

For Minnesota's low- and moderate-income working families and individuals, the 2005 Legislative Session is a story of some small victories and many disasters avoided. Despite the Governor's longstanding resistance to broad-based revenue increases, the final budget agreement did include a more narrowly-focused revenue increase in the form of a "health impact fee" of 75¢ on each pack of cigarettes and related fee increases on other forms of tobacco.

While it was encouraging that the Governor and House ultimately recognized the need to raise additional revenue, the decision to increase the tobacco tax was a step backwards in tax fairness. During the state's surplus years, lawmakers made significant cuts in the state's income tax, a progressive tax that takes into account the taxpayers' ability to pay. These tax cuts, in addition with changes in property taxes, has gradually caused the state's overall tax system to become slightly regressive — that is, low- and moderate-income Minnesotans contribute a larger share of their incomes towards funding state and local government than do high-income residents. The increase in the tobacco tax, the state's most regressive tax, and increases in property taxes, will only exacerbate the trend. Nevertheless, the additional revenues were used to fund important areas of the budget, like education and health care, and helped avoid some of the spending cuts that would have fallen most heavily on low- and moderate-income working families and individuals.

## **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. Minnesota lost tens of thousands of jobs during the economic slowdown, making it a challenge for many to find employment. In fact, June 2005 was the first month that Minnesota finally reported having more jobs than it did when the recession began in March 2001. In other words, it took our state 51 months to regain the jobs lost. However, returning to 2001 employment levels does little to help the thousands of Minnesotans who have entered the labor force during those 51 months.

In the 2005 Legislative Session, policymakers had 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 offered proposals which differed significantly from the Senate. Both the Governor and House budget plans would have reduced access to health care, increased the costs of child care, undermined the availability of affordable housing, and damaged other critical supports for working families. The Senate proposal, on the other hand, rejected these reductions and moved 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 were also the consequence of broader budget decisions. The commitment to avoid raising state taxes meant that the Governor and House could 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 services. Since the Senate had more budgeting tools on the table, it had greater flexibility to invest in programs that strengthen families navigating the difficult road from poverty to self-sufficiency. As the session progressed, even the Governor and House acknowledged some major revenue increases would be necessary to meet the needs of the state in areas like education and health care.

### **What Happened in the 2003 Legislative Session?**

In order to really understand the impact of changes being made in the FY 2006-07 biennium, it is critical to recognize the dramatic reductions that were already made in the FY 2004-05 biennium to many of the programs serving working families and individuals in Minnesota.

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 What Happened in the 2005 Legislative Session**

The 2005 Legislative Session began with Governor Pawlenty introducing a budget proposal which did very little to alleviate the financial hardship low-income families are suffering as a result of the last round of budget cuts and the sluggish economy. Instead, restricted by his "no new taxes" pledge, the Governor's budget increased the burdens on working, but still struggling, Minnesotans.

The House responded to the February Forecast announcement that the state was facing a \$466 million deficit for the FY 2006-07 biennium with a proposal that relied mostly on spending reductions, budgeting gimmicks, and property tax increases to balance the budget. The House adopted many of the Governor's provisions that undermined the progress of Minnesotans working from poverty to self-sufficiency, sometimes recommending even more damaging reductions.

The Senate budget proposal presented a very different set of options for Minnesotans. Because the Senate included a significant revenue-raising plan, their proposal was able to resolve the state's budget deficit without dramatic cuts to work supports and reversed some of the more damaging decisions made in the 2003 Legislative Session.

Ultimately, the differences between the House and Senate on whether and how to raise revenues, as well as where investments were needed, proved nearly insurmountable. It required a seven week special session and a partial state government shutdown to bring the three sides to an agreement on key areas like taxes, education, and health care.

## **Health Care**

In health care, both Governor Pawlenty and the House created additional burdens for low-income working families and individuals trying to achieve economic self-sufficiency. Adults without children and certain parents with children would have been 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) estimated that nearly 46,000 Minnesotans would have lost their health care coverage through MinnesotaCare under the Governor's proposal, with only a portion of these people qualifying for alternative health care programs. Under the House plan, even more parents would have lost coverage and adults without children would have needed to fall even further into poverty to qualify for alternative coverage. The House proposal also added copayments and increased the premiums for working families on MinnesotaCare.

