenge as their parents saw significant increases in the fees they pay for TEFRA services, which allows parents to care for their disabled children, usually in their own homes. And funding for special education programs, which serve nearly 116,000 students with disabilities from birth to age 21, saw a sizeable reduction when the Legislature removed the automatic growth factors built into their funding formulas.

Keeping children healthy and making the most of their early childhood years also means ensuring a quality child care situation is available for them while their parents are at work. Research indicates that the first five years of a child's life are the most critical for development. And studies show that high quality care and education has the greatest impact on children from low-income families. Unfortunately, the 2003 budget solution made child care less affordable for low- and moderate-income working families by increasing co-payments, freezing provider reimbursement rates, increasing provider fees, and reducing eligibility for access to assistance. These changes have had particularly disturbing consequences for families participating in the Minnesota Family Investment Program (Minnesota's welfare-to-work program). A number of these families have stopped using child care assistance over the current biennium even though work participation rates have not dropped. The Department of Human Services does not know what alternative arrangements have been made for these children as their parents continue to work.[4]

Sending our children to school prepared to learn is a proven investment. Unfortunately, budget decisions made in 2003 limited the opportunities available for children and their parents. Key early childhood programs like Head Start, School Readiness, and Early Childhood Family Education (ECFE) all experienced funding reductions. These programs assist young children and their parents in issues ranging from proper nutrition to child development, including ensuring children have the proper skills and social behaviors to enter the classroom ready to be engaged and productive, not disengaged or disruptive.

Ultimately, we want our youth to develop into healthy, productive, well-rounded adults who are equipped to give back and sustain the community. Unfortunately, youth face many potential roadblocks to these results as they pass through their adolescent years. After School Enrichment was a statewide program for youth designed to intervene before young people start making bad choices. These out-of-school programs aided youth in developing better decision-making skills,

---

3 The number and nature of all of the changes made in the 2003 Legislative Session are too extensive to cover here. However, additional analysis is available from the Minnesota Budget Project and the Minnesota Council of Nonprofits, including: *Impact of the Final FY 2004-05 Budget* (www.mncn.org/doc/fy200405.pdf), *Consequences: The Impact of Minnesota's Government Budget Cuts* (www.mncn.org/bp/consequences.pdf), *"Do Nothing" Session Mixed Blessing for Health and Human Services* (www.mncn.org/bp/2004hhs.pdf), *On the Edge: Communities Lose as Nonprofit Sector Struggles* (www.mncn.org/doc/ontheedge.pdf), and *Nonprofit Workforce Hurt by Government Cuts, Slow Economic Recovery* (www.mncn.org/doc/marchlayoffreport.pdf).

4 For more information on child care in Minnesota, see Children's Defense Fund Minnesota and Child Care Works, *Missed Opportunities Produce Costly Outcomes*, www.cdf-mn.org/PDF/childcarereport.pdf.

provided tutoring and homework assistance, and offered many other positive activities to ensure healthy development during this critical time in our children's lives. Funding for these programs was eliminated in the 2003 Legislative Session.[5] Several tobacco prevention programs, such as the youth-oriented Target Market, also disappeared when policymakers used the Tobacco Endowment to help fill the state's budget deficit.

Minnesota has also developed a range of other opportunities to aid youth having more trouble making the transition from adolescence to adulthood. Some services for at-risk youth, including YouthBuild, the Minnesota Youth Program, and the Youth Intervention Progam, saw their state funding reduced in the 2003 Legislative Session by 11 to 27%. These programs help high school dropouts, potential dropouts, homeless, chemically dependent, and otherwise at-risk youth by providing them with employment training, counseling, mentoring, and other support services.

It is difficult to evaluate the impact of these budget cuts so soon after they have taken effect. However, early information already shows that there are fewer opportunities for at-risk youth, thousands of Minnesotans have lost their health care coverage, and more children may be in unsafe situations while their parents are at work. Today's children will be the future leaders of our country, and repeated studies have established that quality programs create positive benefits for the community, including more engaged, self-sufficient, stable, and happy citizens. As a result of these funding reductions, we are losing out on the opportunity to aid our youngest residents and their families as these children progress through the most critical stages of development into adulthood. For Minnesota to continue along this path is disastrous for the well-being of our children, as well as the long-term social and economic health of the state.

Evaluating the Governor's FY 2006-07 Budget Proposal: While making some steps forward, the Governor's budget for the FY 2006-07 biennium also includes numerous proposals that move even further to reduce or eliminate supports for the children who need it most.

The Governor's budget includes funding for some expanded mental health coverage, creates incentives for earlier childhood health and development screening, and offers assistance to young adults transitioning from longer-term foster care. However, his proposal would continue to delay $50 million in funding intended to support the development of regional delivery systems under the Children and Community Services block grant. Included in this block grant is money that was previously dedicated to children's mental health services, but now must compete with a wide variety of other important services for disabled or chemically dependent adults.

The Governor also proposes changes to health care eligibility levels that would result in over 8,200 working parents losing their health care coverage through MinnesotaCare. The loss of insurance coverage puts their children at risk. Research has found that children of uninsured parents may be less likely to get the health care they need. For example, a recent study by the Minnesota Department of Health found that children whose parent was uninsured were significantly less likely to meet "well child" visit guidelines.[6]

The Governor's proposal also continues the freeze on child care provider reimbursement rates. When reimbursement rates were initially set in 2003, approximately 80% of child care centers and family child care providers were at or below the state's maximum reimbursement rate. Due to the rate freeze for the FY 2004-05 biennium, by 2004 only 57% of centers and 68% of family child care providers were still at or below the maximum rate. Families can still use any child care provider, but they are responsible for paying the difference between the state's maximum reimbursement

[5] For more information on how the elimination of these grants impacted communities, see Minnesota Commission on Out-of-School Time, *Sustainability of Out-of-School Time Programs*, www.mncost.org/SustainabilityRevDec04.pdf.

[6] Minnesota Department of Health, *2002 BRFSS Child Health Module Data Book*, March 2004, www.health.state.mn.us/divs/hpsc/hep/miscpubs/brfss2002.pdf

rate and the provider's actual rate. The continued rate freeze only serves to further reduce access to quality child care for working Minnesotans as eligible families stop using care because they cannot afford to pay both the required co-payment and this additional "premium".

Through the "Get Ready, Get Credit" program included in the Governor's budget, highly motivated and successful high school students will have more opportunities to earn college credits, with special priority given to low-income students. Their struggling peers, however, would see their opportunities dwindle under the Governor's budget. Governor Pawlenty ends state funding for programs like Minnesota YouthBuild, the Minnesota Youth Program, and Learn to Earn. These programs help high school dropouts, potential dropouts, and other at-risk youth by providing them with employment training, counseling, mentoring, and other support services.

Even early childhood programs, which saw significant reductions in the 2003 Session, are not immune in this round of budget cuts. The Governor proposes to phase in new program requirements for the School Readiness program, which enables children to begin school with the skills and behaviors necessary for success. The Governor would reduce the money available for these activities in order to fund the staff needed to administer the new requirements.

Evaluating the House FY 2006-07 Budget Proposal: As with the Governor's budget, the impact of the House proposal on Minnesota's children and youth is a mix of some steps forward and some steps back.

It is important to note that the House proposal includes two options. "Plan A" is the House base budget proposal without raising any revenue through gambling. "Plan B" includes some additional spending in a few areas, but is contingent on the House passing a gambling bill that would raise approximately $200 million for the FY 2006-07 biennium. This document focuses on the "Plan A" proposal, but refers to "Plan B" options where applicable.

The House adopts some of the Governor's proposals that would improve the health of Minnesota children, including expanding mental health coverage and creating incentives for earlier childhood health and development screening. However, safeguarding the health of our children also requires maintaining the health of their parents. Unfortunately, the House goes even further than the Governor in reducing eligibility levels for working parents receiving health care coverage through MinnesotaCare.

Parents seeking to provide a safe and positive environment for their children while they are at work will face more obstacles under the House proposal. As with the Governor's budget, the House would continue the freeze on child care provider reimbursement rates and limits the number of absent days for which a provider may be reimbursed unless the child has a documented medical condition. The rate freeze will reduce access to quality child care for families unable to afford to pay the difference between the state's frozen reimbursement rate (which is based on a 2001 rate survey) and the provider's actual rate.

The House proposal is more supportive than the Governor of parents preparing their children for school. Early childhood programs experienced significant reductions in the 2003 Legislative Session. The House does not adopt the Governor's proposal to restructure the School Readiness program and would significantly increase funding for one early childhood program, Early Childhood and Family Education (ECFE).

The House also includes the Governor's "Get Ready, Get Credit" program, although at a lower level of funding. However, while providing assistance for highly-motivated and successful high school students, the House also adopts the Governor's proposals to take opportunities away from their struggling peers. The House ends state funding for programs like Minnesota YouthBuild, the Minnesota Youth Program, and Learn to Earn, but does recommend increased funding for the only remaining program to assist at-risk youth, the Youth Intervention Program.

Evaluating the Senate FY 2006-07 Budget Proposal: The Senate agrees with the Governor's proposal to expand mental health coverage, create incentives for earlier childhood health and development screening, and offer assistance to young adults transitioning from longer-term foster care. Along with the Governor and House, the Senate would continue to delay $50 million in funding intended to support the development of regional delivery systems under the Children and Community Services block grant.

However, in many other areas, the Senate proposal moves in the opposite direction from the Governor, recommending additional investments in important early childhood programs and rejecting the reductions in employment programs for youth.

The Senate proposal provides more opportunities for young children and their parents by reversing some of the decisions made in the 2003 Legislative Session. The Senate would lift the freeze on child care reimbursement rates and use federal funds to expand eligibility for the child care assistance program and lower parent copayments. The Senate proposal also provides additional funding for several early childhood programs, including School Readiness, Head Start, and ECFE.

The Senate does not adopt the Governor's "Get Ready, Get Credit" proposal to expand opportunities for high school students to gain college credit. Instead, the Senate maintains funding for employment programs for at-risk youth like Minnesota YouthBuild, the Minnesota Youth Program, and Learn to Earn, with some additional funding for the Youth Intervention Program.

Summary of FY 2006-07 Budget Proposals:
Impact on Children & Youth (General Fund Only)

	Change from Base ($ are in thousands)		
	Governor	**House**	**Senate**
Keeping children healthy - Total	**-$45,328**	**-$45,329**	**-$45,328**
Mental Health Coverage	$3,406	$3,406	$2,269
Early Childhood Health & Development Screening	$1,266	$1,265	$1,266
Children and Community Services Act	-$50,000	-$50,000	-$50,000
Preparing children to learn - Total	**-$68,558**	**-$54,163**	**$21,898**
School Readiness	-$369	$0	$3,686
Early Childhood & Family Education	$0	$15,535	$10,544
Head Start	$0	$0	$7,668
Basic Sliding Fee Child Care Assistance	-$15,632	-$16,282	$0[1]
MFIP/TY Child Care Assistance	-$52,557	-$53,416	$0[2]
Helping children succeed - Total	**$11,577**	**$7,577**	**$0**
Advanced Placement/Int'l Baccalaureate Program	$7,444	$3,444	$0
Educational Planning and Assessment System	$1,658	$1,658	$0
College Level Examination Program	$2,475	$2,475	$0
Helping when things go wrong - Total	**-$8,013**	**-$7,013**	**$2,247**
Young Adults Transitioning from Long-Term Foster Care	$2,247	$2,247	$2,247
Learn to Earn	-$366	-$366	$0
Minnesota YouthBuild	-$1,514	-$1,514	$0
Minnesota Youth Program	-$8,380	-$8,380	$0
Youth Intervention Program	$0	$1,000[3]	$0[4]

Note: These budget changes are all described in further detail in the following pages.

[1] The Senate proposal does not change General Fund spending for this program, but does use $13.2 million in federal CCDF funds for the FY 2006-07 biennium to expand eligibility and decrease copayments.

[2] The Senate proposal does not change General Fund spending for this program, but does use $1.8 million in federal TANF funds for the FY 2006-07 biennium to expand eligibility and decrease copayments.

[3] The House "Plan B" proposal includes an additional $200,000 for the FY 2006-07 biennium for the Youth Intervention Program. The additional funding is not reflected in this table.

[4] The Senate proposal does not change General Fund spending for this program, but does use $2.0 million from the Workforce Development Fund for the FY 2006-07 biennium to provide additional funding for this program.

A brief guide to using this document:
Each budget change item listed below includes a brief summary of the program, information about any changes made by the 2003 Legislature, a description of the Governor's proposal, House proposal, and Senate proposal for that program, and the financial details of the proposed change. Because many programs refer to Federal Poverty Guidelines (FPG) in setting eligibility, a reference table is provided below. The information in this document comes from the Governor's 2006-07 Biennial Budget materials, House and Senate analysis documents, information presented at House and Senate Committee Hearings, and details provided by affected nonprofit organizations and advocates.

- **"Committee"** – refers to the House or Senate committee that has primary responsibility for the program.
- **"Fund"** – refers to whether the change impacts the General Fund (GF) or another fund, such as the Health Care Access Fund (HCAF), Workforce Development Fund (WKDF), Temporary Assistance for Needy Families (TANF), or Special Revenue (SR).
- **"Base"** – refers to the current law level of funding for the program (if no changes were made).
- **"Governor"/"House"/"Senate"/"Final"** – represent the amount of the proposed change from base – negative numbers indicate a reduction in the program, positive numbers indicate increased funding.

