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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 3043

04/30/2012 Authored by Hortman, Mariani, Slawik, Winkler, Laine and others

The bill was read for the first time and referred to the Committee on Health and Human Services Reform

1.1 A bill for an act
1.2 relating to human services; creating the Family Economic Security Act;
1.3 increasing minimum wage rates; modifying child care assistance; providing a
1.4 new child care tax credit; expanding the working family tax credit; appropriating
1.5 money; amending Minnesota Statutes 2010, sections 119B.02, subdivisions 1,
1.6 2; 119B.03, subdivision 9; 119B.035, subdivision 1; 119B.05, subdivision 1;
1.7 119B.08, subdivision 3; 119B.09, subdivisions 1, 4a; 119B.231, subdivision
1.8 5; 177.24, subdivision 1; 256.017, subdivision 9; Minnesota Statutes 2011
1.9 Supplement, section 290.0671, subdivision 1; proposing coding for new law in
1.10 Minnesota Statutes, chapter 290; repealing Minnesota Statutes 2010, sections
1.11 119B.011, subdivision 20a; 119B.03, subdivisions 1, 2, 4, 5, 6, 6a, 6b, 8;
1.12 119B.09, subdivision 3.

1.13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.14 ARTICLE 1

1.15 FAMILY ECONOMIC SECURITY ACT

1.16 Section 1. CITATION.

1.17 Sections 2 to 12 may be cited as the "Family Economic Security Act."

1.18 Sec. 2. Minnesota Statutes 2010, section 119B.02, subdivision 1, is amended to read:

1.19 Subdivision 1. **Child care services.** The commissioner shall develop standards
1.20 for county and human services boards to provide child care services to enable eligible
1.21 families to participate in employment, training, or education programs. ~~Within the limits~~
1.22 ~~of available appropriations,~~ The commissioner shall distribute money to counties to
1.23 reduce the costs of child care for eligible families. The commissioner shall adopt rules to
1.24 govern the program in accordance with this section. The rules must establish a sliding
1.25 schedule of fees for parents receiving child care services. The rules shall provide that
1.26 funds received as a lump-sum payment of child support arrearages shall not be counted

as income to a family in the month received but shall be prorated over the 12 months following receipt and added to the family income during those months. The commissioner shall maximize the use of federal money under title I and title IV of Public Law 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, and other programs that provide federal or state reimbursement for child care services for low-income families who are in education, training, job search, or other activities allowed under those programs. Money appropriated under this section must be coordinated with the programs that provide federal reimbursement for child care services to accomplish this purpose. Federal reimbursement obtained must be allocated to the county that spent money for child care that is federally reimbursable under programs that provide federal reimbursement for child care services. The counties shall use the federal money to expand child care services. The commissioner may adopt rules under chapter 14 to implement and coordinate federal program requirements.

Sec. 3. Minnesota Statutes 2010, section 119B.03, subdivision 9, is amended to read:

Subd. 9. **Portability pool Family move; continued participation.** (a) ~~The commissioner shall establish a pool of up to five percent of the annual appropriation for the basic sliding fee program to provide continuous child care assistance for eligible families who move between Minnesota counties. At the end of each allocation period, any unspent funds in the portability pool must be used for assistance under the basic sliding fee program. If expenditures from the portability pool exceed the amount of money available, the reallocation pool must be reduced to cover these shortages.~~

~~(b) To be eligible for portable basic sliding fee assistance, a family that has moved from a county in which it~~ A family receiving child care assistance under the child care fund that has moved from a county in which the family was receiving basic sliding fee child care assistance to a county with a waiting list for the basic sliding fee program must be admitted into the receiving county's child care assistance program if the family:

~~(1) meet~~ meets the income and eligibility guidelines for the ~~basic sliding fee child care assistance~~ program; and

~~(2) notify~~ notifies the new county of residence within 60 days of moving and ~~submit~~ submits information to the new county of residence to verify eligibility for the ~~basic sliding fee child care assistance~~ program.