The Senate proposal went the opposite direction and attempted to undo some of the major cuts to health care made in the 2003 Legislative Session. The Senate increased access to health care for adults without children by raising eligibility levels in MinnesotaCare and repealing the \$5,000 benefit cap for adults without children on MinnesotaCare. Families and individuals on the state's public health programs would also have benefited from the elimination of copayments and the repeal of the \$500 cap on dental benefits.

The final agreement avoided the worst of the proposed reductions and made some progress in restoring previous benefit levels. On the positive side, eligibility for MinnesotaCare was maintained at current levels, the \$5,000 benefit cap and \$500 dental cap were repealed, and some adjustments were made to Medical Assistance (MA) and General Assistance Medical Care (GAMC) copayments. Also, a major reform in GAMC will hopefully mean more seamless health care coverage for adults without children. On the negative side, MinnesotaCare recipients will see an increase in premiums and face new copayments.

## **Child Care Assistance**

Both the Governor and the House sought significant reductions in child care assistance, making it more difficult for low- and moderate-income families to provide a safe and positive environment for their children while they are at work.

In the 2003 Session, lawmakers "froze" reimbursement rates for child care providers 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 58% of family child care providers were still at or below the maximum rate. Families can still use any child care provider, but in addition to their copayment, they must pay the difference between the state maximum rate and the provider's actual rate.

The Department of Human Services (DHS) acknowledges that during the FY 2004-05 biennium, a number of families on the state's welfare-to-work program stopped using child care assistance, even though there was no reduction in the work participation rate. One reason for the drop in usage is probably the additional costs being paid by the parents. DHS is not sure what other arrangements have been made for these children while their parents are at work, but expects that an additional 700 eligible families will stop using child care assistance in the next biennium.

The Governor and House proposal to maintain the freeze on the maximum reimbursement rate to child care providers would mean that families would continue to lose access to quality child care, or would have to make up the growing difference between the reimbursement rate and actual cost from their own pockets. The Senate, however, proposed investing significant funds in child care to lift the freeze on provider reimbursement rates, increase eligibility for families, and decrease family copayments.

The final agreement represents little progress for child care. The Health and Human Services Working Group agreed to a one-time 1.75% increase in the maximum provider reimbursement rate and invested a small amount to reduce parental copayments. The final bill also includes a House provision to limit the number of absent days for which a provider may be reimbursed unless the child has a documented medical condition.

### **Affordable Housing**

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 and House did include additional funding for some supportive housing services in their budgets. However, in order to fund these services, both the Governor and House proposed significant cuts to housing programs that increase homeownership for underserved populations and preserve existing affordable housing.

The Senate proposal did not include the same investments in supportive housing as the Governor and House, but instead kept funding for other affordable housing programs intact.

The final agreement adopted many of the Governor's and House proposals to increase investments in supportive housing services, but avoids some of the reductions in funding for other housing programs. The final bill also includes a small amount of funding for a pilot project to ensure that people experiencing homelessness are connected with the services and resources they need. And in the last moments of the Special Session, legislators also reinstated a special property classification – called "4d" – that lowers property taxes on some affordable housing.

### **Educational Opportunities**

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.

Access to education is one more important support for individuals trying to improve their lives. Both the Governor and House proposed increases funding for Adult Basic Education, and the House also recommended more funding for Community Education. For those seeking to expand their job opportunities through higher education, the Governor and House funded some targeted initiatives, with increased overall funding for the University of Minnesota and decreased overall funding for the Minnesota State College and Universities (MnSCU). The House also proposed restructuring the state grant program to increase financial aid for students enrolled in four-year programs.

The Senate also put more emphasis on improving educational opportunities for adults, increasing funding for adult education programs like Community Education and Adult Basic Education without any increases in property taxes. In addition, under the Senate plan, MnSCU and the University of Minnesota would have received funding to cover enrollment increases as well as funding for some of the targeted initiatives recommended by the Governor and House. The Senate would also have made it easier for individuals on MFIP to access post-secondary education by decreasing the work requirements.