2005 Federal Poverty Guidelines (FPG)[7]

Family Size	50%	75%	100%	150%	175%	190%	250%	275%
1	$4,785	$7,178	$9,570	$14,355	$16,748	$18,183	$23,925	$26,318
2	$6,415	$9,623	$12,830	$19,245	$22,453	$24,377	$32,075	$35,283
3	$8,045	$12,068	$16,090	$24,135	$28,158	$30,571	$40,225	$44,248
4	$9,675	$14,513	$19,350	$29,025	$33,863	$36,765	$48,375	$53,213
5	$11,305	$16,958	$22,610	$33,915	$39,568	$42,959	$56,525	$62,178
6	$12,935	$19,403	$25,870	$38,805	$45,273	$49,153	$64,675	$71,143
7	$14,565	$21,848	$29,130	$43,695	$50,978	$55,347	$72,825	$80,108
8	$16,195	$24,293	$32,390	$48,585	$56,683	$61,541	$80,975	$89,073

[7] Developed in the mid-1960s, the poverty line assumes a poor family can live on an income three times the estimated cost of a basic food budget. The food budget the government used to calculate the initial poverty line was the cheapest plan provided by the Department of Agriculture, one "designed for temporary or emergency use when funds are low." Over thirty years later, the Department of Health and Human Services still uses the same formula to calculate poverty guidelines, even though food now accounts for only about one-seventh, rather than one-third, of a typical household budget. Poverty guidelines are updated each year for inflation, yet they fail to account for the rising costs of housing and health care, as well as the increased use of child care. As an alternative to using the federal poverty line, the JOBS NOW Coalition prepares family budget figures based on a "no frills" standard of living in Minnesota. They find that the minimum basic family budget for a two parent family of four is nearly two and a half times the federal poverty line for that family size. JOBS NOW Coalition, *"The Cost of Living in Minnesota,"* www.jobsnowcoalition.org.

Keeping Children Healthy

Mental Health Coverage Improved

Improve Mental Health Coverage (Dept. of Human Services)

Governor's Budget: The Governor's proposal recommends improving mental health services for people enrolled in Medical Assistance (MA), MinnesotaCare (MnCare), and General Assistance Medical Care (GAMC) by adding the following treatment options:

- MA would cover treatment foster care for children and youth with severe emotional disturbances. The service would combine intensive case management and therapy support in the home of specially trained and supported foster parents.
- MA, GAMC, and MnCare would cover case consultation between a psychiatrist and primary care physician in order to address the acute shortage of psychiatrists and the reality that much of the care for persons with mental illness is handled through primary care physicians.
- MA, GAMC, and MnCare would cover mental health services provided to patients using interactive video that meets certain quality standards.
- Assertive Community Treatment (ACT) is a non-residential rehabilitative mental health service provided by a multidisciplinary staff using an evidence-based, total team approach directed to recipients with serious mental illness who require intensive services. The Governor would expand coverage to include this treatment for 16 and 17-year-old Medical Assistance enrollees who are making a transition to independent living.

House Proposal: The House adopts the Governor's proposal position.
Senate Proposal: The Senate adopts the Governor's proposal to improve mental health services, but requires counties to pay for 25% of the total costs.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base							
	Governor	GF	$205	$3,201	$3,406	$4,724	$6,228	$10,952
Health	House	GF	$205	$3,201	$3,406	$4,724	$6,228	$10,952
Health & HS	Senate	GF	$205	$2,064	$2,269	$3,217	$4,266	$7,483
	FINAL							

Adjust Reimbursement Rate

Early Childhood Health & Development Screening (Dept. of Education)

Program Summary: This program promotes educational readiness and improved health of young children through the early detection of factors that may impede a child's learning, growth, and development.
Governor's Budget: The Governor's proposal creates variable reimbursement rates to provide an incentive for school districts to screen children at age three, increasing the likelihood that children who need services will get timely help and be ready for kindergarten. School districts currently receive $40 in state aid for each child screened, regardless of age. The Governor would change the rates to $50 per child for age three, $40 for ages two and four, and $30 for children age five or older. The proposal also includes the recommendation that all pre-kindergarten children be assigned a student identification number at the time they are screened. Funding would increase by 28% in FY 2007 and then begin to taper off as the number of four and five year olds who require screening declines.
House Proposal: The House adopts the Governor's position.
Senate Proposal: The Senate adopts the Governor's position.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$2,661	$2,661	$5,322	$2,661	$2,661	$5,322
	Governor	GF	$415	$851	$1,266	$678	$694	$1,372
Education	House	GF	$415	$850	$1,265	$678	$694	$1,372
Early Childhood	Senate	GF	$415	$851	$1,266	$678	$694	$1,372
	FINAL							

Funding Delayed

Children and Community Services Act (Dept. of Human Services)

Program Summary: The Children and Community Services Act (CCSA) supports people who experience disparate treatment and poor outcomes due to factors such as dependency, abuse, neglect, poverty, disability, and chronic health conditions and provides funds for family members to support those individuals. Included in this block grant are $21 million in state funds previously dedicated to children's mental health which must now compete with a wide variety of other important programs for disabled or chemically dependent adults.
2003 Changes: As part of the budget balancing solution in 2003, the state consolidated funding for 15 grant programs in the CSSA and allocated funding to the counties on a formula bases. The Legislature also made a one-time 20% funding reduction for FY 2004-05.
Governor's Budget: The Governor's proposal would continue the funding reduction through the next biennium. These funds, $50 million for the biennium, were intended to support the development of regional delivery systems.
House Proposal: The House adopts the Governor's position.
Senate Proposal: The Senate adopts the Governor's position.

			Change from Base ($ are in thousands)					
Committee	Proposal	Fund	FY06	FY07	Biennium Total	FY08	FY09	Biennium Total
	Base	GF	$93,488	$93,488	$186,976	$93,488	$93,488	$186,976
	Governor	GF	-$25,000	-$25,000	-$50,000	$0	$0	$0
Jobs & Eco Opp	House	GF	-$25,000	-$25,000	-$50,000	$0	$0	$0
Health & HS	Senate	GF	-$25,000	-$25,000	-$50,000	$0	$0	$0
	FINAL							

Preparing Children to Learn

Funding Reduced/Funding Increased

School Readiness Program (Dept. of Education)

Program Summary: School Readiness enables children to enter school with the skills and behaviors necessary for success. It includes developmental and learning components, health referral services, nutrition, parental involvement, and outreach. The program is open to all Minnesota children aged 3½ to 4 years and their families, but priority is given to children who are developmentally disadvantaged or who have risk factors that could impede their learning. Services are offered at no charge or for a small fee.
2003 Changes: In the 2003 Legislative Session, the state transferred all school district School Readiness reserves to the General Fund, resulting in a nearly $2 million reduction in base funding for FY 2004-05 and $2.6 million in FY 2006-07.
Governor's Budget: The Governor's proposal would phase in new program requirements focused on academic preparation for kindergarten, with all districts required to meet the new standards by FY 2009 in order to receive state aid. The Governor reduces the School Readiness appropriation by the amount needed to fund the 2.25 staff positions necessary to administer the new requirements.
House Proposal: The House does not propose any changes to this program.
Senate Proposal: The Senate proposal would increase funding for the School Readiness program, but does not accept the Governor's restructuring of the program.

			Change from Base ($ are in thousands)					
Committee	Proposal	Fund	FY06	FY07	Biennium Total	FY08	FY09	Biennium Total
	Base	GF	$9,020	$9,042	$18,062	$9,087	$9,095	$18,182
	Governor	GF	-$169	-$200	-$369	-$200	-$200	-$400
Education	House	GF	$0	$0	$0	$0	$0	$0
Early Childhood	Senate	GF	$1,686	$2,000	$3,686	$2,000	$2,000	$4,000
	FINAL							

Funding Increased

Early Childhood & Family Education (Dept. of Education)

Program Summary: Early Childhood & Family Education (ECFE) is a program for all Minnesota families with children between the ages of birth to kindergarten enrollment that works to strengthen families and enhance the ability of all parents to provide the best possible environment for the healthy growth and development of their children.
2003 Changes: In 2001, the Legislature acted on a recommendation from the Legislative Auditor to limit school district ECFE reserves to 25% of the annual program revenue for the prior year. The excess revenue was to be reallocated to other districts for other ECFE programs. In 2003, the reallocation was eliminated and all reserves in excess of 25% were returned to the General Fund. Also, funding was reduced from $120 to $95 times the greater of 150 or the number of people under age 5 residing in the district.
Governor's Budget: The Governor recommends maintaining funding for ECFE at current law levels.
House Proposal: The House proposal increases funding for this program from the current $95 per child under 5 residing in the district to $115 per child in FY 2006 and $125 in FY 2007.
Senate Proposal: The Senate proposal increases funding for this program from the current $95 per child under 5 residing in the district to $112 per child.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$11,958	$12,292	$24,250	$12,672	$13,028	$25,700
	Governor	GF	$0	$0	$0	$0	$0	$0
Education	House	GF	$5,694	$9,841	$15,535	$10,515	$10,623	$21,138
Early Childhood	Senate	GF	$4,807	$5,747	$10,554	$5,804	$5,860	$11,664
	FINAL							

Funding Increased

Head Start (Dept. of Education)

Program Summary: Head Start provides a comprehensive, individualized program of health, nutrition, education, parent involvement, and social services to children and families. The program primarily serves 3- to 5-year-olds from low-income families, with some programs serving infants, toddlers, and pregnant mothers. At least 90% of enrolled children must come from families who are living at or below the federal poverty level or participating in the Minnesota Family Investment Program (MFIP), 10% of enrollment is reserved for children with diagnosed disabilities.
2003 Changes: In 2003, the Legislature cut state funding for this program by nearly 7% for the FY 2006-07 biennium.
Governor's Budget: The Governor recommends maintaining current law funding for Head Start.
House Proposal: The House recommends maintaining current law funding for Head Start.
Senate Proposal: The Senate proposal would increase funding for Head Start by nearly $7.7 million for the FY 2006-07 biennium.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$17,100	$17,100	$34,200	$17,100	$17,100	$34,200
	Governor	GF	$0	$0	$0	$0	$0	$0
Education	House	GF	$0	$0	$0	$0	$0	$0
Early Childhood	Senate	GF	$3,768	$3,900	$7,668	$3,900	$3,900	$7,800
	FINAL							

Questions? Contact Christina Macklin at cmacklin@mncn.org or 651-642-1904 x233

Child Care Rates Frozen

Basic Sliding Fee Child Care Assistance Provider Rates (Dept. of Human Services)

Program Summary: Basic Sliding Fee (BSF) helps low- and moderate-income families who are not participating in the Minnesota Family Investment Program (MFIP) with the costs of child care. The program charges a sliding fee scale based on family income for families who are engaged in authorized work, education, and job search activities. Currently, families with incomes below 175% of the federal poverty guidelines (FPG) and children under age 13 are eligible to enter the program, and lose eligibility when their income exceeds 250% FPG.

2003 Changes: The 2003 Legislature reduced General Fund spending for BSF by 50% for the FY 2004-05 biennium. The savings was achieved through a number of changes, including increasing copays for families, reducing eligibility levels, and freezing provider rates. The maximum rates for child care providers for the FY 2004-05 biennium were frozen at the 2003 level, which were determined by a 2001 statewide survey of actual child care rates. When these rates were initially set, approximately 80% of child care centers and family child care providers were at or below the state's maximum reimbursement rate. Due to the rate freeze, by 2004 only 57% of centers and 68% of family child care providers were still at or below the maximum rate. Families still can use these child care providers, but they must pay the difference between the state maximum rate and the provider's actual rate, in addition to their copayment.

Governor's Budget: The Governor's proposal would continue to freeze rates paid to providers at the FY 2003 level through FY 2007. Beginning in FY 2008, the Governor would contain costs in the program by increasing maximum provider rates by the Consumer Price Index starting from the FY 2003 reimbursement levels. Previously, maximum rates were based on a statewide survey of actual provider rates. The proposal would also adjust the child care center rates in some counties that were negatively impacted by the use of regional or statewide rates by using the greater of the current rate or the highest rate reported for that county in a 2002 rate survey.

House Proposal: The House follows the Governor's proposal to continue to freeze the provider rates at the FY 2003 level through FY 2007. The House also includes a plan to limit the number of absent days for which a provider may be reimbursed to 25 per child per fiscal year unless the child has a documented medical condition.

Senate Proposal: The Senate would not continue the freeze on provider rates. The Senate also uses $18.3 million in federal child care funds (CCDF) that were not spent in the FY 2004-05 biennium to: 1) expand the eligibility for entrance into the program from families with incomes below 175% FPG to 200% FPG, and 2) decrease copayments.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$30,262	$30,262	**$60,524**	$30,262	$30,262	**$60,524**
	Governor	GF	-$10,041	-$5,591	**-$15,632**	-$3,361	-$1,006	**-$4,367**
	Governor	CCDF	$0	$0	**$0**	$0	$0	**$0**
Jobs & Eco Opp	House	GF	-$10,216	-$6,066	**-$16,282**	-$3,850	-$1,510	**-$5,360**
Jobs & Eco Opp	House	CCDF	$0	$0	**$0**	$0	$0	**$0**
Early Childhood	Senate	GF	$0	$0	**$0**	$7,109	$7,109	**$14,218**
Early Childhood	Senate	CCDF	$4,695	$8,577	**$13,272**	$2,381	$2,381	**$4,762**
	FINAL							

Child Care Rates Frozen

MFIP/TY Child Care Assistance Provider Rates (Dept. of Human Services)

Program Summary: This program helps pay the child care costs of low- and moderate-income families who are participating in the Minnesota Family Investment Program (MFIP) or Transitional Year (TY) assistance. The program charges a sliding fee scale based on family income for child care while parents are engaged in authorized work, education, and job search activities.

