

# Consequences of the Governor's Budget Proposal

*Economic downturn  
leaves many  
Minnesotans  
vulnerable*

## ***Governor's Budget Proposal Would Impact Struggling Minnesotans***

The State of Minnesota is in fiscal crisis. Minnesota faces a \$6.4 billion budget deficit for the FY 2010-11 biennium. That deficit equals 17 percent of the general fund budget. Taking into account a portion of the federal stimulus dollars Minnesota is likely to receive reduces the size of the problem to \$4.6 billion, but the size of the shortfall remains quite significant. In addition, the state must address the \$5.1 billion deficit waiting in the following biennium, FY 2012-13.

Policymakers have three tools for balancing the state's budget: one-time resources, revenue increases and spending reductions. The use of all three tools is a reasonable way to approach the state's budget issues. Governor Pawlenty, however, has proposed to fix the problem using just two of these tools: one-time resources and spending reductions.

There will be no quick economic recovery to boost Minnesota out of this fiscal crisis. And due to the size and persistence of the state's budget deficits, spending cuts will be necessary. Unfortunately, many of the Governor's proposed cuts are to services that support Minnesotans struggling through the current recession.

And there is plenty of evidence that Minnesotans are struggling:

- Current unemployment rates are the highest in nearly 25 years. In February, the number of Minnesotans seeking jobs outnumbered the number of job openings by 8 to 1.<sup>1</sup>
- Nearly one in four Minnesotans younger than 65 went without health insurance for some period during 2007-2008.<sup>2</sup>
- Statewide, visits to food shelves increased nearly 15 percent to 2.26 million visits last year.<sup>3</sup>
- More than one-third of families in the Twin Cities metro area pay more than 30 percent of their income on housing.<sup>4</sup>
- Last November, 40 percent of Minnesotan poll respondents reported that their personal financial situation had gotten worse in the previous six months and nearly three-quarters reported that they worry about their families finances a fair amount or a great deal.<sup>5</sup>

In these tough economic times, any average family may find themselves unexpectedly needing help obtaining health care, child care, housing, job training or care for their aging parents. Budget cuts made earlier this decade have already led to considerable reductions in state investments that make a real difference in Minnesotans' lives.<sup>6</sup>

This analysis highlights some concrete examples of what the Governor's budget proposal could mean for Minnesotans.

## ***Impacts on Low- and Moderate-Income Minnesotans***

- Nearly 274,000 low- and moderate-income Minnesota households whose property taxes are high in relation to their income would see a 27 percent cut to their Renters' Credit. Twenty-eight percent of those affected are seniors or people with severe disabilities, who may find it difficult to make up for this cut.

*Fewer resources  
available for families*

*Increased barriers to legal services*

- 3,000 to 4,500 Minnesotan families would be unable to access legal services due to cuts in funding for civil legal services. These services help families with issues such as abuse, violence, neglect, homelessness or other major challenges. It is estimated that each year 75 percent of eligible families with legal needs are already not being served.
- The Governor's budget reduces funding for the public defender's office even though each public defender is already responsible for about 750 cases a year—nearly twice the number the American Bar Association recommends per lawyer. Fifty-three attorneys were already laid off last year, and more public defender positions may be lost under the Governor's proposed cuts. Fewer attorneys leads to higher caseloads and more delays in getting cases processed.

*Less development of affordable housing*

- An estimated 1,200 fewer housing assistance rental units and 500 fewer owner-occupied units would be constructed because the Governor would reduce funding for a program that funds grants and low-cost loans for the development of affordable housing opportunities.

*Reduced access to public health care*

### ***Impacts on Families and Children***

- More than 26,000 Minnesota children would no longer have access to public health care because the Governor would repeal a critical outreach program, cancel a scheduled reduction in premiums and repeal a policy that transitions children seamlessly from one low-income healthcare program to another as family income increases.
- More than 21,000 parents would no longer have access to public health care programs because the Governor would make them ineligible for one state health care program, reduce asset limits for another and repeal a critical outreach program.
- All parents (approximately 100,000 individuals) on public health care programs would lose coverage for some basic health care services, including dental (except emergency), chiropractic, podiatry, occupational therapy, speech-language therapy, physical therapy and audiology services. Only pregnant women would retain coverage for non-emergency dental services.
- More than 8,000 Minnesota families would be impacted by proposals to reduce eligibility levels for welfare-to-work cash grants and increase asset limits.
- Approximately 8,000 Minnesotan families who successfully leave welfare for very low-wage work, often earning around \$9.50 per hour, would see their potential wage supplement cut by \$25 a month. This stipend is meant to make up a little of the difference between low wages and the costs of essentials like food, clothing and transportation as these families transition to self-sufficiency.
- About 5,000 families who receive a housing subsidy would see their cash grant reduced by up to \$100 per month (under current law, the grant is reduced by up to \$50 per month). Public housing programs have testified that they would subsequently collect less rent from these families, limiting the ability of public housing to reach the thousands of families currently on waiting lists for affordable housing.

*Reductions in benefits for families moving from poverty to self-sufficiency*

### ***Impacts on Adults Without Children***

- More than 60,000 Minnesotans without children would no longer have access to public health insurance.
- Approximately 33,000 extremely low-income Minnesotans without children would only have outpatient health care benefits covered (on a fee-for-service basis) with state funds. Hospitals would have to seek

*Access to public health care either reduced or eliminated*

reimbursement for health care for these individuals from a capped uncompensated care pool, but the funding would not be sufficient to meet all the costs.