In educational opportunities for adults, the positions of the Governor and House largely prevailed. There were increases in both Community Education and Adult Basic Education, although some of the increases were paid for through increased property taxes rather than state funding. The final agreement also included some restructuring of the state grant program, increased funding for the University of Minnesota, and reduced funding for MnSCU.

### **Welfare-to-Work**

Unfortunately, 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, while the House proposal actually increased the financial burdens facing these Minnesotans. Under the House plan, families on the Minnesota Family Investment Program (MFIP) who live in federally subsidized housing would have faced a \$200 per month reduction in their cash grant, an increase from the current \$50 per month (often called the "housing penalty").

The Senate proposal, on the other hand, sought to reverse many of the negative outcomes from the 2003 Legislative Session in this area. The Senate repealed both the "housing penalty" and the penalty for those with a disabled family member (the "SSI penalty"). The Senate also proposed a new MFIP program, called Work PREP, to provide specialized assistance to households with significant barriers to employment.

The final agreement made little progress in this area, but did avoid moving backwards. Although the Senate reforms were not adopted, the "housing penalty" was held at \$50 per month. And the "SSI penalty," which deducts \$125 per month from an MFIP cash grant for each disabled family member receiving Supplemental Social Security Income (SSI), was mitigated. Now MFIP families with one or more SSI recipients will only receive a maximum penalty of \$125 per month.

### **Other Programs**

The Renters' Credit helps low- and moderate-income households whose property taxes are high in relation to their income. The Governor proposed cutting the Renters' Credit by \$30.4 million for the biennium, or 20% in 2007. Under this plan, the average credit would have been reduced by \$89 and over 12,600 households would have lost this credit entirely.

The House also used a reduction in the Renters' Credit as one of their largest sources of revenue in the omnibus tax bill. The House proposal would have cut the Renters' Credit by 44%, or \$66.4 million for the biennium, reducing the average credit by \$194 and causing over 36,000 households to lose the credit.

Ultimately, the conference committee adopted the Senate proposal and made no reductions in the Renters' Credit. Since a major part of the final agreement was an increase in the very regressive cigarette tax and some increases in property taxes, it was particularly important to have avoided making a reduction in this tax credit for low-income taxpayers. The final agreement also included permanent funding for Taxpayer Assistance Grants that help low-income, new immigrants, English language learners, and other vulnerable taxpayers successfully navigate through the complex tax filing process.

The final bill also included funding for Greater Minnesota access to Twin Cities Community Voice Mail (TCCVM). This statewide service provides low-income individuals who cannot afford a telephone with a free personalized phone number to use when applying for jobs, seeking housing, accessing health care, or gaining safety from domestic abuse. Last year, participants in Greater Minnesota received about 10,000 messages, and approximately 90 people reported finding employment using the system. The Governor, however, vetoed the \$17,000 in funding to cover the 1-800 service in Greater Minnesota.