2003 Changes: In 2003, the state made a number of changes to this program – including increasing parental copays and freezing provider rates at the FY 2003 level – which resulted in a 20% reduction in General Fund spending for MFIP/TY Child Care Assistance. During the current biennium, a number of MFIP families have stopped using child care assistance even though work participation rates have not dropped. The Department of Human Services (DHS) is not sure what other arrangements have been made for these children while their parents continue to work. DHS expects that an additional 700 eligible families will stop using child care assistance in the 2006-07 biennium. One likely cause for this decline in usage is that parents are unable to afford to pay both the standard copay *and* the "premium" – the difference between the state's maximum reimbursement rate and the actual rate the child care provider is charging.

Governor's Budget: The Governor's proposal would continue to freeze the provider rates at the FY 2003 level through FY 2007 and afterwards would contain costs in the program by increasing maximum provider rates by the Consumer Price Index starting from the FY 2003 reimbursement levels. Previously, maximum rates were based on a statewide survey of actual provider rates. The proposal would also adjust the child care center rates in some counties that were negatively impacted by the use of regional or statewide rates by using the greater of the current rate or the highest rate reported for that county in the 2002 rate survey.

House Proposal: The House follows the Governor's proposal to continue to freeze the provider rates at the FY 2003 level through FY 2007. The House also includes a plan to limit the number of absent days for which a provider may be reimbursed to 25 per child per fiscal year unless the child has a documented medical condition. The House plan would substitute $48.5 million in federal Temporary Assistance for Needy Families (TANF) funds for General Fund dollars for the FY 2006-07 biennium.

Senate Proposal: The Senate would allow the freeze on provider rates to be lifted. The Senate would also use TANF funds to increase income eligibility for transition year child care assistance and decrease family copayments for MFIP/TY child care.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$81,635	$91,365	$173,000	$98,610	$103,234	$201,844
	Governor	GF	-$22,289	-$30,268	-$52,557	-$31,348	-$32,039	-$63,387
	Governor	TANF	$0	$0	$0	$0	$0	$0
Jobs & Eco Opp	House	GF	-$22,519	-$30,897	-$53,416	-$32,016	-$32,731	-$64,747
Jobs & Eco Opp	House	TANF	$0	$0	$0	$0	$0	$0
Health & HS	Senate	GF	$0	$0	$0	$0	$0	$0
Health & HS	Senate	TANF	$756	$1,091	$1,847	$1,105	$1,127	$2,232
	FINAL							

Funding Increased

Advanced Placement/International Baccalaureate Program (Dept. of Education)

Program Summary: AP and IB courses offer students rigorous, challenging courses of study as part of regular offerings in secondary schools. Students have the opportunity to take an exam at the conclusion of each course that can provide college credit for courses taken in high school. The program currently provides partial reimbursement of training for teachers of AP/IB programs, reimbursement of examination fees for students of low-income families, and reimbursement of approximately 40% of examination fees for other students.
2003 Changes: In the 2003 Legislative Session, at the Governor's recommendation, funding for this program was reduced by 22% for the FY 2004-05 biennium.
Governor's Budget: As part of the "Get Ready, Get Credit" proposal, the Governor would increase funding by 157% for the AP/IB program and include an additional $5 million in one-time funds for FY 2006-07. The proposal would provide that students passing examinations with a three or above would receive college credit, would add a stipend for teachers of AP/IB programs based on numbers of students passing the examinations, and would provide resources for schools to receive one-time start-up funds to implement AP or IB programs in secondary and middle schools.
House Proposal: The House proposal would provide additional funding for this program.
Senate Proposal: The Senate maintains current law funding for this program.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$778	$778	$1,556	$778	$778	$1,556
	Governor	GF	$3,722	$3,722	$7,444	$1,222	$1,222	$2,444
Education	House	GF	$1,722	$1,722	$3,444	$1,222	$1,222	$2,444
K-12 Education	Senate	GF	$0	$0	$0	$0	$0	$0
	FINAL							

New Program

Educational Planning and Assessment System (Dept. of Education)

Governor's Budget: As part of the "Get Ready, Get Credit" program, the Governor proposes that school districts and charter schools voluntarily participate in the Educational Planning and Assessment System (EPAS) program which provides a longitudinal, systematic approach to educational and career planning, assessment, instructional support, and evaluation. The EPAS system will use ACT tests in grades 8 and 10 to determine student strengths and weaknesses in preparation for college.
House Proposal: The House adopts the Governor's position.
Senate Proposal: The Senate does not fund this program.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$0	$0	$0	$0	$0	$0
	Governor	GF	$829	$829	$1,658	$829	$829	$1,658
Education	House	GF	$829	$829	$1,658	$829	$829	$1,658
K-12 Education	Senate	GF	$0	$0	$0	$0	$0	$0
	FINAL							

New Program

College Level Examination Program (Dept. of Education)

Governor's Budget: As part of the "Get Ready, Get Credit" program, the Governor proposes that students who successfully earn a particular score on a College Level Examination Program (CLEP) test would earn undergraduate credit from Minnesota State Colleges and Universities (MnSCU) institutions. The Governor also encourages the University of Minnesota to agree to grant college credit under this program. Students will be eligible to receive state reimbursement for up to six exams up to a capped state appropriation. Preference will be given to low-income students. The goal is 5,000 student reimbursements for CLEP tests in FY 2007 and 7,500 in FY 2008.
House Proposal: The House adopts the Governor's position.
Senate Proposal: The Senate does not fund this program.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$0	$0	$0	$0	$0	$0
	Governor	GF	$825	$1,650	$2,475	$1,650	$1,650	$3,300
Education	House	GF	$825	$1,650	$2,475	$1,650	$1,650	$3,300
K-12 Education	Senate	GF	$0	$0	$0	$0	$0	$0
	FINAL							

Questions? Contact Christina Macklin at cmacklin@mncn.org or 651-642-1904 x233

Helping When Things Go Wrong

New Program

Young Adults Transitioning from Long-Term Foster Care (Dept. of Human Services)

Program Summary: Every year there are youth graduating from high school that are "aging out" of the foster care system. A number of these youth have some disability that impairs their ability to attain stable housing.
Governor's Budget: The Governor proposes this new program that would combine public, business, and philanthropic resources to assist older youth transitioning from foster care and reduce their risk of homelessness. The program would include a comprehensive assessment of youth in transition; development and implementation of an independent living plan for the individual; teaching youth life skills; and opportunities to pursue post-secondary education or employment.
House Proposal: The House adopts the Governor's position.
Senate Proposal: The Senate adopts the Governor's position.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$0	$0	$0	$0	$0	$0
	Governor	GF	$1,125	$1,122	**$2,247**	$1,122	$1,122	**$2,244**
Jobs & Eco Opp	House	GF	$1,125	$1,122	**$2,247**	$1,122	$1,122	**$2,244**
Health & HS	Senate	GF	$1,125	$1,122	**$2,247**	$1,122	$1,122	**$2,244**
	FINAL							

Eliminated

Learn to Earn (Dept. of Employment & Economic Development)

Program Summary: Learn to Earn provides positive park maintenance, work experience, and educational opportunities to approximately 120 unemployed or underemployed at-risk youth ages 14 to 18 in Minneapolis each year.
2003 Changes: Base funding for this program was reduced by 23% in the 2003 Legislative Session.
Governor's Budget: The Governor's proposal would eliminate state funding for this program.
House Proposal: The House adopts the Governor's position.
Senate Proposal: The Senate proposal would continue current law state funding for this program.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$183	$183	**$366**	$183	$183	**$366**
	Governor	GF	-$183	-$183	**-$366**	-$183	-$183	**-$366**
Jobs & Eco Opp	House	GF	-$183	-$183	**-$366**	-$183	-$183	**-$366**
Ag, Env & ED	Senate	GF	$0	$0	**$0**	$0	$0	**$0**
	FINAL							

State Funding Eliminated

Minnesota YouthBuild (Dept. of Employment & Economic Development)

Program Summary: During the FY 2004-05 biennium, Minnesota YouthBuild served approximately 600 youth between the ages of 16 and 24 who are high school dropouts and potential dropouts, youth at risk of involvement with the juvenile justice system, chemically dependent and disabled youth, homeless youth, teen parents, and public assistance recipients. The program provides them with specialized training in the construction and building trades, leadership and basic academic skills, and construction-based work experience while building affordable housing. The program is administered through 10 local service organizations statewide.
2003 Changes: Funding for this program was reduced by 11% in the 2003 Legislative Session.
Governor's Budget: The Governor's proposal would eliminate state funding for this program. Youthbuild received a $400,000 federal grant in 2004 and would continue to be eligible for federal funding.
House Proposal: The House adopts the Governor's proposal position.
Senate Proposal: The Senate proposal would continue current law state funding for this program.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$757	$757	**$1,514**	$757	$757	**$1,514**
	Governor	GF	-$757	-$757	**-$1,514**	-$757	-$757	**-$1,514**
Jobs & Eco Opp	House	GF	-$757	-$757	**-$1,514**	-$757	-$757	**-$1,514**
Ag, Env & ED	Senate	GF	$0	$0	**$0**	$0	$0	**$0**
	FINAL							

State Funding Eliminated

Minnesota Youth Program (Dept. of Employment & Economic Development)

Program Summary: Minnesota Youth Program (MYP) provides economically disadvantaged and at-risk youth between the ages of 14 to 21 with employment and training services. MYP operates through the local Workforce Councils and is available in all 87 counties. The program offers work experience, basic skills training, work-based learning, career counseling, personal counseling, life skills training, mentoring, and peer support groups, as well as support services such as transportation and child care. During the FY 2004-05 biennium, this program served 7,600 youth, with another approximately 10,000 youth on the waiting list.
2003 Changes: Base funding for this program was reduced by 22% in the 2003 Legislative Session.
Governor's Budget: The Governor's proposal would eliminate state funding for this program. MYP received $10.5 million in federal funding through the Workforce Investment Act in FY 2004. The federal program, however, is under reauthorization and the status of future funding is unknown.
House Proposal: The House adopts the Governor's position.
Senate Proposal: The Senate proposal would continue current law state funding for this program.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$4,190	$4,190	$8,380	$4,190	$4,190	$8,380
	Governor	GF	-$4,190	-$4,190	-$8,380	-$4,190	-$4,190	-$8,380
Jobs & Eco Opp	House	GF	-$4,190	-$4,190	-$8,380	-$4,190	-$4,190	-$8,380
Ag, Env & ED	Senate	GF	$0	$0	$0	$0	$0	$0
	FINAL							

Program Moved/Funding Increased

Youth Intervention Program (Dept. of Employment & Economic Development)

Program Summary: Youth Intervention Program funds 52 community-based youth service organizations that provide early intervention services to youth and families, including: crime prevention, youth development, restorative justice, pre-court diversion, counseling, educational programs related to specific offenses, and gender- and culturally-specific services. Youth served are those that are identified as being at-risk or just starting to get into illegal behaviors. They often face hurdles such as trouble with the law, school truancy, abuse at home, homelessness, chemical abuse, basic skills deficiency, and limited English proficiency.
2003 Changes: State funding for the Youth Intervention Program was cut in both the 2002 and 2003 Legislative Sessions, resulting in a 27% reduction overall.
Governor's Budget: The Governor's proposal maintains funding at the current level, but moves the program from the Dept. of Employment & Economic Development (DEED) to the Dept. of Public Safety.
House Proposal: The House adopts the Governor's proposal to move the Youth Intervention Program from DEED to the Dept. of Public Safety. Under Plan A, the House recommends a one-time $1 million increase for the FY 2006-07 biennium. Under Plan B, in addition to the $1 million in one-time money, the House would increase base funding for the program by $100,000 per year.
Senate Proposal: The Senate proposal would leave the Youth Intervention Program at DEED and increase funding for the program by $2 million for the FY 2006-07 biennium by using funds from the Workforce Development Fund.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$1,452	$1,452	$2,904	$1,452	$1,452	$2,904
	Governor	GF	$0	$0	$0	$0	$0	$0
	Governor	WKDF	$0	$0	$0	$0	$0	$0
Public Safety	House – A	GF	$500	$500	$1,000	$0	$0	$0
Public Safety	House – B	GF	$100	$100	$200	$100	$100	$200
Public Safety	House	WKDF	$0	$0	$0	$0	$0	$0
Ag, Env & ED	Senate	GF	$0	$0	$0	$0	$0	$0
Ag, Env & ED	Senate	WKDF	$500	$1,500	$2,000	$1,500	$1,500	$3,000
	FINAL							

Minnesota Budget Project

The FY 2006-07 Budget: Impact on Working Families and Individuals

MINNESOTA COUNCIL OF NONPROFITS

This document provides information on how budget proposals for the FY 2006-07 biennium would impact low- and moderate-income working Minnesotans. It includes the Governor's proposed budget as updated in March 2005, and the House and Senate proposals as they passed the floor of each body. It will be continually updated to include additional information and reflect future action at the State Legislature.[1]

The Situation: Minnesota's families working their way from poverty to self-sufficiency rely on a variety of supports to succeed in that transition. Some of the key elements to success include child care for their children while parents are at work or searching for a job, affordable health care that their employers may not provide, educational opportunities to advance their careers, and housing assistance to maintain a stable residency in an expensive housing market. Some low-income families also temporarily receive financial supplements in the form of cash and food support through the Minnesota Family Investment Program (MFIP), and others help make ends meet through tax benefits including the Minnesota Working Family Tax Credit or Renters' Credit.

Clearly, Minnesotans must piece together a complex puzzle of work supports in order to keep their families working, housed, healthy, fed, and making progress on the path to economic self-sufficiency. Unfortunately, many of these vital economic supports have been significantly eroded in recent legislative sessions, leaving families to choose which of these basic needs they will meet with their limited resources, and which will just have to wait.

The slow economic recovery from the 2001 recession has not made it any easier for families. If job growth since the end of the recession had just kept up with growth in the working-age population, Minnesota would have approximately 81,300 more jobs than we actually have now. Instead, as of December, Minnesota's unemployment rate was still slightly higher than the unemployment rate at end of the recession over three years ago.