~~(c)~~ (b) The receiving county must:

~~(1) accept administrative responsibility for applicants for portable basic sliding fee assistance at the end of the two months of assistance under the Unitary Residency Act;~~

3.1 ~~(2) continue basic sliding fee assistance for the lesser of six months or until the~~
3.2 ~~family is able to receive assistance under the county's regular basic sliding program; and~~
3.3 ~~(3) notify the commissioner through the quarterly reporting process of any family~~
3.4 ~~that meets the criteria of the portable basic sliding fee assistance pool.~~

3.5 Sec. 4. Minnesota Statutes 2010, section 119B.035, subdivision 1, is amended to read:

3.6 Subdivision 1. **Establishment.** A family in which a parent provides care for the
3.7 family's infant child may receive a subsidy in lieu of assistance if the family is eligible for
3.8 or is receiving assistance under the basic sliding fee program. An eligible family must
3.9 meet the eligibility factors under section 119B.09, except as provided in subdivision 4,
3.10 and the requirements of this section. Subject to federal match and maintenance of effort
3.11 requirements for the child care and development fund, ~~and up to available appropriations,~~
3.12 the commissioner shall provide assistance under the at-home infant child care program
3.13 and for administrative costs associated with the program. At the end of a fiscal year, the
3.14 commissioner may carry forward any unspent funds under this section to the next fiscal
3.15 year within the same biennium for assistance under the basic sliding fee program.

3.16 Sec. 5. Minnesota Statutes 2010, section 119B.08, subdivision 3, is amended to read:

3.17 Subd. 3. **Child care fund plan.** The county and designated administering agency
3.18 shall submit a biennial child care fund plan to the commissioner. The commissioner shall
3.19 establish the dates by which the county must submit the plans. The plan shall include:

3.20 (1) a description of strategies to coordinate and maximize public and private
3.21 community resources, including school districts, health care facilities, government
3.22 agencies, neighborhood organizations, and other resources knowledgeable in early
3.23 childhood development, in particular to coordinate child care assistance with existing
3.24 community-based programs and service providers including child care resource and
3.25 referral programs, early childhood family education, school readiness, Head Start, local
3.26 interagency early intervention committees, special education services, early childhood
3.27 screening, and other early childhood care and education services and programs to the
3.28 extent possible, to foster collaboration among agencies and other community-based
3.29 programs that provide flexible, family-focused services to families with young children
3.30 and to facilitate transition into kindergarten. The county must describe a method by which
3.31 to share information, responsibility, and accountability among service and program
3.32 providers;

3.33 (2) a description of procedures and methods to be used to make copies of the
3.34 proposed state plan reasonably available to the public, including members of the public

particularly interested in child care policies such as parents, child care providers, culturally specific service organizations, child care resource and referral programs, interagency early intervention committees, potential collaborative partners and agencies involved in the provision of care and education to young children, and allowing sufficient time for public review and comment; and

(3) information as requested by the department to ensure compliance with the child care fund statutes and rules promulgated by the commissioner.

The commissioner shall notify counties within 90 days of the date the plan is submitted whether the plan is approved or the corrections or information needed to approve the plan. The commissioner shall withhold ~~a county's allocation until it has an approved plan. Plans not approved by the end of the second quarter after the plan is due may result in a 25 percent reduction in allocation. Plans not approved by the end of the third quarter after the plan is due may result in a 100 percent reduction in the allocation to the county~~ payments to a county until it has an approved plan. Counties are to maintain services despite any ~~reduction in their allocation~~ withholding of payments due to plans not being approved.

Sec. 6. Minnesota Statutes 2010, section 119B.09, subdivision 1, is amended to read:

Subdivision 1. **General eligibility requirements for all applicants for child care assistance.** (a) Child care services must be available to families who need child care to find or keep employment or to obtain the training or education necessary to find employment and who:

(1) have household income less than or equal to ~~67~~ 76 percent of the state median income, adjusted for family size, and meet the requirements of section 119B.05; receive MFIP assistance; and are participating in employment and training services under chapter 256J; or

(2) have household income less than or equal to 47 percent of the state median income, adjusted for family size, at program entry and less than or equal to ~~67~~ 76 percent of the state median income, adjusted for family size, at program exit.