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

	Change from Base (\$ are in thousands)				
	<b>Fund</b>	<b>Governor</b>	<b>House</b>	<b>Senate</b>	<b>Final</b>
<b>Health Care – TOTAL</b>	<b>GF</b>	<b>\$98,012</b>	<b>\$90,986</b>	<b>\$23,620</b>	<b>-\$63,008</b>
	<b>HCAF</b>	<b>-\$174,153</b>	<b>-\$187,152</b>	<b>\$85,728</b>	<b>\$103,549</b>
MinnesotaCare/General Assistance	GF	\$98,012 <sup>1</sup>	\$90,986 <sup>1</sup>	\$0	-\$74,140
Medical Care	HCAF	-\$174,153	-\$182,392	\$9,499	\$67,905
MinnesotaCare Copayments Added	GF	\$0	\$0	\$0	\$0
	HCAF	\$0	-\$922	\$0	-\$2,377
MinnesotaCare Premium Increase	GF	\$0	\$0	\$0	\$0
	HCAF	\$0	-\$3,838	\$0	-\$2,501
Repeal \$500 Dental Cap from MA, GAMC & MnCare	GF	\$0	\$0	\$2,237	\$2,237
	HCAF	\$0	\$0	\$37	\$37
Repeal MinnesotaCare Limited Benefit Set	GF	\$0	\$0	\$0	\$0
	HCAF	\$0	\$0	\$66,227	\$40,485
Eliminate Co-pays for MA and GAMC	GF	\$0	\$0	\$21,383	\$8,895
	HCAF	\$0	\$0	\$0	\$0
MinnesotaCare Small Business Option	GF	\$0	\$0	\$0	\$0
	HCAF	\$0	\$0	\$9,965	\$0
<b>Child Care – TOTAL</b>	<b>GF</b>	<b>-\$68,189</b>	<b>-\$69,698</b>	<b>\$0</b>	<b>-\$58,854</b>
	<b>TANF</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,847</b>	<b>\$0</b>
	<b>CCDF</b>	<b>\$0</b>	<b>\$0</b>	<b>\$13,272</b>	<b>\$0</b>
MFIP/TY Child Care Assistance	GF	-\$52,557	-\$53,416	\$0	-\$47,142
	TANF	\$0	\$0	\$1,847	\$0
Basic Sliding Fee Child Care Assistance	GF	-\$15,632	-\$16,282	\$0	-\$11,712
	CCDF	\$0	\$0	\$13,272	\$0
<b>Housing – TOTAL</b>	<b>GF</b>	<b>-\$5,000</b>	<b>-\$1,920</b>	<b>\$400</b>	<b>\$10,170</b>
Affordable Rental Investment Fund – Preservation	GF	-\$1,484	-\$1,484	\$0	-\$554
Economic Development & Housing Challenge Fund	GF	-\$13,000	-\$6,500	\$0	\$0
Rehabilitation Loan Program	GF	-\$2,636	-\$2,636	\$0	-\$2,636
Nonprofit Capacity Building Program	GF	-\$110	-\$110	\$0	-\$110
Homeowner Assistance Fund	GF	-\$1,770	-\$1,770	\$0	-\$1,770
Homelessness Pilot Project	GF	\$0	\$0	\$400	\$400
Supportive Housing Service Grants	GF	\$10,000	\$10,000	\$0	\$10,000
Housing Trust Fund	GF	\$4,000	\$4,000	\$0	\$4,000
Affordable Rental Housing – 4d	GF	\$0	\$420	\$0	\$840
<b>Educational Opportunities – TOTAL</b>	<b>GF</b>	<b>\$8,702</b>	<b>-\$14,100</b>	<b>\$47,711</b>	<b>\$9,486</b>
Community Education	GF	\$0	\$648	\$1,915	\$648
Adult Basic Education	GF	\$252	\$252	\$3,411	\$252
State Grant Program	GF	\$0	\$0	\$0	\$0
University of Minnesota	GF	\$31,750	\$13,525	\$47,625	\$31,886
Minnesota State Colleges and Universities	GF	-\$23,300	-\$28,525	-\$5,240	-\$23,300
<b>Welfare-to-Work – TOTAL</b>	<b>TANF</b>	<b>\$0</b>	<b>-\$17,767</b>	<b>\$32,739</b>	<b>\$3,348</b>
MFIP Work Participation Enhancement	TANF	\$0	\$0	\$5,641	\$0
Repeal SSI Penalty	TANF	\$0	\$0	\$20,278	\$3,348
Adjust Housing Penalty	TANF	\$0	-\$17,767	\$6,441	\$0
Reduce Work Hours for MFIP Participants	TANF	\$0	\$0	\$379	\$0

<b>Other Programs – TOTAL</b>	<b>WKDF</b>	<b>-\$1,500</b>	<b>-\$1,500</b>	<b>-\$1,500</b>	<b>-\$1,500</b>
	<b>SR</b>	<b>-\$400</b>	<b>-\$400</b>	<b>\$1,491</b>	<b>\$1,491</b>
	<b>GF</b>	<b>-\$30,400</b>	<b>-\$66,150</b>	<b>\$250</b>	<b>\$250</b>
Displaced Homemaker Program	WKDF	-\$1,500	-\$1,500	-\$1,500	-\$1,500
	SR	-\$400	-\$400	\$1,491	\$1,491
Renters' Credit	GF	-\$30,400	-\$66,400	\$0	\$0
Taxpayer Assistance Grants	GF	\$0	\$250	\$250	\$250
Twin Cities Community Voice Mail	GF	\$0	\$0	\$17	\$0

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

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

<sup>1</sup> 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 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) <sup>1</sup>

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

<sup>1</sup> 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](http://www.jobsnowcoalition.org).