In the 2005 Legislative Session, policymakers have the opportunity to ease the burden on families who have been absorbing the impact of the recession and recent budget cuts. The Governor and House have offered proposals which differ significantly from the Senate. Both the Governor and House budget plans would reduce access to health care, increase the costs of child care, undermine the availability of affordable housing, and damage other critical supports for working families. The Senate, on the other hand, rejects these reductions and moves forward to reverse many of the most harmful cuts in health care, child care, adult education, and other work supports made in prior legislative sessions.

The divergent approaches of these budget proposals reflect not only a significant difference in priorities, but also the consequences of broader budget decisions. The commitment to avoid raising state taxes means that the Governor and House can only fill the state's budget deficit and make new investments in areas such as K-12 education and public safety by cutting spending in other parts of the budget, particularly health and human service programs. Since the Senate has more budgeting tools on the table, it has greater flexibility to invest in programs that strengthen families navigating the difficult road from poverty to self-sufficiency.

Understanding the Impact of FY 2004-05 Budget Decisions: In order to really understand the impact of changes being proposed for the FY 2006-07 biennium, it is critical to

[1] Also available in this series of reports: *The FY 2006-07 Budget: Impact on Children & Youth*, www.mncn.org/doc/200607child.pdf.

recognize the dramatic reductions that were already made in the FY 2004-05 biennium to many of the programs serving this vulnerable population.[2]

For example, eligibility and funding for child care assistance was significantly reduced at the same time as affordable housing programs took a cut. The ability to access educational opportunities became more challenging as tuition at the state's colleges and universities continued to increase, financial aid was cut, and funding for Adult Basic Education and Community Education programs was reduced. In addition, many changes were made to the state's public health care programs, including restricting eligibility, reducing and capping benefits, instituting copayments, and increasing premiums. Low-income families making the transition from poverty to self-sufficiency with the help of the Minnesota Family Investment Program (MFIP) experienced increased restrictions and penalties. MFIP participants were also financially penalized if they live in subsidized housing or have a disabled family member receiving Supplemental Social Security Income (SSI).

The success of these families contributes to Minnesota's success. But as these families fail, Minnesota's future stumbles. For no one benefits when services that enable families to become healthy, productive participants in society are removed. The reality is that savings in one budget item only creates costs in other areas of the budget – sometimes the costs are immediate, sometimes the costs are in the future, and sometimes the costs are simply shifted away from state government onto others.

Evaluating the Governor's FY 2006-07 Budget Proposal: As the FY 2004-05 budget cuts demonstrate, the "No new taxes" pledge made by some elected officials has been very expensive for Minnesota's low-income families. That trend continues in the Governor's FY 2006-07 budget proposal, which does very little to alleviate the economic hardship low-income families are suffering as a result of the last round of budget cuts. Instead, the Governor's budget increases the burdens on working, but still struggling, Minnesotans.

Governor Pawlenty has expressed a commitment to ending homelessness in Minnesota. Success requires three elements: creating and maintaining housing stock, providing assistance to operate the housing, and offering supportive services to keep people stable in their housing. The Governor's budget did include additional funding for some supportive services. However, in order to fund these services, he proposed significant cuts to housing programs that increase homeownership for underserved populations and preserve existing affordable housing.

In health care, Governor Pawlenty's budget creates additional burdens for low-income working families and individuals trying to achieve economic self-sufficiency. Adults without children and certain parents with children will be cut off of MinnesotaCare – a premium-based health care insurance program designed to support working families who don't have access to affordable health insurance through their employers. The Minnesota Department of Human Services (DHS) estimates that nearly 46,000 Minnesotans would lose their health care coverage through MinnesotaCare under the Governor's proposal, with only a portion of these people qualifying for alternative health care programs.

The Pawlenty budget also continues significant reductions in child care assistance. The decision to maintain the freeze in the maximum reimbursement rate to child care providers means that families will continue to lose access to affordable child care, or must make up the difference

[2] The number and nature of all of the changes made in the 2003 Legislative Session are too extensive to cover here. However, additional analysis is available from the Minnesota Budget Project and the Minnesota Council of Nonprofits, including: *Impact of the Final FY 2004-05 Budget* (www.mncn.org/doc/fy200405.pdf), *Consequences: The Impact of Minnesota's Government Budget Cuts* (www.mncn.org/bp/consequences.pdf), *"Do Nothing" Session Mixed Blessing for Health and Human Services* (www.mncn.org/bp/2004hhs.pdf), *On the Edge: Communities Lose as Nonprofit Sector Struggles* (www.mncn.org/doc/ontheedge.pdf), and *Nonprofit Workforce Hurt by Government Cuts, Slow Economic Recovery* (www.mncn.org/doc/marchlayoffreport.pdf).

between the reimbursement rates and actual costs from their own pockets. DHS acknowledges that during the current biennium, a number of MFIP families stopped using child care assistance, even though there was no reduction in the work participation rate. DHS is not sure what other arrangements have been made for these children while their parents are at work, but is banking on the expectation that an additional 700 eligible families will stop using child care assistance in the next biennium.

At the same time as families are facing more challenges in meeting their needs for health care, child care, and housing, the costs for higher education are also increasing. Students attending both private and public colleges and universities have been experiencing rising tuition costs, while their student aid declined or was cut completely. As a result of changes at the federal level, thousands more students in Minnesota will lose eligibility for state grants in the next biennium, and many more are likely to see reductions in their aid.

The Governor has repeatedly rejected any broad-based tax increases as part of a budget plan. However, the Governor's proposal does save the state $30.4 million for the biennium by cutting the Renters' Credit, an important source of tax relief and housing assistance for low- and moderate-income households. Under the Governor's plan, over 12,600 households would lose this credit, and the average credit would be reduced by $89.

Unfortunately, the Governor's proposal remains silent on many other budget reductions made in the 2003 Legislative Session that have had unintended negative consequences. Some of these "missing budget pages" might arguably include reversing the reductions in MFIP families' cash grants, eliminating caps on some health care coverage, and reducing or eliminating copays.

Evaluating the House FY 2006-07 Budget Proposal: The House proposal includes two options. "Plan A" is the House base budget proposal without raising any revenue through gambling. "Plan B" includes some additional spending in a few areas, but is contingent on the House passing a gambling bill that would raise approximately $200 million for the FY 2006-07 biennium. Without the money raised by the gambling proposal in "Plan B," the House plan lacks any significant state revenue increases. This document focuses on the "Plan A" proposal, but refers to "Plan B" options where applicable.

Because the state is facing a deficit for FY 2006-07 and the House has so far failed to approve a gambling bill, the House proposal uses mostly spending reductions and some budgeting gimmicks to balance the budget for the next biennium. The House adopts many of the Governor's provisions that undermine the progress of Minnesotans working from poverty to self-sufficiency, on some issues recommending even more damaging reductions.

The House proposal adopts the Governor's recommendation to cut adults without children and certain parents with children off of MinnesotaCare – a premium-based health care insurance program for working families who don't have access to health care through their employer. However, under the House proposal, more parents would lose access to health care coverage and adults without children would need to fall further into poverty in order to become eligible for an alternative health program.[3] Unlike the Governor, the House would also add copayments and increase the premiums for the working families on MinnesotaCare.

Low- and moderate-income families will also find it more difficult to provide a safe and positive environment for their children while they are at work. As with the Governor's budget, the House would continue the freeze on child care provider reimbursement rates and caps the number of absent days the state will reimburse. The rate freeze will reduce access to quality child care for families unable to afford to pay the difference between the state's frozen reimbursement rate (which is based on a 2001 rate survey) and the provider's actual rate.

[3] Under "Plan B," the House would adopt the Governor's position on reducing access to health care, but would not include the more restrictive provisions.

Ending homeless is a stated priority of the Governor, and the House proposal shares many of the Governor's investments in supportive housing services. However, the House also adopts many of the Governor's significant reductions to other housing programs designed to increase homeownership for underserved populations and preserve existing affordable housing.[4]

Access to education is one more important support for individuals trying to improve their lives. The House proposal increases funding for adult education programs like Community Education and Adult Basic Education. For those seeking to expand their job opportunities through higher education, the House funds some targeted initiatives, but only slightly increases overall funding for the University of Minnesota, while decreasing overall funding for the Minnesota State College and Universities (MnSCU). The House also restructures the state grant program to increase financial aid for students enrolled in four-year programs.

The Governor's proposal was silent on many of the 2003 budget reductions that increased the barriers confronting families working their way out of poverty. Unfortunately, the House proposal increases the financial burdens facing these Minnesotans. Families on the Minnesota Family Investment Program (MFIP) who live in federally subsidized housing now face a $200 per month reduction in their cash grant, up from the current $50 per month.

The House has avoided making broad-based tax increases a part of its budget plan. One of the largest sources of revenue in the omnibus tax bill is a dramatic reduction in the Renters' Credit. The House would cut the Renters' Credit by 44%, or $66.4 million in FY 2007, impacting 275,000 low- and moderate-income households.

Evaluating the Senate FY 2006-07 Budget Proposal: The Senate budget proposal presents a very different set of options for Minnesotans. Because the Senate includes a significant revenue-raising plan, their budget is able to resolve the state's budget deficit without dramatic cuts to work supports and reverses some of the more damaging decisions made in the 2003 Legislative Session.

The Senate proposal increases access to health care for adults without children by raising eligibility levels in MinnesotaCare and repealing the $5,000 benefit cap. Families and individuals on the state's public health programs would also benefit from the elimination of copayments and the repeal of the $500 cap on dental benefits. The Senate plan would also expand MinnesotaCare to include small businesses meeting certain criteria.

Access to quality child care would also improve under the Senate proposal. The Senate would lift the freeze on provider reimbursement rates, increase eligibility for families, and decrease family copayments. The Senate does not include the same investments in supportive housing as the Governor and House, but instead keeps funding for other affordable housing programs intact.

The Senate also puts more emphasis on improving educational opportunities for adults. The Senate proposal would increase funding for adult education programs like Community Education and Adult Basic Education. In addition, under the Senate plan, MnSCU and the University of Minnesota would keep their ongoing enrollment adjustments as well as some of the targeted initiatives recommended by the Governor and House. The Senate would also make it easier for individuals on the Minnesota Family Investment Program (MFIP) to access post-secondary education by decreasing the work requirements.

The Senate proposal also makes some other significant changes for families on MFIP. The Senate repeals the financial penalties for families living in federally subsidized housing (the "housing penalty") and those with a disabled family member (the "SSI penalty"). The Senate also creates a new MFIP program, called Work PREP, to provide specialized assistance to households with significant barriers to employment.

---

[4] Under "Plan A," the House reduces funding to the Economic Development & Housing Challenge Fund by $6.5 million instead of the Governor's $13 million reduction. Under "Plan B," the House would not make any reductions in funding to this program.

Summary of the FY 2006-07 Budget Proposals: Impact on Working Families & Individuals

GF – General Fund, HCAF – Health Care Access Funds, TANF – Temporary Assistance for Needy Families, CCDF – Child Care Development Fund, WKDF – Workforce Development Fund, SR – Special Revenue Fund

	Change from Base ($ are in thousands)			
	Fund	**Governor FY2006-07**	**House FY2006-07**	**Senate FY 2006-07**
Health Care – TOTAL	**GF**	**$98,012**	**$90,986**	**$23,620**
	HCAF	**-$174,153**	**-$187,152**	**$97,090**
MinnesotaCare/General Assistance Medical Care	GF	$98,012[1]	$90,986[1]	$0
	HCAF	-$174,153	-$182,392	$9,499
MinnesotaCare Copayments Added	GF	$0	$0	$0
	HCAF	$0	-$922	$0
MinnesotaCare Premium Increase	GF	$0	$0	$0
	HCAF	$0	-$3,838	$0
Repeal MinnesotaCare Limited Benefit Set	GF	$0	$0	$0
	HCAF	$0	$0	$66,227
MinnesotaCare Small Business Option	GF	$0	$0	$0
	HCAF	$0	$0	$21,327
Repeal $500 Dental Cap From MA, GAMC & MnCare	GF	$0	$0	$2,237
	HCAF	$0	$0	$37
Eliminate Co-pays for MA and GAMC	GF	$0	$0	$21,383
	HCAF	$0	$0	$0
Child Care – TOTAL	**GF**	**-$68,189**	**-$69,698**	**$0**
	CCDF	**$0**	**$0**	**$15,119**
MFIP/TY Child Care Assistance	GF	-$52,557	-$53,416	$0
	CCDF	$0	$0	$1,847
Basic Sliding Fee Child Care Assistance	GF	-$15,632	-$16,282	$0
	CCDF	$0	$0	$13,272
Housing – TOTAL	**GF**	**-$4,900**	**-$1,500**	**$400**
Economic Development & Housing Challenge Fund	GF	-$13,000	-$6,500	$0
Affordable Rental Investment Fund – Preservation	GF	-$1,484	-$1,484	$0
Rehabilitation Loan Program	GF	-$2,636	-$2,636	$0
Homeowner Assistance Fund	GF	-$1,770	-$1,770	$0
Nonprofit Capacity Building Program	GF	-$110	-$110	$0
Housing Trust Fund	GF	$4,000	$4,000	$0
Supportive Housing Service Grants	GF	$10,000	$10,000	$0
Homelessness Pilot Project	GF	$0	$0	$400
Educational Opportunities – TOTAL	**GF**	**$8,702**	**-$14,100**	**$47,711**
Community Education	GF	$0	$648	$1,915
Adult Basic Education	GF	$252	$252	$3,411
State Grant Program	GF	$0	$0	$0
Minnesota State Colleges ad Universities	GF	-$23,300	-$28,525	-$5,240
University of Minnesota	GF	$31,750	$13,525	$47,625
Welfare-to-Work – TOTAL	**TANF**	**$0**	**-$17,767**	**$32,739**
Repeal SSI Penalty	TANF	$0	$0	$20,278
Housing Penalty	TANF	$0	-$17,767	$6,441
MFIP Work Participation Rate Enhancement	TANF	$0	$0	$5,641
Reduce Work Hours for MFIP Participants	TANF	$0	$0	$379
Other Programs – TOTAL	**WKDF**	**-$1,500**	**-$1,500**	**-$1,500**
	SR	**-$400**	**-$400**	**$1,491**
	GF	**-$30,400**	**-$66,400**	**$0**
Displaced Homemaker Program	WKDF	-$1,500	-$1,500	-$1,500
	SR	-$400	-$400	$1,491
Renters' Credit	GF	-$30,400	-$66,400	$0

Note: These budget changes are all described in further detail in the following pages.