(b) Child care services must be made available as in-kind services.

(c) All applicants for child care assistance and families currently receiving child care assistance must be assisted and required to cooperate in establishment of paternity and enforcement of child support obligations for all children in the family as a condition of program eligibility. For purposes of this section, a family is considered to meet the requirement for cooperation when the family complies with the requirements of section 256.741.

Sec. 7. Minnesota Statutes 2010, section 119B.09, subdivision 4a, is amended to read:

Subd. 4a. **Temporary ineligibility of military personnel.** Counties must reserve a family's position under the child care assistance fund if a family has been receiving child care assistance but is temporarily ineligible for assistance due to increased income from active military service. Activated military personnel may be temporarily ineligible until deactivation. ~~A county must reserve a military family's position on the basic sliding fee waiting list under the child care assistance fund if a family is approved to receive child care assistance and reaches the top of the waiting list but is temporarily ineligible for assistance.~~

Sec. 8. Minnesota Statutes 2010, section 177.24, subdivision 1, is amended to read:

Subdivision 1. **Amount.** (a) For purposes of this subdivision, the terms defined in this paragraph have the meanings given them.

(1) "Large employer" means an enterprise whose annual gross volume of sales made or business done is not less than \$625,000 (exclusive of excise taxes at the retail level that are separately stated) and covered by the Minnesota Fair Labor Standards Act, sections 177.21 to 177.35.

(2) "Small employer" means an enterprise whose annual gross volume of sales made or business done is less than \$625,000 (exclusive of excise taxes at the retail level that are separately stated) and covered by the Minnesota Fair Labor Standards Act, sections 177.21 to 177.35.

(b) Except as otherwise provided in sections 177.21 to 177.35, every large employer must pay each employee wages at a rate of at least ~~\$5.15 an hour beginning September 1, 1997, and at a rate of at least \$6.15 an hour beginning August 1, 2005~~ \$9.50 an hour beginning September 1, 2012. Every small employer must pay each employee at a rate of at least ~~\$4.90 an hour beginning January 1, 1998, and at a rate of at least \$5.25 an hour beginning August 1, 2005~~ \$8.25 an hour beginning September 1, 2012.

(c) Notwithstanding paragraph (b), during the first 90 consecutive days of employment, an employer may pay an employee under the age of 20 years a wage of ~~\$4.90~~ at least \$7.50 an hour beginning September 1, 2012. No employer may take any action to displace any employee, including a partial displacement through a reduction in hours, wages, or employment benefits, in order to hire an employee at the wage authorized in this paragraph.

Sec. 9. Minnesota Statutes 2011 Supplement, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An individual is allowed a credit against the tax imposed by this chapter equal to a percentage of earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code.

(b) For individuals with no qualifying children, the credit equals ~~1.9125~~ 2.16 percent of the first \$4,620 of earned income. The credit is reduced by ~~1.9125~~ 2.16 percent of earned income or adjusted gross income, whichever is greater, in excess of \$5,770, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals ~~8.5~~ 9.6 percent of the first \$6,920 of earned income and ~~8.5~~ 9.6 percent of earned income over \$12,080 but less than \$13,450. The credit is reduced by ~~5.73~~ 6.47 percent of earned income or adjusted gross income, whichever is greater, in excess of \$15,080, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals ~~ten~~ 11.3 percent of the first \$9,720 of earned income and ~~20~~ 22.6 percent of earned income over \$14,860 but less than \$16,800. The credit is reduced by ~~10.3~~ 11.6 percent of earned income or adjusted gross income, whichever is greater, in excess of \$17,890, but in no case is the credit less than zero.

(e) For a nonresident or part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(f) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, including income excluded under section 290.01, subdivision 19b, clause (9) or (15), the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income. For purposes of this paragraph, the subtractions for military pay under section 290.01, subdivision 19b, clauses (10) and (11), are not considered "earned income not subject to tax under this chapter."

For the purposes of this paragraph, the exclusion of combat pay under section 112 of the Internal Revenue Code is not considered "earned income not subject to tax under this chapter."

