



Governor Dayton's FY 2012-13 Supplemental Budget Focuses on Small Adjustments

Governor Mark Dayton's supplemental budget proposal makes small mid-course adjustments to the state's current budget for the FY 2012-13 biennium, increasing funding for job training and veterans' benefits, and undoing a few of the more damaging cuts made to health and human services last session. Dayton's proposal is budget neutral for the current biennium, adding \$44 million in general fund spending, but paying for the increased funding by raising an equal amount in revenues.

The Governor's supplemental budget recommendations will go to the Legislature for its consideration, although there is no requirement for policymakers to make any adjustments to the state's budget during this legislative session. The Governor and Legislature agreed on a budget for the current biennium last July, and the February forecast showed that the state's finances remain balanced for FY 2012-13.

This analysis highlights a few of the more significant recommendations made by the Governor to general fund spending for health and human services, jobs and economic development, veterans' affairs and taxes. His supplemental budget also proposes small adjustments in general fund spending for K-12 education, public safety and state government, as well as non-general fund spending changes for transportation, agriculture and environment, and energy and natural resources.¹

Harmful Health and Human Service Cuts Would Be Reversed

The Governor's supplemental budget proposes \$28 million in additional funding for health and human services in the current biennium, most of which would be used to reverse a few of the more damaging decisions made in 2011.

One controversial action the Governor addresses is to repeal a 20 percent pay cut to people who work as personal care attendants (PCA) for family members with disabilities. PCAs allow people with disabilities to remain in their communities and avoid institutional care. The pay cut raised concerns, especially in rural areas, that PCAs caring for relatives would have to find different jobs to support themselves, leaving their family members with no options for at-home care. A Ramsey County judge issued a temporary restraining order that has prevented this cut from being implemented. The Governor would officially reverse the cut, at a cost of \$6 million in the current biennium and \$33 million in FY 2014-15.

The supplemental budget would also restore dialysis and cancer treatment coverage under Emergency Medical Assistance (EMA). EMA provides health care coverage for qualifying non-citizens who face a medical emergency or suffer from a serious chronic health condition. Last year's budget agreement limited coverage to medical emergencies treated in an emergency room or hospital. The Governor's proposal would partially restore coverage for treating some non-emergency, but critical, health concerns at a cost of \$5 million in the current biennium and \$10 million in FY 2014-15. Coverage would not be restored for alcohol and drug treatment, mental health care, nursing home care, doctor and clinic visits and other non-emergency services.

The supplemental budget would make several other modest changes in the health and human services area, including restoring funds for Medical Education Research Costs (MERC), which pays health care providers to train medical students.

Investments in Job Training and Business Expansion

The Governor's supplemental budget would implement the jobs plan he released in January. His budget would expand the FastTRAC job training program by \$2 million in FY 2012-13, and provide \$10 million in one-time funds for the Minnesota Investment Fund for the current biennium. FastTRAC provides under-prepared adult workers with both the basic skills and career-specific training they need to qualify for better paying jobs. The Minnesota Investment Fund provides business expansion loans in industrial, manufacturing and technology-related businesses, supporting projects that have at least 50 percent private funding and meet job and wage targets.

The Governor's supplemental budget also includes a Jobs Now Tax Credit for businesses that hire an unemployed Minnesotan, veteran or recent graduate in 2012 or early 2013. For the business to qualify for the credit, new hires would need to stay employed for one year. The program's \$35 million cost would occur in the FY 2014-15 biennium.

Veterans' Access to Education and Training Expanded

The Governor's supplemental budget would expand the Minnesota GI Bill, making all veterans eligible for education benefits, not just those who served after September 11, 2001. His proposal would also allow GI Bill benefits to apply to apprenticeships and on-the-job training. These changes would cost \$900,000 in the current biennium and \$3 million in FY 2014-15. In addition, the Governor would increase funding for county veteran service offices, which help veterans and their families connect with available services.

New Spending is Paid For Through Tax Changes

The Governor pays for the spending increases through tax changes. His plan would raise \$40 million in FY 2012-13 by scaling back corporate tax reductions for companies with overseas activities. His plan also requires certain online retailers who operate outside of Minnesota to collect Minnesota sales taxes. These provisions, similar to ones proposed by Governor Dayton last year, would result in \$44 million in additional revenue in the FY 2012-13 biennium and \$120 million in FY 2014-15.

Policymakers Should Tread Cautiously in 2012 Legislative Session

Whatever budget agreement Governor Dayton and the Legislature reach this session, they would be wise to take a cautious approach. Budget surpluses in November and February have allowed the state to fully restore the cash flow account and budget reserve and begin to reverse school funding shifts. However, policymakers should recognize the importance of maintaining adequate levels of reserves to respond to economic changes. With the state facing a \$1.1 billion projected deficit in the FY 2014-15 biennium, it would be unwise to pass any budget proposals this session that would hurt our financial reserves or increase the size of that future shortfall.

¹This analysis is based on information from Governor Dayton's *2012 Supplemental Budget Recommendations*, released by Minnesota Management and Budget on March 12, 2012.