[1] The Governor and House proposals show increased General Fund spending for this item because they allow some adults without children who would lose eligibility for MinnesotaCare to qualify for General Assistance Medical Care (GAMC), another state health care program currently funded out of the General Fund. However, under both proposals, GAMC would be moved from the General Fund to the Health Care Access Fund. This change is not reflected in the table.

A brief guide to using this document:

Each budget change item listed below includes a brief summary of the program, information about any changes made by the 2003 Legislature, a description of the Governor's proposal and Senate proposal for that program, and the financial details of the proposed change. Because many programs refer to Federal Poverty Guidelines (FPG) in setting eligibility, a reference table is provided below. The information in this document comes from the Governor's 2006-07 Biennial Budget materials, House and Senate analysis documents, information presented at House and Senate Committee Hearings, and details provided by affected nonprofit organizations and advocates.

- **"Committee"** – refers to the House or Senate committee that has primary responsibility for the program.
- **"Fund"** – refers to whether the change impacts the General Fund (GF) or another fund, such as the Health Care Access Fund (HCAF), Temporary Assistance for Needy Families (TANF), Workforce Development Fund (WKDF), or Special Revenue (SR).
- **"Base"** – refers to the current law level of funding for the program (if no changes were made).
- **"Governor"/"House"/"Senate"/"Final"** – represent the amount of the proposed change from base – negative numbers indicate a reduction in the program, positive numbers indicate increased funding.

2005 Federal Poverty Guidelines (FPG) [5]

Family Size	50%	75%	100%	150%	175%	190%	250%	275%
1	$4,785	$7,178	$9,570	$14,355	$16,748	$18,183	$23,925	$26,318
2	$6,415	$9,623	$12,830	$19,245	$22,453	$24,377	$32,075	$35,283
3	$8,045	$12,068	$16,090	$24,135	$28,158	$30,571	$40,225	$44,248
4	$9,675	$14,513	$19,350	$29,025	$33,863	$36,765	$48,375	$53,213
5	$11,305	$16,958	$22,610	$33,915	$39,568	$42,959	$56,525	$62,178
6	$12,935	$19,403	$25,870	$38,805	$45,273	$49,153	$64,675	$71,143
7	$14,565	$21,848	$29,130	$43,695	$50,978	$55,347	$72,825	$80,108
8	$16,195	$24,293	$32,390	$48,585	$56,683	$61,541	$80,975	$89,073

[5] Developed in the mid-1960s, the poverty line assumes a poor family can live on an income three times the estimated cost of a basic food budget. The food budget the government used to calculate the initial poverty line was the cheapest plan provided by the Department of Agriculture, one "designed for temporary or emergency use when funds are low." Over thirty years later, the Department of Health and Human Services still uses the same formula to calculate poverty guidelines, even though food now accounts for only about one-seventh, rather than one-third, of a typical household budget. Poverty guidelines are updated each year for inflation, yet they fail to account for the rising costs of housing and health care, as well as the increased use of child care. As an alternative to using the federal poverty line, the JOBS NOW Coalition prepares family budget figures based on a "no frills" standard of living in Minnesota. They find that the minimum basic family budget for a two parent family of four is nearly two and a half times the federal poverty line for that family size. JOBS NOW Coalition, *The Cost of Living in Minnesota,* www.jobsnowcoalition.org.

Impact on Working Families and Individuals – Health Care

Reduced Eligibility for Public Health Care Programs

MinnesotaCare/General Assistance Medical Care (Dept. of Human Services)

Program Summary: MinnesotaCare (MnCare) is a premium-based subsidized health care program that covers pregnant women and parents/caretakers of children with gross income no greater than 275% of Federal Poverty Guidelines (FPG) and adults without children with gross income no greater than 175% FPG. The asset test is $10,000 for a single individual and $20,000 for a household of two or more (there is no asset test for pregnant women). **General Assistance Medical Care (GAMC)** covers adults without children with gross income up to 75% FPG and assets under $1,000. **GAMC-Hospital Only (GHO)** covers adults without children who are hospitalized with gross income between 75% and 175% FPG. GHO has an asset limit of $10,000 for individuals and $20,000 for couples.

Governor's Budget: The Governor proposes the following changes to MnCare and GAMC:

- **Reduces eligibility for adult parents and caretakers on MnCare from 275% FGP to 190% FPG.** Eligibility for pregnant women would be maintained at the current level. The Department of Human Services (DHS) estimates that 8,212 parents would have their health insurance cancelled in the FY 2006-07 biennium and that number would rise to 9,049 in the FY 2008-09 biennium.
- **Eliminates eligibility for adults without children on MnCare, regardless of income level.** DHS estimates that 37,698 adults without children would lose MnCare coverage in FY 2006-07. Some of these adults without children with incomes below 75% FPG would be eligible for GAMC – an estimated 14,118 in FY 2006-07. Adults without children above 75% FPG would be given the opportunity to "spend down" into poverty in order to qualify for GAMC (see next bullet). In the end, DHS estimates net enrollment changes of 18,576 adults without children losing health care coverage in FY 2006-07 as a result of this change.
- **Restores the spend-down in GAMC.** This would enable some adults without children over 75% FPG to reduce their income and become eligible for GAMC. In order to qualify, adults with incomes over 75% FPG would need to reduce their assets to no greater than $1,000 and they must incur medical expenses equal to the difference between their income and 75% FPG (for a family of one, 75% FPG is a gross income of $582 per month or less).
- **Eliminates GAMC-Hospital Only.** Adults without children will need to take advantage of the "spend-down" and decrease assets to no greater than $1,000 and have an income of 75% FPG to qualify for full GAMC benefits.

House Proposal: The House adopts all of the Governor's proposed changes to MnCare and GAMC eligibility with some additional reductions. First, the House would reduce eligibility for MnCare for adult parents and caretakers from 275% FPG to 175% FPG (the Governor reduces it to 190% FPG). Second, adults without children seeking to "spend down" to qualify for GAMC would need to reduce their income to 50% FPG (the Governor sets the spend-down level at 75% FPG).

Senate Proposal: The Senate does not adopt the Governor's recommendations to reduce or eliminate eligibility for individuals on MnCare. Instead, the Senate would increase eligibility for adults without children on MnCare from the current 175% FPG to 190% FPG.

Note: The increase in General Fund spending in the table below reflects the fact that GAMC is funded through the General Fund, whereas MnCare is funded through the Health Care Access Fund (HCAF). Therefore, because the Governor and House proposals shift some adults without children from MnCare to GAMC, the HCAF shows a savings and the General Fund shows increased expenses. However, the Governor and House also shift the entire GAMC program into the HCAF, which means the General Fund will end up with a significant savings.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base							
	Governor	GF	$49,333	$48,679	$98,012	$52,029	$57,391	$109,420
	Governor	HCAF	-$84,708	-$89,445	-$174,153	-$84,431	-$90,972	-$175,403
Health	House	GF	$46,271	$44,715	$90,986	$48,180	$53,703	$101,883
Health	House	HCAF	-$86,899	-$95,493	-$182,392	-$91,079	-$98,544	-$189,623
Health & HS	Senate	GF	$0	$0	$0	$0	$0	$0
Health & HS	Senate	HCAF	$469	$9,030	$9,499	$11,019	$12,163	$23,182
	FINAL							

Copayments Added

MinnesotaCare Copayments Added (Dept. of Human Services)

Program Summary: MinnesotaCare (MnCare) is a premium-based subsidized health care program that covers pregnant women and parents/caretakers of children with gross income no greater than 275% of Federal Poverty Guidelines (FPG) and adults without children with gross income no greater than 175% FPG. The asset test is $10,000 for a single individual and $20,000 for a household of two or more (there is no asset test for pregnant women). Currently, participants in this program must pay a monthly premium, but there are no copayments.
2003 Changes: In 2003, the Legislature approved new copayments for persons enrolled in Medical Assistance (MA) and General Assistance Medical Care (GAMC). The final bill did not add copayments for MnCare participants, but did increase monthly premiums.
Governor's Budget: The Governor does not recommend any copayments in this program.
House Proposal: The House proposal proposes copayments of $3 for non-preventative office visits and $6 for non-emergency visits to a hospital-based emergency room, characterizing this as fixing an "oversight" from the 2003 Legislative Session.
Senate Proposal: The Senate proposal does not recommend any copayments in this program.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base							
	Governor	HCAF	$0	$0	$0	$0	$0	$0
Health	House	HCAF	-$289	-$633	-$922	-$624	-$702	-$1,326
Health & HS	Senate	HCAF	$0	$0	$0	$0	$0	$0
	FINAL							

Premiums Increased

MinnesotaCare Premium Increase (Dept. of Human Services)

Program Summary: MinnesotaCare (MnCare) is a premium-based subsidized health care program that covers pregnant women and parents/caretakers of children with gross income no greater than 275% of Federal Poverty Guidelines (FPG) and adults without children with gross income no greater than 175% FPG. The asset test is $10,000 for a single individual and $20,000 for a household of two or more (there is no asset test for pregnant women).
2003 Changes: In 2003, the Legislature approved an increase in MnCare premiums.
Governor's Budget: The Governor does not recommend any increases in MnCare premiums.
House Proposal: The House proposal would increase premiums by $1 per month for children at or below 150% FPG and 10% for all other program participants.
Senate Proposal: The Senate does not recommend any increases in MnCare premiums.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base							
	Governor	HCAF	$0	$0	$0	$0	$0	$0
Health	House	HCAF	-$2,013	-$1,825	-$3,838	-$1,750	-$1,750	-$3,500
Health & HS	Senate	HCAF	$0	$0	$0	$0	$0	$0
	FINAL							

Benefit Cap Eliminated

Repeal MinnesotaCare Limited Benefit Set (Dept. of Human Services)

Program Summary: MinnesotaCare (MnCare) is a premium-based subsidized health care program that covers pregnant women and parents/caretakers of children with gross income no greater than 275% of Federal Poverty Guidelines (FPG) and adults without children with gross income no greater than 175% FPG. The asset test is $10,000 for a single individual and $20,000 for a household of two or more (there is no asset test for pregnant women).
2003 Changes: The 2003 Legislature capped outpatient benefits for adults without children on MnCare at $5,000 per calendar year and eliminated services such as physical therapy, opthamological care, and psychological treatment.
Governor's Budget: The Governor's proposal would eliminate MnCare eligibility for adults without children, making this cap irrelevant.
House Proposal: The House proposal would eliminate MnCare eligibility for adults without children, making this cap irrelevant.
Senate Proposal: The Senate would repeal the $5,000 cap on MnCare benefits for adults without children and expand the benefit set. Since MnCare is funded out of the Health Care Access Fund, this proposal has no impact on General Fund spending.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base							
	Governor	HCAF	$0	$0	**$0**	$0	$0	**$0**
Health	House	HCAF	$0	$0	**$0**	$0	$0	**$0**
Health & HS	Senate	HCAF	$30,077	$36,150	**$66,227**	$58,172	$71,308	**$129,480**
	FINAL							

Health Care Expanded

MinnesotaCare Small Business Option (Dept. of Human Services)

Program Summary: MinnesotaCare (MnCare) is a premium-based subsidized health care program that covers pregnant women and parents/caretakers of children with gross income no greater than 275% of Federal Poverty Guidelines (FPG) and adults without children with gross income no greater than 175% FPG. The asset test is $10,000 for a single individual and $20,000 for a household of two or more (there is no asset test for pregnant women).
Governor's Budget: The Governor does not expand access to MnCare.
House Proposal: The House proposal does not expand access to MnCare.
Senate Proposal: The Senate proposal would allow small business who have not offered health care insurance to their employees in the last twelve months and who meet certain other conditions to offer MnCare to their eligible employees.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base							
	Governor	HCAF	$0	$0	**$0**	$0	$0	**$0**
Health	House	HCAF	$0	$0	**$0**	$0	$0	**$0**
Health & HS	Senate	HCAF	$2,950	$7,015	**$9,965**	$10,128	$11,199	**$21,327**
	FINAL							

Cap Repealed

Repeal $500 Dental Cap From MA, GAMC, & MnCare (Dept. of Human Services)

2003 Changes: In 2003, the Legislature limited Medical Assistance (MA), General Assistance Medical Care (GAMC), and MinnesotaCare (MnCare) coverage of dental services for adults over age 21 who are not pregnant to diagnostic and preventative services, basic restorative services, and emergency services, subject to a $500 annual benefit limit.
Governor's Budget: The Governor's proposal leaves the $500 cap in place.
House Proposal: The House proposal leaves the $500 cap in place.
Senate Proposal: The Senate would repeal the $500 cap on dental benefits for adults on MA, GAMC, and MnCare.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base							
	Governor	GF/HCAF	$0	$0	**$0**	$0	$0	**$0**
Health	House	GF/HCAF	$0	$0	**$0**	$0	$0	**$0**
Health & HS	Senate	GF	$819	$1,418	**$2,237**	$1,563	$1,687	**$3,250**
Health & HS	Senate	HCAF	$16	$21	**$37**	$20	$22	**$42**
	FINAL							

Copayments Eliminated

Eliminate Copays for MA and GAMC (Dept. of Human Services)

Program Summary: Medical Assistance (MA) is Minnesota's Medicaid program for children, parents or relative caretakers of dependent children, pregnant women, people who are 65 or older, and people who have a disability. General Assistance Medical Care (GAMC) covers low-income adults without children with gross income up to 75% of the Federal Poverty Guidelines (FPG) and assets under $1,000.

