

Consequences The Impact of Minnesota's Government Budget Cuts

In the 2003 Legislative Session, Minnesota faced a serious budget deficit. The \$4.5 billion solution that policymakers passed for the 2004-05 biennium relied heavily on service cuts (\$2.1 billion) and shifts and transfers (\$1.7 billion), most notably from the Tobacco Endowment.

Although the agreement was made to address the deficit without raising state taxes, the state did raise \$738 million in general fund revenues through a patchwork of fee increases, higher copayments, and redirecting dedicated funding sources and fund balances. The \$738 million does not include the increased cost of tuition at the University of Minnesota or in the Minnesota State Colleges and Universities (MnSCU) system, nor increases in property taxes that may arise from the increased pressure on local governments caused by significant aid cuts.

Although the final impact of the 2003 budget choices is not yet known, initial information from state agencies, research organizations, community organizations, and the press demonstrates that the deficit solution has already had a serious, negative impact on the lives of Minnesotans. Some of the consequences of service cuts are compiled below.

There is more to come on this story. Some of the cuts increase in the second year of the biennium, and many of those responsible for implementing the cuts — in local governments and community agencies across the state — have been able to postpone the brunt of the impact through use of reserves or other one-time measures. Many expect the impact to be worse in 2004 and 2005 than what has been seen so far.

Families and Children

Minnesota's families face a range of budget impacts that make it more difficult to make ends meet and to provide high quality care for their children.

- 13,554 Minnesotans — including parents, children, pregnant women, and adults without children — are expected to lose their health coverage from one of the Minnesota health care programs (General Assistance Medical Care, Medical Assistance, and MinnesotaCare) in FY 2004. This number grows to 26,646 in FY 2005. Those who continue to have health care coverage will pay new copayments for most office visits, eyeglasses, and prescriptions. Families and individuals on MinnesotaCare with incomes above the poverty line have been assessed higher premiums.
- 1,200 Minnesota families lost their child care assistance as a result of a 50% cut in funding for the Basic Sliding Fee program. Those who continue to receive assistance face copayments that are an average of 57% higher for families of three or four — an additional \$936 a year for a family of four earning \$32,200. Nearly 8,000 families in 46 counties are on the waiting list for child care assistance — nearly double the number on waiting lists a year ago — and some families are told to expect to wait at least two years before receiving help.
- Among the consequences of cuts to the Minnesota Housing Finance Agency are that 450 fewer households will receive downpayment and closing cost assistance from the Homeownership Assistance Program and 300 fewer households will receive counseling to avoid foreclosure or training to become homeowners.
- An estimated 56,000 parents seeking help from the state in collecting owed child support will be charged new fees of 1% of the amount collected.
- Minnesotans will pay a range of new or increased fees relating to the judicial system for things such as parking fines, subpoenas, deposit of wills, and marriage licenses.
- Parents who learn how to ensure the healthy growth and development of their young children through the Early Childhood Family Education (ECFE) program face higher fees to participate.

- School groups visiting the State Capitol or Minnesota Zoo are now charged entrance fees.
- K-12 students will no longer have access to violence prevention programs in their schools funded by state Violence Prevention Grants, as this funding source has been eliminated.
- Funding cuts to the WIC program, which provides nutritious foods, nutrition counseling, and health care referrals, means that clinics are being closed, fewer women and children are being served, and less nutrition education is provided. Some people are now driving over 50 miles to receive their WIC vouchers, and waiting lists are increasing. Some increased demand is being shown among families with members in the Reserves or National Guard.
- A survey of public health departments reports reduced immunization rates in communities that can no longer afford to send immunization reminder notices. Lack of immunizations has repercussions beyond the health aspects — without up-to-date immunizations, children cannot enroll in Head Start, child care programs, or school.

Persons with Disabilities

While some have argued that everyone should help solve the budget deficit, the most vulnerable persons in our communities have been asked to pay for a large share of the budget solution.

- Fees have increased for parents who receive services that enable them to care for their disabled children in their own homes. These fee increases can be several thousand dollars a year. More than 300 families appear to have stopped receiving services due to increased fees.
- More than 6,800 low-income families with disabled family members participating in the Minnesota Family Investment Program (MFIP) have lost at least \$125 per month in assistance — a total of \$1,500 a year.
- Persons with diabetes who are covered by state-funded health programs no longer have coverage for testing strips, which they need to monitor their blood sugar and manage their insulin levels. This is expected to lead to serious, and more costly, complications.

Families and Individuals in Crisis

In a weak economy, many Minnesota families are just a paycheck away from serious hardship. Budget cuts have created holes in the safety net that help families weather a temporary setback.

- Cuts to the Emergency Services Program, which funds 26 emergency shelters and agencies serving the homeless, is expected to lead to hundreds more persons being turned away from shelters due to insufficient space (in addition to the 1,000 a night who already go unserved).
- Budget cuts to programs serving battered women, crime victims, victims of sexual assault, and abused children mean less access to services. Service providers in Greater Minnesota report that victims in some communities will need to travel long distances to get help.
- Legal Aid provides low-income people, the elderly, disabled persons, and children with civil legal services they could not otherwise afford. There has been a 32% reduction in the number of attorneys in Legal Aid programs since 2001, due to cuts from state funds and other sources.

Workers and Employers

Funding cuts and policy changes that make it more difficult to access education and training call into question whether Minnesota will retain the high quality workforce has been one of the keys to the state's economic success. In addition, many high quality jobs in both the nonprofit and government sector have been lost as a result of budget cuts.

- Fewer people will have access to high school diploma completion or workplace skills classes due to cuts in the Adult Basic Education program, while those who can participate will be assessed higher fees.
- Workers seeking to enhance their skills will be hurt by cuts in financial aid and higher tuition and fees. For example, students in the MnSCU system face an average increase of 12.2%, or \$372, in their tuition and fees in FY 2004.