(g) For tax years beginning after December 31, 2007, and before December 31, 2010, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$3,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2008, the commissioner shall annually adjust the \$3,000 by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B), the word "2007" shall be substituted for the word "1992." For 2009,

the commissioner shall then determine the percent change from the 12 months ending on August 31, 2007, to the 12 months ending on August 31, 2008, and in each subsequent year, from the 12 months ending on August 31, 2007, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

(h) For tax years beginning after December 31, 2010, and before January 1, 2012, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$5,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2010, and before January 1, 2012, the commissioner shall annually adjust the \$5,000 by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B), the word "2008" shall be substituted for the word "1992." For 2011, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2008, to the 12 months ending on August 31, 2010. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

(i) The commissioner shall construct tables showing the amount of the credit at various income levels and make them available to taxpayers. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transition between income brackets.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2011.

Sec. 10. **[290.0682] CHILD CREDIT.**

Subdivision 1. Credit allowed. (a) An individual may claim a credit against the tax due under this chapter in an amount equal to 50 percent of the child credit for the taxable year for which the individual is eligible under section 24 of the Internal Revenue Code.

(b) For a nonresident or part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

Subd. 2. Credit refundable. If the amount of credit which the individual is eligible to receive under this section exceeds the individual's liability for tax under this chapter, the commissioner shall refund the excess to the claimant.

8.1 Subd. 3. **Appropriation.** An amount sufficient to pay the refunds required by this
8.2 section is appropriated to the commissioner from the general fund.

8.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
8.4 December 31, 2011.

8.5 Sec. 11. **DIRECTION TO COMMISSIONER OF MANAGEMENT AND**
8.6 **BUDGET.**

8.7 The state obligation for the basic sliding fee child care assistance program under
8.8 Minnesota Statutes, section 119B.03, must be included in the Department of Management
8.9 and Budget February and November forecast of state revenues and expenditures under
8.10 Minnesota Statutes, section 16A.103, beginning with the November 2012 forecast.

8.11 Sec. 12. **REPEALER.**

8.12 Minnesota Statutes 2010, sections 119B.03, subdivisions 1, 2, 4, 5, 6, 6a, 6b, and 8;
8.13 and 119B.09, subdivision 3, are repealed.

8.14 **ARTICLE 2**

8.15 **CONFORMING CHANGES**

8.16 Section 1. Minnesota Statutes 2010, section 119B.02, subdivision 2, is amended to read:

8.17 Subd. 2. **Contractual agreements with tribes.** The commissioner may enter into
8.18 contractual agreements with a federally recognized Indian tribe with a reservation in
8.19 Minnesota to carry out the responsibilities of county human service agencies to the extent
8.20 necessary for the tribe to operate child care assistance programs under sections 119B.03
8.21 and 119B.05. An agreement may allow for the tribe to be reimbursed for child care
8.22 assistance services provided under section 119B.05. The commissioner shall consult with
8.23 the affected county or counties in the contractual agreement negotiations, if the county or
8.24 counties wish to be included, in order to avoid the duplication of county and tribal child
8.25 care services. Funding to support services under section 119B.03 may be transferred to
8.26 the federally recognized Indian tribe with a reservation in Minnesota from allocations
8.27 available to counties in which reservation boundaries lie. ~~When funding is transferred~~
8.28 ~~under section 119B.03, the amount shall be commensurate to estimates of the proportion~~
8.29 ~~of reservation residents with characteristics identified in section 119B.03, subdivision 6, to~~
8.30 ~~the total population of county residents with those same characteristics.~~

8.31 Sec. 2. Minnesota Statutes 2010, section 119B.05, subdivision 1, is amended to read:

9.1 Subdivision 1. **Eligible participants.** Families eligible for child care assistance
9.2 under the MFIP child care program are:

9.3 (1) MFIP participants who are employed or in job search and meet the requirements
9.4 of section 119B.10;

9.5 (2) persons who are members of transition year families under section 119B.011,
9.6 subdivision 20, and meet the requirements of section 119B.10;