2003 Changes: In 2003, the Legislature approved new copayments for persons enrolled in Medical Assistance (MA) and General Assistance Medical Care (GAMC). Starting in 2003, adults age 21 and over have been charged the following copayments, with certain exemptions: $3 for non-preventative office visits, $3 for eyeglasses, $6 for non-emergency visits to an emergency room, $1 for generic drugs, and $3 for brand-name drugs.

Governor's Budget: The Governor's proposal leaves these copayments in place.

House Proposal: The House proposal leaves these copayments in place.

Senate Proposal: The Senate would eliminate copayments in the MA and GAMC programs.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base							
	Governor	GF	$0	$0	**$0**	$0	$0	**$0**
Health	House	GF	$0	$0	**$0**	$0	$0	**$0**
Health & HS	Senate	GF	$5,965	$15,418	**$21,383**	$17,531	$18,969	**$36,500**
	FINAL							

Impact on Working Families and Individuals – Child Care

Child Care Rates Frozen

MFIP/TY Child Care Assistance Provider Rates (Dept. of Human Services)

Program Summary: This program helps pay the child care costs of low- and moderate-income families who are participating in the Minnesota Family Investment Program (MFIP) or Transitional Year (TY) assistance. The program charges a sliding fee scale based on family income for child care while parents are engaged in authorized work, education, and job search activities.

2003 Changes: In 2003, the state made a number of changes to this program – including increasing parental copays and freezing provider rates at the FY 2003 level – which resulted in a 20% reduction in General Fund spending for MFIP/TY Child Care Assistance. During the current biennium, a number of MFIP families have stopped using child care assistance even though work participation rates have not dropped. The Department of Human Services (DHS) is not sure what other arrangements have been made for these children while their parents continue to work. DHS expects that an additional 700 eligible families will stop using child care assistance in the 2006-07 biennium. One likely cause for this decline in usage is that parents are unable to afford to pay both the standard copay *and* the "premium" – the difference between the state's maximum reimbursement rate and the actual rate the child care provider is charging.

Governor's Budget: The Governor's proposal would continue to freeze the provider rates at the FY 2003 level through FY 2007 and afterwards would contain costs in the program by increasing maximum provider rates by the Consumer Price Index starting from the FY 2003 reimbursement levels. Previously, maximum rates were based on a statewide survey of actual provider rates. The proposal would also adjust the child care center rates in some counties that were negatively impacted by the use of regional or statewide rates by using the greater of the current rate or the highest rate reported for that county in the 2002 rate survey.

House Proposal: The House follows the Governor's proposal to continue to freeze the provider rates at the FY 2003 level through FY 2007. The House also includes a plan to limit the number of absent days for which a provider may be reimbursed to 25 per child per fiscal year unless the child has a documented medical condition. The House plan would substitute $48.5 million in federal Temporary Assistance for Needy Families (TANF) funds for General Fund dollars for the FY 2006-07 biennium.

Senate Proposal: The Senate would allow the freeze on provider rates to be lifted. The Senate would also use TANF funds to increase income eligibility for transition year child care assistance and decrease family copayments for MFIP/TY child care.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$81,635	$91,365	**$173,000**	$98,610	$103,234	**$201,844**
	Governor	GF	-$22,289	-$30,268	**-$52,557**	-$31,348	-$32,039	**-$63,387**
	Governor	TANF	$0	$0	**$0**	$0	$0	**$0**
Jobs & Eco Opp	House	GF	-$22,519	-$30,897	**-$53,416**	-$32,016	-$32,731	**-$64,747**
Jobs & Eco Opp	House	TANF	$0	$0	**$0**	$0	$0	**$0**
Health & HS	Senate	GF	$0	$0	**$0**	$0	$0	**$0**
Health & HS	Senate	TANF	$756	$1,091	**$1,847**	$1,105	$1,127	**$2,232**
	FINAL							

Child Care Rates Frozen

Basic Sliding Fee Child Care Assistance Provider Rates (Dept. of Human Services)

Program Summary: Basic Sliding Fee (BSF) helps low- and moderate-income families who are not participating in the Minnesota Family Investment Program (MFIP) with the costs of child care. The program charges a sliding fee scale based on family income for families who are engaged in authorized work, education, and job search activities. Currently, families with incomes below 175% of the federal poverty guidelines (FPG) and children under age 13 are eligible to enter the program, and lose eligibility when their income exceeds 250% FPG.

2003 Changes: The 2003 Legislature reduced General Fund spending for BSF by 50% for the FY 2004-05 biennium. The savings was achieved through a number of changes, including increasing copays for families, reducing eligibility levels, and freezing provider rates. The maximum rates for child care providers for the FY 2004-05 biennium were frozen at the 2003 level, which were determined by a 2001 statewide survey of actual child care rates. When these rates were initially set, approximately 80% of child care centers and family child care providers were at or below the state's maximum reimbursement rate. Due to the rate freeze, by 2004 only 57% of centers and 68% of family child care providers were still at or below the maximum rate. Families still can use these child care providers, but they must pay the difference between the state maximum rate and the provider's actual rate, in addition to their copayment.

Governor's Budget: The Governor's proposal would continue to freeze rates paid to providers at the FY 2003 level through FY 2007. Beginning in FY 2008, the Governor would contain costs in the program by increasing maximum provider rates by the Consumer Price Index starting from the FY 2003 reimbursement levels. Previously, maximum rates were based on a statewide survey of actual provider rates. The proposal would also adjust the child care center rates in some counties that were negatively impacted by the use of regional or statewide rates by using the greater of the current rate or the highest rate reported for that county in a 2002 rate survey.

House Proposal: The House follows the Governor's proposal to continue to freeze the provider rates at the FY 2003 level through FY 2007. The House also includes a plan to limit the number of absent days for which a provider may be reimbursed to 25 per child per fiscal year unless the child has a documented medical condition.

Senate Proposal: The Senate would not continue the freeze on provider rates. The Senate also uses $18.3 million in federal child care funds (CCDF) that were not spent in the FY 2004-05 biennium to: 1) expand the eligibility for entrance into the program from families with incomes below 175% FPG to 200% FPG, and 2) decrease copayments.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$30,262	$30,262	**$60,524**	$30,262	$30,262	**$60,524**
	Governor	GF	-$10,041	-$5,591	**-$15,632**	-$3,361	-$1,006	**-$4,367**
	Governor	CCDF	$0	$0	**$0**	$0	$0	**$0**
Jobs & Eco Opp	House	GF	-$10,216	-$6,066	**-$16,282**	-$3,850	-$1,510	**-$5,360**
Jobs & Eco Opp	House	CCDF	$0	$0	**$0**	$0	$0	**$0**
Early Childhood	Senate	GF	$0	$0	**$0**	$7,109	$7,109	**$14,218**
Early Childhood	Senate	CCDF	$4,695	$8,577	**$13,272**	$2,381	$2,381	**$4,762**
	FINAL							

Impact on Working Families and Individuals – Housing

Funding Reduced

Economic Development & Housing Challenge Fund (Minnesota Housing Finance Agency)

Program Summary: This program funds the construction and rehab of rental housing as well as homeownership opportunities for low- and moderate-income working Minnesotans. The annual median household income of people served by the Challenge Fund is $28,974. At current funding levels, there are five requests for funding for every project that gets funded.
Governor's Budget: The Governor proposes to consolidate the Challenge Fund with the Tribal Indian Housing and Urban Indian programs. He then reduces base funding for these consolidated programs by nearly 60% for the FY 2006-07 biennium. In FY 2004, Challenge program funds were awarded to 50 separate housing projects. As a result of the proposed reduction, approximately half as many workforce housing projects would be assisted in the FY 2006-07 biennium.
House Proposal: Under Plan A, the House would reduce funding for these consolidated programs only in the second year of the FY 2006-07 biennium. Under Plan B, the House would not make any reductions in funding.
Senate Proposal: The Senate would not consolidate the three programs and would maintain current law funding.

			Change from Base ($ are in thousands)					
Committee	Proposal	Fund	FY06	FY07	Biennium Total	FY08	FY09	Biennium Total
	Base	GF	$10,907	$10,907	$21,814	$10,907	$10,907	$21,814
	Governor	GF	-$6,500	-$6,500	-$13,000	$0	$0	$0
Jobs & Eco Opp	House - A	GF	$0	-$6,500	-$6,500	$0	$0	$0
Jobs & Eco Opp	House - B	GF	$0	$0	$0	$0	$0	$0
Ag, Env & ED	Senate	GF	$0	$0	$0	$0	$0	$0
	FINAL							

Funding Reduced

Affordable Rental Investment Fund - Preservation (Minnesota Housing Finance Agency)

Program Summary: The Affordable Rental Investment Fund – Preservation (PARIF) is critical in the movement to preserve existing affordable rental housing that is at risk of being lost as a resource to the state. The rental housing being preserved serves the very lowest income households and the elderly; the annual median household income of people served by the PARIF program is $8,320. This program also leverages considerable federal funds, securing, on average, $5 of future federal expenditures for every $1 of PARIF funds.
Governor's Budget: The Governor proposes to cut base funding for this program by 8%. This reduction could result the in loss of as many as 150 affordable units of federally assisted housing or supportive housing.
House Proposal: The House adopts the Governor's position.
Senate Proposal: The Senate would maintain current law funding for this program.

			Change from Base ($ are in thousands)					
Committee	Proposal	Fund	FY06	FY07	Biennium Total	FY08	FY09	Biennium Total
	Base	GF	$9,273	$9,273	$18,546	$9,273	$9,273	$18,546
	Governor	GF	-$742	-$742	-$1,484	-$742	-$742	-$1,484
Jobs & Eco Opp	House	GF	-$742	-$742	-$1,484	-$742	-$742	-$1,484
Ag, Env & ED	Senate	GF	$0	$0	$0	$0	$0	$0
	FINAL							

Funding Reduced

Rehabilitation Loan Program (Minnesota Housing Finance Agency)

Program Summary: This program provides deferred loans for low-income households to make needed repairs to their homes. The annual median household income of people served by this program is $11,592.
2003 Changes: Base funding for this program was reduced by 5.7% in the 2003 Legislative Session.
Governor's Budget: The Governor proposes to reduce base funding for this program by 33%. The agency estimates this reduction would mean that 132 fewer households would be able to access these loans that keep people in their homes and assist with preserving existing housing stock.
House Proposal: The House adopts the Governor's position.
Senate Proposal: The Senate would maintain current law funding.

			Change from Base ($ are in thousands)					
Committee	Proposal	Fund	FY06	FY07	Biennium Total	FY08	FY09	Biennium Total
	Base	GF	$3,972	$3,972	$7,944	$3,972	$3,972	$7,944
	Governor	GF	-$1,318	-$1,318	-$2,636	-$1,318	-$1,318	-$2,636
Jobs & Eco Opp	House	GF	-$1,318	-$1,318	-$2,636	-$1,318	-$1,318	-$2,636
Ag, Env & ED	Senate	GF	$0	$0	$0	$0	$0	$0
	FINAL							

Funding Suspended

Homeowner Assistance Fund (Minnesota Housing Finance Agency)

Program Summary: The Homeowner Assistance Fund (HAF) helps first-time homebuyers with downpayment assistance and entry costs. This program is a primary resource for the agency's efforts to increase homeownership in underserved communities. The annual median household income of people served by the HAF program is $30,996.
2003 Changes: Funding for this program was temporarily suspended for the FY 2004-05 biennium, but was scheduled to return for the FY 2006-07 biennium.
Governor's Budget: The Governor once again temporarily suspends all base funding for this program for the FY 2006-07 biennium. Although the program is currently experiencing high levels of repayment that have enabled the program to sustain a normal level of activity, repayments are expected to return to lower levels over the next two years. The agency estimates that the cut for the FY 2006-07 biennium will result in 327 fewer families being helped into homeownership. Base funding would be restored in the FY 2008-09 biennium.
House Proposal: The House adopts the Governor's position.
Senate Proposal: The Senate restores funding for this program for the FY 2006-07 biennium.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$885	$885	**$1,770**	$885	$885	**$1,770**
	Governor	GF	-$885	-$885	**-$1,770**	$0	$0	**$0**
Jobs & Eco Opp	House	GF	-$885	-$885	**-$1,770**	$0	$0	**$0**
Ag, Env & ED	Senate	GF	$0	$0	**$0**	$0	$0	**$0**
	FINAL							

Funding Reduced

Nonprofit Capacity Building Program (Minnesota Housing Finance Agency)

Program Summary: This program provides important support, training resources, and funding for networking across the state among affordable housing nonprofits. Nonprofits facilitate a majority of the affordable housing development and rehab across the state.
2003 Changes: Base funding for this program was reduced by 8.5% in the 2003 Legislative Session.
Governor's Budget: The Governor proposes to cut base funding for this program by 18%. Some of the activities of this program are necessary in order to draw down federal funds to support housing and services for the homeless. Activities that leverage other resources will be prioritized for the remaining funding.
House Proposal: The House adopts the Governor's position.
Senate Proposal: The Senate would maintain current law funding.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$305	$305	**$610**	$305	$305	**$610**
	Governor	GF	-$55	-$55	**-$110**	-$55	-$55	**-$110**
Jobs & Eco Opp	House	GF	-$55	-$55	**-$110**	-$55	-$55	**-$110**
Ag, Env & ED	Senate	GF	$0	$0	**$0**	$0	$0	**$0**
	FINAL							