## Impact on Working Families and Individuals – Health Care

Public Health Care Program Reformed

### 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% FPG 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.

**Final Agreement:** The final bill adopts a reform proposal offered by the Senate during the conference committee. The reform would shift most current GAMC enrollees to MnCare and maintain GAMC as a temporary entrance point for adults who would almost immediately be moved to MnCare for ongoing coverage. A few specific populations would stay on traditional GAMC and not move to MnCare.

*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 would mean the General Fund would 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	<b>\$98,012</b>	\$52,029	\$57,391	<b>\$109,420</b>
	Governor	HCAF	-\$84,708	-\$89,445	<b>-\$174,153</b>	-\$84,431	-\$90,972	<b>-\$175,403</b>
Health	House	GF	\$46,271	\$44,715	<b>\$90,986</b>	\$48,180	\$53,703	<b>\$101,883</b>
Health	House	HCAF	-\$86,899	-\$95,493	<b>-\$182,392</b>	-\$91,079	-\$98,544	<b>-\$189,623</b>
Health & HS	Senate	GF	\$0	\$0	<b>\$0</b>	\$0	\$0	<b>\$0</b>
Health & HS	Senate	HCAF	\$469	\$9,030	<b>\$9,499</b>	\$11,019	\$12,163	<b>\$23,182</b>
Health & HS	FINAL	GF	\$1,000	-\$75,140	<b>-\$74,140</b>	-\$173,715	-\$251,376	<b>-\$425,091</b>
Health & HS	FINAL	HCAF	\$80	\$67,825	<b>\$67,905</b>	\$148,607	\$217,269	<b>\$365,876</b>



**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.

**Final Agreement:** The final bill adopts the House position. (Note: This proposal generates more revenue in the final bill because the final agreement keeps more people enrolled in MnCare.)

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
Health & HS	FINAL	HCAF	-\$651	-\$1,726	-\$2,377	-\$1,297	-\$1,204	-\$2,501

**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.

**Final Agreement:** The final bill includes an increase in MnCare premiums similar to the House proposal.

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
Health & HS	FINAL	HCAF	\$0	-\$2,501	-\$2,501	-\$2,507	-\$2,531	-\$5,038

**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 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.

**Final Agreement:** The final bill adopts the Senate position.

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
Health & HS	FINAL	GF	\$819	\$1,418	\$2,237	\$1,563	\$1,687	\$3,250
Health & HS	FINAL	HCAF	\$16	\$21	\$37	\$20	\$22	\$42

Benefit Cap Repealed

**Repeal MinnesotaCare Limited Benefit Set/\$5,000 Cap (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, ophthalmological care, and psychological treatment.

**Governor's Budget:** The Governor's proposal eliminates MnCare eligibility for adults without children.

**House Proposal:** The House proposal eliminates MnCare eligibility for adults without children.

**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.

**Final Agreement:** The final bill repeals the \$5,000 cap on MnCare benefits for adults without children and expands the benefit set to include mental health services and diabetic supplies.

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
Health & HS	FINAL	HCAF	\$11,006	\$29,479	\$40,485	\$50,113	\$60,611	\$110,724

Copayments Modified

**Eliminate Copayments 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.

**Final Agreement:** The final bill adjusts the cap on copayments from \$20 per month to \$12 per month.

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
Health & HS	FINAL	GF	\$2,553	\$6,342	\$8,895	\$7,183	\$7,777	\$14,960

MinnesotaCare 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 businesses who have not offered health care insurance to their employees in the last 12 months and who meet other conditions to offer MnCare to their eligible employees.

**Final Agreement:** This proposal was not included in the final bill.

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
Health & HS	FINAL	HCAF	\$0	\$0	\$0	\$0	\$0	\$0

## Impact on Working Families and Individuals – Child Care

Small Increase in Child Care Rates

### 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 copayments 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 copayment *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.

**Final Agreement:** The final bill provides a 1.75% cost of living adjustment (COLA) in 2006 only. The bill also includes some reductions in parental copayments and adopts the House position to limit the number of reimbursed absent days.