- Low-income workers wanting to enter the health care field no longer will be able to do so through the Health Care and Human Services Worker Training Program, which was cancelled despite a worker shortage in health professions.
- Parents participating in the Minnesota Family Investment Program will no longer have access to education and training unless they are already working 20 hours a week.
- In a survey of nonprofit organizations impacted by government funding changes, 72% of respondents had made staffing changes (layoffs, leaving positions unfilled, and cutting back hours) in 2003. 60% of respondents cited state budget cuts as a contributing factor in staffing changes, and 31% said local budget cuts played a role. Unemployment Insurance claims filed by nonprofit workers were up 3.5% in January 2004 compared to one year ago, and up 7.8% from two years ago.
- In a survey of cities, 26% of those responding had reduced the size of their workforce.
- Businesses face a range of increased fees, including for fire marshal hotel/motel inspections, boiler licenses, and food handler inspection fees.

Students

Education and training is an important element in creating our future workforce. But budget cutbacks could close off opportunities to students as the price of admission climbs higher.

- High school students striving for academic excellence through Advanced Placement and International Baccalaureate face higher fees for participation in these programs.
- Students in the University of Minnesota and Minnesota State Colleges and Universities systems will see double-digit tuition increases in each of the next two years.
- All 58,760 Minnesota students eligible for financial aid from the Minnesota State Grant program will have their grants reduced, some receiving reductions of several thousand dollars. Around 9,000 students will lose all financial aid in FY 2004.

At-Risk Youth and Children

Government funding to community organizations helps make it possible to assist children who have been victimized or are at risk of abuse, or to intervene with kids who have made mistakes and help them get things straight while they are still young. Many of the critical prevention and intervention programs for this vulnerable population were impacted by budget cuts.

- Young people who are struggling with academic success and/or have been involved with the criminal justice system will no longer be able to attend community programs funded by After School Enrichment Grants. Several programs receiving this funding have closed, while others have eliminated meals and snacks or transportation.
- Funding from the Tobacco Endowment for programs to prevent use of tobacco among youth was eliminated. Between 2000 and 2002, these programs stopped 13,800 Minnesota kids from becoming addicted to tobacco.
- Hundreds of children no longer will receive extra school and behavioral assistance due to cutbacks in the Foster Grandparents program.
- In a survey of local public health departments, the majority of respondents noted that budget cuts have meant cuts in family home visiting, including prenatal and new baby visits. Prevention and early intervention services for youth and families have also been reduced or eliminated.

Immigrants and Refugees

In the coming decades, New Minnesotans will become an increasingly critical component of the state's workforce. However, budget cuts impacted programs that prepare these populations for their role in our changing economy.

- Fewer people will be able to access English as a Second Language (ESL) and citizenship classes due to cuts in Adult Basic Education, while those who can participate will pay higher fees.

- About 4,000 immigrants have lost their health care coverage through General Assistance Medical Care. Some have life-threatening illnesses such as drug-resistant tuberculosis or cancer, or are in need of transplants.

Minnesota's Communities

State budget cuts, including reductions to local governments, are eroding some of the services and amenities that make Minnesota a great place to live and work.

- State aid to cities and counties were cut by 24% for the 2004-05 biennium. In a survey of cities, 32% of those responding had reduced infrastructure spending in 2003 and 23% had reduced public safety spending. More than half are contemplating additional cuts in these areas in 2004. In a survey of counties, those responding indicated that they would be offering a lower level of service to their citizens, including longer waits and less contact with county staff.
- In a survey, local public health departments expressed concern that they no longer have any kind of cushion to address potential crises, such as blizzards, floods, or an outbreak of disease such as SARS or influenza.
- Libraries across the state have reduced staff and cut back on services, and some branches have closed altogether.
- State funding for the arts was reduced, despite a recent survey that showed that 94% of Minnesotans believe that “the arts and cultural activities make Minnesota an attractive place to live and work,” and 67% of Twin Cities residents in another survey said they supported government funding for the arts. In a survey of nonprofits impacted by government budget cuts, 66% of arts organizations responding said they had made staffing changes in the last year, and 50% of the reported staffing reductions were actual lay-offs. State funding cuts was the most commonly cited reason for the staffing reductions. Programs and services in the arts are being cut back in all parts of the state.
- Minnesotans will pay higher fees to enjoy Minnesota's environment, with increased costs for licenses and camping fees.

Seniors

Minnesota's seniors have spent their lives contributing to the state's quality of life. As they age, many find they need some additional help in living independently. Unfortunately, these programs were also victims of budget cuts.

- The policy that allows the state to place liens on the property of seniors using the Alternative Care program has caused a 25% reduction in the number of people served by the program, which offers housekeeping, transportation, and other assistance to help seniors to stay in their homes. Of those dropping out of the program, 10% went into nursing homes, which cost more than five times more than the Alternative Care program.
- Fewer vulnerable seniors will benefit from the Senior Companion program, through which active seniors help the frail and elderly stay in their own homes and communities.

Information Sources

This document compiles information from a number of sources, including Affirmative Options Coalition, Association of Minnesota Counties, Children's Defense Fund-Minnesota and Child Care WORKS, House Fiscal Analysis, Housing Minnesota, League of Minnesota Cities, Lutheran Social Service, Minnesota Citizens for the Arts, Minnesota Council of Nonprofits, Minnesota Department of Employment & Economic Development, Minnesota Department of Health, Minnesota Department of Human Services, Minnesota Higher Education Services Office, Minnesota Library Association, Minnesota News Connection, Minnesota Public Radio, and Star Tribune.