Funding Increased

Housing Trust Fund (Minnesota Housing Finance Agency)

Program Summary: The Housing Trust Fund (HTF) provides 0% interest deferred loans for the financing of affordable permanent and supportive rental housing and limited equity cooperative housing for very low-income households. It also provides grants and loans for the costs of operating rental housing that are unique to the operation of low-income rental housing and for rental assistance.
2003 Changes: Base funding for the HTF was reduced by 5% in the 2003 Legislative Session.
Governor's Budget: As part of his *Business Plan to End Long-Term Homelessness*, the Governor proposes to increase the HTF by $4 million for the FY 2006-07 biennium to assist with the capital costs and operating costs of supportive housing units for families and individuals experiencing long-term homelessness. The increased funding results from a reallocation of state appropriations from other housing programs.
House Proposal: The House adopts the Governor's position.
Senate Proposal: The Senate would maintain current law funding for the HTF, but sets aside $1.4 million of the base for the FY 2006-07 biennium for housing people with mental illness being released from corrections facilities.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$4,305	$4,305	**$8,610**	$4,305	$4,305	**$8,610**
	Governor	GF	$2,000	$2,000	**$4,000**	$4,000	$4,000	**$8,000**
Jobs & Eco Opp	House	GF	$2,000	$2,000	**$4,000**	$4,000	$4,000	**$8,000**
Ag, Env & ED	Senate	GF	$0	$0	**$0**	$0	$0	**$0**
	FINAL							

New Housing Program

Supportive Housing Service Grants (Dept. of Human Services)

Program Summary: Supportive housing services are intended to stabilize people in their housing in order to reduce homelessness. A portion of people who experience long-term homelessness are not eligible for existing programs, and, even for those who do qualify, mainstream programs do not provide all the necessary supports to keep this population permanently housed.
Governor's Budget: The Governor proposes creating a flexible service fund for supportive housing projects that address the needs of the long-term homeless. Regional and cooperative efforts would receive priority in order to provide seamless service delivery. Projects would need to leverage other funding as well as maximize the use of mainstream funding. The Governor cuts $15 million from other housing programs at the Minnesota Housing Finance Agency and redirects some of the money to the Dept. of Human Services to fund this program.
House Proposal: The House adopts the Governor's position.
Senate Proposal: The Senate does not include funding for this new flexible service fund.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$0	$0	**$0**	$0	$0	**$0**
	Governor	GF	$5,000	$5,000	**$10,000**	$5,000	$5,000	**$10,000**
Jobs & Eco Opp	House	GF	$5,000	$5,000	**$10,000**	$5,000	$5,000	**$10,000**
Health & HS	Senate	GF	$0	$0	**$0**	$0	$0	**$0**
	FINAL							

Pilot Program

Homelessness Pilot Project (Dept. of Public Safety)

Program Summary: This is a new pilot program which authorizes the Commissioner of Public Safety to award two-year grants for homeless outreach programs in Hennepin County, Ramsey County, and one county outside the seven-county metropolitan area. The outreach programs would coordinate with law enforcement, local government, and service providers to ensure that people who are experiencing homelessness are connected with the services and resources they need.
Governor's Budget: The Governor does not include this pilot program in his proposal.
House Proposal: Under the Plan A proposal, the House would not fund this pilot program. Under Plan B, the House would provide a one-time appropriation of $300,000 for the FY 2006-07 biennium.
Senate Proposal: The Senate proposal provides $400,000 for this pilot program for the FY 2006-07 biennium. The Senate, however, would require grant recipients within the seven-county metro to provide a 50% local funding match, while grant recipients from outside the metro would need a 25% match.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$0	$0	**$0**	$0	$0	**$0**
	Governor	GF	$0	$0	**$0**	$0	$0	**$0**
Public Safety	House – A	GF	$0	$0	**$0**	$0	$0	**$0**
Public Safety	House – B	GF	$300	$0	**$300**	$0	$0	**$0**
Public Safety	Senate	GF	$200	$200	**$400**	$0	$0	**$0**
	FINAL							

Impact on Working Families and Individuals – Educational Opportunities

Funding Increased

Community Education (Dept. of Education)

Program Summary: Community Education programs provide learning and involvement opportunities for people of all ages, including providing school district residents with the opportunity to utilize educational facilities and programs during non-school hours.
2003 Changes: In 2003, the Legislature established a limit on school district reserves for Community Education equal to 25% of annual program revenue for the prior year and reduced funding for the program.
Governor's Budget: The Governor would maintain funding for Community Education at current law levels.
House Proposal: The House proposal would increase funding for Community Education from $5.23 per capita to $6.00 in FY 2007. However, only a portion of the additional funding would come through state aid from the General Fund, the rest would be raised through local property taxes.
Senate Proposal: The Senate proposal would increase funding for Community Education by $0.20 per capita. All of the additional funding would be in the form of state aid from the General Fund to avoid increasing property taxes.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$1,918	$1,189	**$3,107**	$1,094	$1,109	**$2,203**
	Governor	GF	$0	$0	**$0**	$0	$0	**$0**
Education	House	GF	$0	$648	**$648**	$596	$604	**$1,200**
Early Childhood	Senate	GF	$871	$1,044	**$1,915**	$1,056	$1,069	**$2,125**
	FINAL							

Funding Increased

Adult Basic Education (Dept. of Education)

Program Summary: Adult Basic Education (ABE) programs are day or evening programs offered for people over 16 years old who do not attend an elementary or secondary school. The program offers academic instruction necessary to earn a high school diploma or equivalency certificate, as well as family learning, workplace skills enhancement, English as a Second Language (ESL) instruction, citizenship, and basic skills education.
2003 Changes: In response to task force recommendations in 2000, the Legislature added a statutory growth rate of 8% to accommodate increased demand for the program, particularly for ESL services for immigrants. In 2003, the 8% growth rate was eliminated, basic population aid was reduced, and districts were allowed to charge most students a sliding fee.
Governor's Budget: Under current law, ABE programs may not receive more than $21 per prior year learner contact hour. Funds for programs that exceeded the cap were returned to the General Fund (GF). The Governor would restructure funding for the ABE program so that savings resulting from these caps would remain available for ABE purposes instead of being returned to the General Fund.
House Proposal: The House adopts the Governor's position.
Senate Proposal: The Senate proposal would reallocate unspent funds to ABE programs through the funding formula. The Senate would also add an inflationary increase of 3% per year, or the percentage increase in contact hours, whichever is less.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$36,388	$36,418	**$72,806**	$36,441	$36,458	**$72,899**
	Governor	GF	$130	$122	**$252**	$92	$68	**$160**
Education	House	GF	$130	$122	**$252**	$92	$68	**$160**
Early Childhood	Senate	GF	$1,151	$2,260	**$3,411**	$3,363	$4,514	**$7,877**
	FINAL							

Level Funding

State Grant Program (Higher Education Services Office)

Program Summary: Working in combination with the federal Pell Grant program, the State Grant Program provides more than $140 million annually (in FY 2006-07) in need-based aid to Minnesota students attending post-secondary institutions.

2003 Changes: The 2003 Legislature did appropriate money to cover an anticipated shortfall in the grant program. However, the approved budget also included $67 million in cuts to student aid and eliminated two scholarship programs. As a result, all 58,760 Minnesota students eligible for financial aid from the Minnesota State Grant program had their grants reduced, some receiving reductions of several thousand dollars. Around 9,000 students were expected to lose all financial aid in FY 2004.

Governor's Budget: In December, the U.S. Department of Education announced adjustments in how federal need analysis for financial aid programs would be calculated. The change means most Minnesota students will receive lower federal Pell grants for the 2005-06 school year, which would result in a reduction in their state grant. HESO estimates that over 2,500 students will lose their state grant completely. The Governor proposes using the savings in the program resulting from these changes to: 1) increase the living and miscellaneous allowance for students from $5,205 to $5,280, and 2) moving back to using actual tuition costs, rather than average tuition costs, when calculating a student's grant award.

House Proposal: The House proposal would use the savings to restructure the financial aid formula to increase the tuition maximum for four-year programs to $9,477 the first year and $9,998 the second year from the current cap of $8,983 and decrease the tuition maximum for two-year programs to $4,316 the first year and $4,597 the second year from the current cap of $6,913. The House proposal also adds a 9th semester of eligibility. The living and miscellaneous allowance would remain the same as under current law.

Senate Proposal: The Senate adopts the Governor's position.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$140,500	$140,500	$281,000	$140,500	$140,500	$281,000
	Governor	GF	$0	$0	$0	$0	$0	$0
Higher Education	House	GF	$0	$0	$0	$0	$0	$0
Higher Education	Senate	GF	$0	$0	$0	$0	$0	$0
	FINAL							

Funding Reduced

Minnesota State Colleges and Universities (Minnesota State Colleges & Universities)

Program Summary: The Minnesota State Colleges and Universities (MnSCU) system serves about 240,000 students in credit courses each year. MnSCU programs are delivered at 53 campus locations throughout the state. In FY 2004, state appropriations comprised 41% of the MnSCU system's revenues, and tuition and fees comprised another 36% of revenues.

Governor's Budget: The Governor's proposal would not provide MnSCU with its statutory enrollment adjustment. MnSCU would see a one-time reduction of $58.8 million in FY 2006 and an ongoing reduction in base funding of $36 million per year. While reducing base funding for enrollment by $130.8 million for the FY 2006-07 biennium, the Governor proposes $107.5 million in funding for seven targeted initiatives. These initiatives include funding for competitive salaries, expanding online programs available through MN Online, increasing the capacity and output of MnSCU's nursing programs, expanding the Farm and Small Business Management programs, developing an Innovations Fund, and creating up to eight Centers of Excellence at selected campuses. This results in a net reduction of nearly 2% for MnSCU for the FY 2006-07 biennium.

House Proposal: The House adopts the Governor's position and would not provide MnSCU with its one-time and ongoing enrollment adjustments, but does include a partial investment of some funding in an enrollment adjustment ($55.4 for the FY 2006-07 biennium). The House also funds five targeted initiatives in the MnSCU system, including increasing the capacity of the nurse training program, expanding the Farm and Small Business Management programs, expanding online programs, funding for competitive salaries, and creating Centers of Excellence. The result is a net decrease in funding for MnSCU for the FY 2006-07 biennium.

Senate Proposal: The Senate proposal would provide MnSCU with its ongoing statutory enrollment adjustment, but would not provide the $58.8 million one-time adjustment. The Senate also funds seven targeted initiatives, including increasing the capacity of the nurse training program, expanding the Farm and Small Business Management programs, expanding online programs, developing an Innovations Fund, expanded teacher education, repairing and replacing facilities, and addressing issues facing underserved populations.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$642,494	$583,695	$1,226,188	$583,694	$583,694	$1,167,388
	Governor	GF	-$39,500	$16,200	-$23,300	-$16,200	-$16,200	-$32,400
Higher Education	House	GF	-$44,725	$16,200	-$28,525	na	na	na
Higher Education	Senate	GF	-$35,020	$29,780	-$5,240	na	na	na
	FINAL							

Funding Reduced

University of Minnesota Enrollment Adjustment (University of Minnesota)

Governor's Budget: The Governor's proposal would not provide the University of Minnesota with an increase to adjust for increases in enrollment. As a result, the University of Minnesota would see a one-time reduction of $43 million in FY 2006 and an ongoing reduction in base funding of $15.4 million per year. While reducing base funding for enrollment by $73.8 million for the FY 2006-07 biennium, the Governor proposes $113 million in funding for five targeted initiatives. These initiatives include the University's Biosciences for a Healthy Society initiative, addressing competitive salaries, improving research support, and funding Preparing Students for the 21st Century Economy.

House Proposal: The House adopts the Governor's position and would not provide the University of Minnesota with its one-time and ongoing enrollment adjustments. The House also funds three targeted initiatives at the University of Minnesota, including competitive salaries, research support, and funding Preparing Students for the 21st Century Economy.