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
Health & HS	FINAL	GF	-\$19,909	-\$27,233	-\$47,142	-\$32,938	-\$37,875	-\$70,813
Health & HS	FINAL	TANF	\$0	\$0	\$0	\$0	\$0	\$0

**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 copayments 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.

**Final Agreement:** The final bill provides a 1.75% cost of living adjustment (COLA) in 2006 only. The bill also includes some reductions in parental copayments and adopts the House position to limit reimbursed absent days.

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
Health & HS	FINAL	GF	-\$9,305	-\$2,407	-\$11,712	-\$1,259	-\$93	-\$1,352
Health & HS	FINAL	CCDF	\$0	\$0	\$0	\$0	\$0	\$0

**Impact on Working Families and Individuals – Housing**

**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 in the 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.

**Final Agreement:** The final bill cuts base funding for this program by about 3%.

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
Ag, Env & ED	FINAL	GF	-\$277	-\$277	-\$554	-\$277	-\$277	-\$554

Funding Maintained

**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:** The House would consolidate these programs, but only reduce funding in the second year of the FY 2006-07 biennium.

**Senate Proposal:** The Senate would not consolidate the three programs and would maintain current law funding.

**Final Agreement:** The final bill adopts the Senate position.

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	GF	\$0	-\$6,500	-\$6,500	\$0	\$0	\$0
Ag, Env & ED	Senate	GF	\$0	\$0	\$0	\$0	\$0	\$0
Ag, Env & ED	FINAL	GF	\$0	\$0	\$0	\$0	\$0	\$0

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.

**Final Agreement:** The final bill reduces base funding for this program by 33% for the FY 2006-07 biennium and then restores funding for the FY 2008-09 biennium.

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
Ag, Env & ED	FINAL	GF	-\$1,318	-\$1,318	-\$2,636	\$0	\$0	\$0

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.

**Final Agreement:** The final bill adopts the Governor's position.

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
Ag, Env & ED	FINAL	GF	-\$55	-\$55	-\$110	-\$55	-\$55	-\$110

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.

**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.

**Final Agreement:** The final bill adopts the Governor's position.

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
Ag, Env & ED	FINAL	GF	-\$885	-\$885	-\$1,770	\$0	\$0	\$0

Pilot Program Funded

**Homelessness Pilot Project (Dept. of Public Safety)**

**Program Summary:** This new pilot program would authorize the Commissioner of Public Safety to award two-year grants for homeless outreach programs in Hennepin, Ramsey, and one county outside the seven-county metro 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:** The House would not fund this pilot program.

**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.

**Final Agreement:** The final bill essentially adopts the Senate 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	\$0	\$0	\$0	\$0	\$0	\$0
Public Safety	House	GF	\$0	\$0	\$0	\$0	\$0	\$0
Public Safety	Senate	GF	\$200	\$200	\$400	\$0	\$0	\$0
Public Safety	FINAL	GF	\$400	\$0	\$400	\$0	\$0	\$0

New Supportive Housing Fund

**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.

**Final Agreement:** The final bill 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	\$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
Health & HS	FINAL	GF	\$5,000	\$5,000	\$10,000	\$5,000	\$5,000	\$10,000

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.

**Final Agreement:** The final bill adopts the Governor's position.

Change from Base (\$ are in thousands)

Committee	Proposal	Fund	FY06	FY07	Biennium Total	FY08	FY09	Biennium Total
	Base	GF	\$4,305	\$4,305	<b>\$8,610</b>	\$4,305	\$4,305	<b>\$8,610</b>
	Governor	GF	\$2,000	\$2,000	<b>\$4,000</b>	\$4,000	\$4,000	<b>\$8,000</b>
Jobs & Eco Opp	House	GF	\$2,000	\$2,000	<b>\$4,000</b>	\$4,000	\$4,000	<b>\$8,000</b>
Ag, Env & ED	Senate	GF	\$0	\$0	<b>\$0</b>	\$0	\$0	<b>\$0</b>
Ag, Env & ED	FINAL	GF	\$2,000	\$2,000	<b>\$4,000</b>	\$4,000	\$4,000	<b>\$8,000</b>

Property Tax Class Restored

**Affordable Rental Housing – 4d (Dept. of Revenue)**

**Program Summary:** In 1999, Minnesota instituted a special 4d property tax classification, which provided a lower tax rate for affordable apartments to create an incentive for property owners to keep rents down and make apartments available to families with federal rent subsidies. This 4d class rate was eliminated for taxes payable in 2004 as part of the 2001 Property Tax Reform. The tax rate for 4d properties went up from 1% for taxes payable in 2003 to 1.25% for taxes payable in 2004 and beyond. The loss of this special tax rate combined with increases in valuation have resulted in significant property tax increases for these affordable rental properties.