- The same 33,000 adults without children would no longer be able to access the following health services at all: dental (except emergency), chiropractic, podiatry, occupational therapy, speech-language therapy, physical therapy and audiology services. There are already more than 20,000 emergency room visits for dental care each year in Minnesota. This will dramatically increase if people are denied less costly preventative dental care.

*Access to in-home care reduced for the elderly and persons with disabilities*

### ***Impacts on Persons with Disabilities and the Elderly***

- Approximately 2,100 Minnesotans with physical disabilities, chronic diseases, behavioral diagnoses and mental illness would no longer be provided with in-home assistive and support services like help with dressing, grooming, bathing, eating, toileting and mobility. Some number of senior Minnesotans would also be cut off from these services, but how many is still unknown.
- 6,600 Minnesotans with disabilities would have the number of hours they receive in-home assistive and support services reduced. Some number of senior Minnesotans would also have their hours of these services reduced, but how many is still unknown.
- 4,300 Minnesotans who have a disability or are elderly would no longer be eligible for home- and community-based waiver services, which allow them to access home-based healthcare services instead of needing to live in more expensive and confining institutionalized settings. This includes 1,100 seniors who would be cut off from Medical Assistance, one of the state's public health care programs. The Governor would change the eligibility rules for the waivers and limit the number of waivers available, thus also preventing Minnesotans in need of assistance from qualifying in the future. Thousands of eligible Minnesotans are already on waiting lists, as the waiver programs have been cut, limited or frozen since 2002.
- 16,000 Minnesotans with disabilities living in group residential housing would have their personal needs allowance reduced. These funds are used for discretionary spending, such as purchasing clothing. Some individuals would have their monthly allowance reduced from \$121 to \$89 per month, a drop of 26 percent.
- Approximately 7,700 families participating in the Minnesota Family Investment Program who have a disabled person in their household who receives Supplemental Security Income (SSI) would have their cash grant reduced by \$125 per month. Most of these families are headed by disabled parents who are unable to replace the lost assistance with earnings.

*Fewer cash resources for individuals with disabilities*

### ***Impacts on Students, Workers and Employers***

- 125 financial scholarships for child care providers would no longer be available to help them obtain a degree in early education.
- The Minnesota Boys and Girls Clubs would be able to help 24,000 fewer at-risk youth across the state explore career goals, secure employment opportunities, develop good work habits and prepare for the workforce through sound educational choices.
- Thousands of small business owners in Greater Minnesota would not have access to WomenVenture's microenterprise program. The Carlson School of Management determined that for every \$1 invested in this program, there is a return of \$13 in the economy.
- 200 fewer Minneapolis youth would get support for summer job placements and mentoring.

### ***Impacts on Services in Our Local Communities***

Governor Pawlenty recommends substantial reductions to state aid to local governments across Minnesota. This is not the first time cities and counties have seen a cut in state aid, but this new cut is leading local governments to consider important actions:

- Laying off employees (Counties across the state conservatively estimate they will lay off 1,500 staff).
- Not hiring for open positions. For example, Rochester may not hire additional police officers, Woodbury may not hire a building inspector, Ely and may not hire summer lifeguards.
- Reducing employee hours, instituting unpaid furloughs (Princeton and Austin), increasing employees' health care contributions or reducing benefits (Pine Island, Thief River Falls).
- Using up one-time fund balance transfers or reserves that may be needed to respond to emergencies or natural disasters.
- Selling equipment, such as squad cars (Truman).
- Reducing services, such as mosquito control, 4-H programs, and children's vision and hearing screenings.
- Reducing canine patrol (Anoka), snow plow services (White Bear Lake), the use of street lamps (Hartland and Cromwell), city pool hours (Dilworth, St. Cloud and Slayton), recycling (Blue Earth) and county fairs.
- Decreasing employee training and development, such as training for the fire department (Rush City).
- Increasing fees for building permits, athletic fields and streetlights (Ely, Farmington, and Richfield).

### ***Information Sources***

*This document compiles information from a number of sources, including AARP Minnesota, Affirmative Options Coalition, Association of Minnesota Counties, Boys and Girls Club of Minnesota, Child Care Resource and Referral Network, City of Minneapolis, Families USA, League of Minnesota Cities, Legal Services Advocacy Project, Minnesota Bar Association, Minnesota Council of Nonprofits, Minnesota Department of Employment & Economic Development, Minnesota Department of Human Services, Minnesota Disability Law Center, Minnesota Housing Partnership, MinnPost, Star Tribune and WomenVenture.*

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<sup>1</sup> "The Minnesota job gap: Eight workers for every opening," *MinnPost*, April 2, 2009.

<sup>2</sup> "The Uninsured: A Closer Look," Families USA, March 2009.

<sup>3</sup> "Slipping Through the State's Safety Net," *Star Tribune*, March 31, 2009.

<sup>4</sup> Affordable housing for low-income families: The impact of the recession and foreclosures in the Twin Cities." Wilder Research, December 2008.

<sup>5</sup> "Survey finds widespread anxiety about economy," Minnesota Public Radio, November 6, 2008.

<sup>6</sup> The Lost Decade: Taking a Closer Look at Minnesota's Public Investments in the 2000s," Minnesota Budget Project, December 2008.