Senate Proposal: The Senate proposal would provide the University of Minnesota with its ongoing statutory enrollment adjustment, but would not provide the $43 million one-time adjustment. The Senate also provides funding for seven targeted initiatives. In addition to the initiatives funded by the Governor, the Senate also provides funding for 21st Century Technology, aiding historically underserved students, and Sustainable Agriculture.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base	GF	$608,429	$565,455	$1,173,884	$565,455	$565,455	$1,130,910
	Governor	GF	-$14,862	$46,612	$31,750	$46,612	$46,612	$93,224
Higher Education	House	GF	-$26,862	$40,387	$13,525	na	na	na
Higher Education	Senate	GF	-$12,085	$59,710	$47,625	na	na	na
	FINAL							

Impact on Working Families and Individuals – Welfare-to-Work

Repeal SSI Penalty

Repeal SSI Penalty (Dept. of Human Services)

Program Summary: Families on the Minnesota Family Investment Program (MFIP) may be living with a disabled family member who receives federal disability payments (SSI).
2003 Session: As a result of decisions made in the 2003 Legislative Session, MFIP families with a disabled family member who receives SSI now have their cash grant reduced by $125 per month for each SSI recipient living in the household, even though they do not receive MFIP benefits on behalf of the disabled family member. This change impacted more then 6,800 of the most vulnerable families in Minnesota, including approximately 1,300 households with more than one SSI recipient.
Governor's Budget: The Governor's proposal maintains the $125 per month cut to MFIP grants for households with disabled family members on SSI.
House Proposal: The House proposal also maintains the $125 penalty.
Senate Proposal: The Senate proposal would eliminate the $125 penalty, restoring the full MFIP grant to households with disabled family members.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base							
	Governor	TANF	$0	$0	**$0**	$0	$0	**$0**
Jobs & Eco Opp	House	TANF	$0	$0	**$0**	$0	$0	**$0**
Health & HS	Senate	TANF	$9,713	$10,565	**$20,278**	$10,530	$10,469	**$20,999**
	FINAL							

Increase Penalty

$200 Housing Penalty (Dept. of Human Services)

Program Summary: Under current law, families enrolled in the Minnesota Family Investment Program (MFIP) who receive subsidized housing have a portion of that subsidy counted against their cash grant, effectively reducing their cash grant by that amount. In the past, however, the Legislature has approved funding to completely offset this deduction, also known as the "housing penalty."
2003 Session: In 2003, the Legislature only partially offset this penalty, so that families living in subsidized housing currently have $50 a month counted against their cash grant.
Governor's Budget: The Governor takes no action and leaves the penalty at $50 a month.
House Proposal: The House would quadruple the penalty to $200 a month.
Senate Proposal: The Senate proposal would eliminate the housing penalty, restoring the full MFIP grant to families living in subsidized housing.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base							
	Governor	TANF	$0	$0	**$0**	$0	$0	**$0**
Jobs & Eco Opp	House	TANF	-$8,510	-$9,257	**-$17,767**	-$9,226	-$9,172	**-$18,398**
Health & HS	Senate	TANF	$3,085	$3,356	**$6,441**	$3,345	$3,326	**$6,671**
	FINAL							

MFIP Work Participation

MFIP Work Participation Rate Enhancement Initiative (Dept. of Human Services)

Program Summary: The Minnesota Family Investment Program (MFIP) is Minnesota's welfare-to-work program. MFIP is funded by a combination of federal funds (the TANF block grant) and a state match (called Maintenance of Effort, or MOE). When Minnesota uses TANF dollars to fund grants and services for MFIP families, those families must be counted in the state's work participation rate, as required under TANF. Due to a variety of factors, it has become increasingly difficult for Minnesota to meet the TANF work participation rate.
Governor's Budget: The Governor does recommend any changes to the MFIP program.
House Proposal: The House does not recommend any changes to this aspect of the MFIP program.
Senate Proposal: The Senate proposal would create a new program funded with state MOE dollars for MFIP households with significant barriers to employment whose low work participation hurts the state's ability to meet TANF work requirements. The new program, called Work PREP, would seek to stabilize and improve the lives of families at risk of long-term welfare dependency or family instability due to employment barriers such as physical disability, mental disability, age, or caring for a disabled family member. The proposal would also include a work incentive bonus payment for families who leave MFIP or the Diversionary Work Program (DWP) and are working more than the hours required to meet federal TANF work participation rates. The goal is to help families achieve the greatest degree of economic self-sufficiency and family well-being possible.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base							
	Governor	TANF	$0	$0	$0	$0	$0	$0
Jobs & Eco Opp	House	TANF	$0	$0	$0	$0	$0	$0
Health & HS	Senate	TANF	$63	$5,578	$5,641	$5,578	$5,578	$11,156
	FINAL							

MFIP Education

Reduce Work Hours for MFIP Participants (Dept. of Human Services)

2003 Session: As a result of the 2003 Legislative Session, families participating in the Minnesota Family Investment Program (MFIP) who are participating in post-secondary education or training are now required to work 20 hours per week.
Governor's Budget: The Governor's proposal would maintain the current work requirements for MFIP participants participating in post-secondary education.
House Proposal: The House proposal would also maintain the current work requirements.
Senate Proposal: The Senate proposal would reduce the work requirement for MFIP participants participating in post-secondary education from 20 hours to 10 hours per week.

			Change from Base ($ are in thousands)					
Committee	**Proposal**	**Fund**	**FY06**	**FY07**	**Biennium Total**	**FY08**	**FY09**	**Biennium Total**
	Base							
	Governor	TANF	$0	$0	$0	$0	$0	$0
Jobs & Eco Opp	House	TANF	$0	$0	$0	$0	$0	$0
Health & HS	Senate	TANF	$127	$252	$379	$251	$248	$499
	FINAL							

Impact on Working Families and Individuals – Other Programs

Program Eliminated

Displaced Homemaker Program (Dept. of Employment and Economic Development)

Program Summary: The Displaced Homemaker Program (DHP) provides pre-employment services to women or men who have worked in the home for a minimum of two years caring for home and family, but due to separation, divorce, death, or disability of spouse or partner, or other loss of financial support, must support themselves and their family. Eligibility is based on income guidelines, with a sliding fee scale for those with higher incomes. There are currently six sites providing services across 48 counties.

2003 Changes: Funding for this program, which is funded out of the Workforce Development Fund (WKDF), was reduced by 25% in the 2003 Legislative Session. As a result, there was a loss of six dislocated homemaker programs serving the remaining 29 counties from 2003 to 2004.

Governor's Budget: This program is funded through the WKDF and special revenue generated from a portion of the marriage license fee. The Governor recommends eliminating funding from the WKDF for the Displaced Homemaker Program and transferring the $1.5 million for the biennium to the Dislocated Workers Program. The Governor also recommends revoking the $10 portion of the marriage license fee dedicated to the DHP

House Proposal: The House adopts the Governor's position.

Senate Proposal: The Senate would maintain the current $10 portion of the marriage license fee dedicated to the DHP and raise additional funding for the program by increasing the fee by $20.

			Change from Base ($ are in thousands)					
Committee	Proposal	Fund	FY06	FY07	Biennium Total	FY08	FY09	Biennium Total
	Base	WKDF	$750	$750	$1,500	$750	$750	$1,500
	Base	SR	$200	$200	$400	$200	$200	$400
	Governor	WKDF	-$750	-$750	-$1,500	-$750	-$750	-$1,500
	Governor	SR	-$200	-$200	-$400	-$200	-$200	-$400
Jobs & Eco Opp	House	WKDF	-$750	-$750	-$1,500	-$750	-$750	-$1,500
Jobs & Eco Opp	House	SR	-$200	-$200	-$400	-$200	-$200	-$400
Ag, Env & ED	Senate	WKDF	-$750	-$750	-$1,500	-$750	-$750	-$1,500
Ag, Env & ED	Senate	SR	$643	$848	$1,491	$848	$848	$1,696
	FINAL							

Renters' Credit Cut

Renters' Credit (Department of Revenue/State and Local Finance)

Program Summary: The Renters' Credit is an important source of tax relief and housing assistance to low- and moderate-income households whose property taxes are high in relation to their income. In the 2004 tax year, the Renters' Credit will provide an average of $554 to nearly 275,000 Minnesota households with incomes less than $45,970.

Governor's Budget: The Governor's budget proposal would cut the Renters' Credit by 20% in FY 2007 and 25% in FY 2008 and future years. As a result, 12,634 fewer households will receive the credit in 2005 than in 2004, and the average amount of credit will drop by $89.

House Proposal: The House proposal would cut the Renters' Credit by 44% in FY 2007 and by 40% in the FY 2008-09 biennium. As a result, over 36,000 households would lose the credit entirely and the average amount of the credit would drop by $194.

Senate Proposal: The Senate does not reduce the Renters' Credit.

(More information on this issue is available at www.mncn.org/bp/renterscredit.htm)

			Change from Base ($ are in thousands)					
Committee	Proposal	Fund	FY06	FY07	Biennium Total	FY08	FY09	Biennium Total
	Base	GF	$149,700	$152,400	$302,100	$153,300	$154,800	$308,100
	Governor	GF	$0	-$30,400	-$30,400	-$41,000	-$41,200	-$82,200
Taxes	House	GF	$0	-$66,400	-$66,400	-$61,700	-$62,100	-$123,800
Taxes	Senate	GF	$0	$0	$0	$0	$0	$0
	FINAL							

MINNESOTA COUNCIL OF NONPROFITS

Testimony – Senate Health & Human Services Committee
May 25, 2005
Jeannie Fox
Deputy Public Policy Director
651-642-1904 x247

Good Morning, Madame Chair, members of the committee. My name is Jeannie Fox, Deputy Public Policy Director with the Minnesota Council of Nonprofits. MCN is a statewide membership organization representing over 1,500 nonprofits throughout Minnesota. Along with strengthening the nonprofit sector in the state, MCN has also long advocated on behalf of low-income Minnesotans and other vulnerable populations and in support of a balanced approach to the state's budget.

For that reason, we want to thank members of this committee for the bill you passed earlier this session which rectified some of the more damaging choices that were made to balance the budget in the 2003 Legislative Session, including lifting the freeze on child care provider reimbursement rates, reducing parental copayments for child care, raising eligibility for MinnesotaCare for adults without children, repealing benefit caps and eliminating health care copayments, and reversing the housing and SSI penalties for families on Minnesota's welfare-to-work program.

At the same time, we were deeply concerned by the many cuts contained in the House proposal, including eliminating MinnesotaCare eligibility for adults without children, maintaining the freeze on child care reimbursement rates, and quadrupling the amount of the housing penalty.

Of course, now the time has come to find a compromise between these two bills. And the Governor's proposal to raise the cigarette tax, or the "health impact fee," and provide approximately $100 million for health care is simply insufficient to meet the needs of our low-income families.

Our perspective on this situation is much broader than just what is happening in this particular committee. It's important to remember that Minnesotans who are working towards self-sufficiency must piece together a complex puzzle of supports to keep their families employed, housed, healthy, clothed, and fed.

Services assisting low-income Minnesotans and other vulnerable populations were prime targets in the 2003 Legislative Session. Health care became less accessible, affordable housing was undermined, MFIP cash grants were cut, at-risk youth were turned away from programs, and higher education costs increased, just to name a few of the consequences. And these Minnesotans are just beginning to feel the impact of those budget cuts.

To date in the 2005 Session, only a few of the major omnibus budget bills have been passed. Still outstanding are four omnibus bills that would have a very significant impact on these struggling families – including Health & Human Services, Economic Development, Education, and the Tax bill.

Our concern as the budget for the next biennium is being decided isn't just maintaining access to health care or easing the costs of child care, but avoiding reductions in the

Renters' Credit, encouraging the creation of affordable housing, and increasing job training, as well as raising needed revenues fairly.

Struggling families are under threat on all sides. In the U.S. Congress, House and Senate have agreed to a compromise budget resolution that calls for significant cuts in domestic programs that serve low-income families, children, seniors, and persons with disabilities. The resolution could resulting up to $10 billion in cuts in Medicaid, as well as severe reductions in Food Stamps and other programs serving low-income Minnesotans. Cuts to these programs would do profound harm to struggling families, and put additional pressures on the state budget.

And an example much closer to home is that Minnesotans in the metro area are facing rising transportation costs with a possible increase in bus fares and a reduction in routes.

It is critical that we do not undercut the ability of this population to succeed. The slow economic recovery from the recession may not have made things easy for state policy-makers having to balance the budget in past sessions, but it also hasn't made it any easier for ordinary Minnesotans who are absorbing the impact of those budget-balancing decisions. Our families, our kids, even our single adults without kids, cannot continue to shoulder more and more of the burden.

MCN has consistently advocated for a balanced approach to the setting the state's budget and cautioned against making budget decisions that would fall disproportionately on struggling families and other vulnerable populations. The Governor's recent compromise position does not meet these standards. We would still see significant cuts in health care programs, and other critical issues such as child care, welfare-to-work, housing, adult education, and the Renters' Credit are left unresolved. We hope that members will continue to push to raise revenues in a way that is both sufficient and fair.

AARP® Minnesota

**TESTIMONY OF KARINA ALLEN, AARP MINNESOTA
HEALTH AND LONG-TERM CARE CO-CHAIR
BEFORE THE
SENATE HEALTH AND HUMAN SERVICES Budget Division**

MAY 25, 2005

Thank you for the opportunity to testify today about the special session work on the Omnibus Health and Human Services funding bill. My name is Karina Allen, and I am here today as a volunteer advocate for AARP representing the 640,000 members of AARP in Minnesota.

Throughout this session, AARP has been advocating for an increase in the tobacco tax or fee of up to $1.00 per pack as a way to fund health and long-term care programs. We commend the Governor for proposing increasing revenues from tobacco. We think this sound policy makes common sense to an overwhelming majority of Minnesotans. This increase in revenue would help you and your fellow legislators avoid cuts to vital services in this current budget cycle -- and improve the quality of life for all Minnesotans in the long-term. Research shows that an increase in the cost of cigarettes will deter young people from smoking and save the state millions of dollars in health care costs caused by smoking for years to come.

A statewide survey of Minnesotans of all ages commissioned by AARP earlier this year showed tremendous support for maintaining important safety net services in the state budget. Our survey showed that 79 percent of Minnesotans support a $1.00 per pack increase in the tobacco tax to avoid cuts in services for low-income families, older persons, and people with disabilities.

Increasing the tobacco fee provides a way to avoid cuts to vital health and long-term care services. In particular, we urge you to use this opportunity to fully fund a program of utmost concern to AARP – the Alternative Care program. As we have said many times before, Alternative Care is a cost-effective way to provide in-home care to people in need of long-term care services, helping them avoid costly nursing home stays. AARP supports the Senate position to repeal the current liens that are placed on the homes of applicants to this program. This short-sighted policy has only served to scare eligible applicants away from the program, prematurely pushing them into nursing homes. AARP also has serious concerns about a proposed cut of $31 million currently included in the House budget, derived by changing the eligibility period from 6 months to 4 months. We urge you to reject – or at least minimize -- this cut, which will also push people prematurely into nursing homes, creating more long-term costs to the state.

AARP would like to thank you for your leadership in long-term care this session. We are very pleased that both the House and Senate bills include a Cost of Living Adjustment (COLA) for long-term care for each of the next two years. AARP strongly believes that the best way to ensure quality care for our vulnerable Minnesotans in long-term care settings is to increase staffing. We urge you to ensure that this vital funding is included in the final agreement and that all of the funding is directed towards staffing.

Thank you again for your work this session on issues important to older Minnesotans and their families. We urge you to consider these priorities as you strive to come to agreement on the budget.

Thank you.