**Governor's Budget:** The Governor did not propose any changes.

**House Proposal:** The House allowed a 1% class rate for a reinstated 4d property tax classification, but with stricter requirements for participation than under the old 4d system.

**Senate Proposal:** The Senate would allow a 0.55% class rate for 4d properties, as well as require that their assessed value take into account the fact they charge below market-rate rents.

**Final Agreement:** The final tax bill enacted a 0.75% class rate for 4d properties, effective for taxes payable 2006.

Change from Base (\$ are in thousands)

Committee	Proposal	Fund	FY06	FY07	Biennium Total	FY08	FY09	Biennium Total
	Base	GF	\$0	\$0	<b>\$0</b>	\$0	\$0	<b>\$0</b>
	Governor	GF	\$0	\$0	<b>\$0</b>	\$0	\$0	<b>\$0</b>
Taxes	House	GF	\$0	\$420	<b>\$420</b>	na	na	<b>\$870</b>
Taxes	Senate	GF	\$0	\$0	<b>\$0</b>	na	na	<b>\$2,729</b>
Taxes	FINAL	GF	\$0	\$840	<b>\$840</b>	\$860	\$880	<b>\$1,740</b>

## Impact on Working Families and Individuals – Educational Opportunities

### Community Education (Dept. of Education)

**Program Summary:** Community Education programs provide learning and involvement opportunities for people of all ages, including access to educational facilities and programs during non-school hours, an important educational avenue for new immigrants and refugees.

**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. 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. All of the additional funding would be in the form of state aid from the General Fund to avoid increasing property taxes.

**Final Agreement:** The final bill adopts the House position, although with a smaller amount raised through property taxes.

Funding Increased

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
E-12 Education	FINAL	GF	\$0	\$648	\$648	\$596	\$604	\$1,200

### 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% in ABE funding 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. 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.

**Final Agreement:** The final bill adopts the Governor's position.

Funding Increased

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
E-12 Education	FINAL	GF	\$130	\$122	\$252	\$92	\$68	\$160



### 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.

**Final Agreement:** The final budget agreement was a modified version of the House proposal. The final aid formula was restructured so that the tuition maximum for four-year programs was raised by 5% over two years and the tuition maximum for two-year programs was decreased by 7% over two years. The living and miscellaneous expense allowance was increased by \$145.

Funding Restructured

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
Higher Education	FINAL	GF	\$0	\$0	\$0	\$0	\$0	\$0

### University of Minnesota (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 21<sup>st</sup> 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 21<sup>st</sup> 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 21<sup>st</sup> Century Technology, aiding historically underserved students, and Sustainable Agriculture.

**Final Agreement:** The final budget agreement would maintain the ongoing statutory enrollment adjustment through FY 2009, but would not provide the \$43 million one-time adjustment. The final bill also includes some additional funding for competitive salaries and other initiatives.

Funding Restructured and Increased

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
Higher Education	FINAL	GF	-\$17,238	\$49,124	\$31,886	\$49,124	\$49,124	\$98,248

**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 \$59 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.

**Final Agreement:** The final budget agreement would maintain the ongoing statutory enrollment adjustment through FY 2009, but would not provide the \$59 million one-time adjustment. The final bill also includes additional funding for competitive salaries, Centers of Excellence, and other initiatives.

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
Higher Education	FINAL	GF	-\$41,800	\$18,500	-\$23,300	\$18,500	\$18,500	\$37,000

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

**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 not 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.

**Final Agreement:** This proposal was not included in the final bill.

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
Health & HS	FINAL	TANF	\$0	\$0	\$0	\$0	\$0	\$0

**SSI Penalty Modified**

**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 than 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.  
**Final Agreement:** The final bill limits the penalty to \$125 per household regardless of the number of SSI recipients in the household.