9.7 (3) families who are participating in employment orientation or job search, or
9.8 other employment or training activities that are included in an approved employability
9.9 development plan under section 256J.95;

9.10 (4) MFIP families who are participating in work job search, job support,
9.11 employment, or training activities as required in their employment plan, or in appeals,
9.12 hearings, assessments, or orientations according to chapter 256J;

9.13 (5) MFIP families who are participating in social services activities under chapter
9.14 256J as required in their employment plan approved according to chapter 256J;

9.15 (6) families who are participating in services or activities that are included in an
9.16 approved family stabilization plan under section 256J.575; and

9.17 (7) families who are participating in programs as required in tribal contracts under
9.18 section 119B.02, subdivision 2, or 256.01, subdivision 2; and

9.19 ~~(8) families who are participating in the transition year extension under section~~
9.20 ~~119B.011, subdivision 20a.~~

9.21 Sec. 3. Minnesota Statutes 2010, section 119B.231, subdivision 5, is amended to read:

9.22 Subd. 5. **Relationship to current law.** (a) The following provisions in chapter 119B
9.23 must be waived or modified for families receiving services under this section.

9.24 (b) Notwithstanding section 119B.13, subdivisions 1 and 1a, maximum weekly rates
9.25 under this section are 125 percent of the existing maximum weekly rate for like-care.
9.26 Providers eligible for a differential rate under section 119B.13, subdivision 3a, remain
9.27 eligible for the differential above the rate identified in this section. Only care for children
9.28 who have not yet entered kindergarten may be paid at the maximum rate under this
9.29 section. The provider's charge for service provided through an SRSA may not exceed the
9.30 rate that the provider charges a private-pay family for like-care arrangements.

9.31 (c) A family or child care provider may not be assessed an overpayment for care
9.32 provided through an SRSA unless:

9.33 (1) there was an error in the amount of care authorized for the family; or

9.34 (2) the family or provider did not timely report a change as required under the law.

9.35 (d) Care provided through an SRSA is authorized on a weekly basis.

10.1 (e) ~~Funds appropriated under this section to serve families eligible under section~~
10.2 ~~119B.03 are not allocated through the basic sliding fee formula under section 119B.03.~~
10.3 Funds appropriated under this section are used to offset increased costs when payments
10.4 are made under SRSA's.

10.5 (f) Notwithstanding section 119B.09, subdivision 6, the maximum amount of child
10.6 care assistance that may be authorized for a child receiving care through an SRSA in a
10.7 two-week period is 160 hours per child.

10.8 (g) Effective May 23, 2008, absent day payment limits under section 119B.13,
10.9 subdivision 7, do not apply to children for care paid through SRSA's provided the family
10.10 remains eligible under subdivision 3.

10.11 Sec. 4. Minnesota Statutes 2010, section 256.017, subdivision 9, is amended to read:

10.12 Subd. 9. **Timing and disposition of penalty and case disallowance funds.** Quality
10.13 control case penalty and administrative penalty amounts shall be disallowed or withheld
10.14 from the next regular reimbursement made to the county agency for state and federal
10.15 benefit reimbursements and federal administrative reimbursements for all programs
10.16 covered in this section, according to procedures established in statute, but shall not be
10.17 imposed sooner than 30 calendar days from the date of written notice of such penalties.
10.18 Except for penalties withheld under the child care assistance program, all penalties
10.19 must be deposited in the county incentive fund provided in section 256.018. Penalties
10.20 withheld under the child care assistance program shall be reallocated to counties ~~using the~~
10.21 ~~allocation formula under section 119B.03, subdivision 5.~~ All penalties must be imposed
10.22 according to this provision until a decision is made regarding the status of a written
10.23 exception. Penalties must be returned to county agencies when a review of a written
10.24 exception results in a decision in their favor.

10.25 Sec. 5. **REPEALER.**

10.26 Minnesota Statutes 2010, section 119B.011, subdivision 20a, is repealed.

APPENDIX
Article locations in 12-5917

ARTICLE 1 FAMILY ECONOMIC SECURITY ACT Page.Ln 1.14
ARTICLE 2 CONFORMING CHANGES Page.Ln 8.14