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
Health & HS	FINAL	TANF	\$1,532	\$1,816	\$3,348	\$1,810	\$1,800	\$3,610

**Penalty Maintained**

**\$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.  
**Final Agreement:** The final adopts the Governor's position.

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
Health & HS	FINAL	TANF	\$0	\$0	\$0	\$0	\$0	\$0

**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.  
**Final Agreement:** This proposal was not included in the final bill.

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
Health & HS	FINAL	TANF	\$0	\$0	\$0	\$0	\$0	\$0

## Impact on Working Families and Individuals – Other Programs

**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 funds by increasing the fee by \$20.  
**Final Agreement:** The final bill adopts the Senate position.

Funding Modified

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
Ag, Env & ED	FINAL	WKDF	-\$750	-\$750	-\$1,500	-\$750	-\$750	-\$1,500
Ag, Env & ED	FINAL	SR	\$643	\$848	\$1,491	\$848	\$848	\$1,696

**Renters' Credit (Department of Revenue/State and Local Finance)**  
**Program Summary:** The Renters' Credit helps low- and moderate-income households whose property taxes are high in relation to their income – 29% of Renters' Credit recipients are seniors or persons with disabilities. In 2004, 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.  
**Final Agreement:** The final bill adopts the Senate position.  
 (More information on this issue is available at [www.mncn.org/bp/renterscredit.htm](http://www.mncn.org/bp/renterscredit.htm))

Renters' Credit Maintained

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
Taxes	FINAL	GF	\$0	\$0	\$0	\$0	\$0	\$0

Maintained

**Taxpayer Assistance Grants (Department of Revenue/State and Local Finance)**

**Program Summary:** Taxpayer Assistance Grants are awarded to nonprofits that provide free tax preparation assistance to low-income, disabled, non-English speaking, and elderly people in their communities. While these grants have been awarded for many years, they have never been included in the base budget.

**Governor's Budget:** The Governor's budget did not include funding for Taxpayer Assistance Grants.

**House Proposal:** The House provided \$250,000 in funding in the FY 2006-07 biennium only.

**Senate Proposal:** The Senate proposal provided \$250,000 for FY 2006-07 and \$400,000 in FY 2008-09.

**Final Agreement:** The final bill funds Taxpayer Assistance Grants and puts it in the base at \$250,000 per biennium.

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
Taxes	House	GF	\$125	\$125	\$250	\$0	\$0	\$0
Taxes	Senate	GF	\$125	\$125	\$250	\$200	\$200	\$400
Taxes	FINAL	GF	\$125	\$125	\$250	\$125	\$125	\$250

Funding Vetoed

**Twin Cities Community Voice Mail (Dept. of Employment and Economic Development)**

**Program Summary:** The Twin Cities Community Voice Mail (TCCVM) is a service that allows low-income people who cannot afford a telephone to have a personalized phone number and message to use when applying for jobs, seeking housing, accessing health care, and gaining safety from domestic abuse. Five years ago, the program was expanded to Greater Minnesota through an appropriation from the Minnesota Dept. of Employment and Economic Development. Last year, participants in Greater Minnesota received about 10,000 messages for jobs and housing.

**Governor's Budget:** The Governor did not recommend the additional funding for the 1-800 service in Greater Minnesota.

**House Proposal:** The House adopted the Governor's position.

**Senate Proposal:** The Senate provided funding for the 1-800 service in Greater Minnesota.

**Final Agreement:** The final bill included funding for the 1-800 service in Greater Minnesota. The Governor, however, vetoed the funding.

Change from Base (\$ are in thousands)

Committee	Proposal	Fund	FY06	FY07	Biennium Total	FY08	FY09	Biennium Total
	Base	GF						
	Governor	GF	\$0	\$0	\$0	\$0	\$0	\$0
Jobs & Eco Opp	House	GF	\$0	\$0	\$0	\$0	\$0	\$0
Ag, Env & ED	Senate	GF	\$8.5	\$8.5	\$17	\$8.5	\$8.5	\$17
Ag, Env & ED	FINAL	GF	\$0	\$0	\$0	\$0	\$0	\$0