

SENATE
STATE OF MINNESOTA
EIGHTY-SEVENTH LEGISLATURE

S.F. No. 1328

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| DATE | D-PG | OFFICIAL STATUS |
|------------|------|---|
| 04/28/2011 | 1448 | Introduction and first reading Referred to Health and Human Services |

A bill for an act

relating to welfare reform; enabling low-income workers to meet basic needs; reducing welfare costs to taxpayers; providing child care assistance to low-income workers; increasing working family tax credit; increasing minimum wage; reestablishing the Minnesota emergency employment development program; appropriating money; amending Minnesota Statutes 2010, sections 119B.02, subdivisions 1, 2; 119B.03, subdivisions 3, 9, 10; 119B.035, subdivisions 1, 2, 4, 5; 119B.05, subdivision 5; 119B.08, subdivision 3; 119B.09, subdivisions 4a, 7; 119B.10; 119B.11, subdivision 1; 119B.12, subdivision 2; 119B.13, subdivision 1; 119B.15; 119B.24; 177.24, subdivision 1; 290.0671, subdivision 1; repealing Minnesota Statutes 2010, sections 119B.011, subdivisions 20, 20a; 119B.03, subdivisions 1, 2, 4, 5, 6, 6a, 6b, 8; 119B.05, subdivision 1; 119B.07; 119B.09, subdivision 3; 119B.11, subdivision 4; 290.0671, subdivision 7.

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

ARTICLE 1

FINDINGS

Section 1. FINDINGS.

(a) At this time of economic crisis, a growing number of Minnesotans are struggling to make ends meet. More than one in ten Minnesotans lives in poverty, and three in ten are struggling to meet basic needs. Some workers cannot afford housing and go from their jobs to a homeless shelter at night.

(b) Because low-income people frequently need government assistance to feed their families, the most effective welfare reform is to help Minnesota workers succeed in the economy. This includes ensuring that there are jobs available to them, they have access to affordable child care, and that, through higher wages and an increase in the working family tax credit, they are able to afford basic needs. The welfare reform would

improve the lives of those workers and their families, boost their productivity, improve the economy, and reduce financial assistance costs for the state.

ARTICLE 2

CHILD CARE ASSISTANCE CONSOLIDATION

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

Subdivision 1. **Child care services.** The commissioner shall develop standards for county and human services boards to provide child care services to enable eligible families to participate in employment, training, or education programs. ~~Within the limits of available appropriations,~~ The commissioner shall distribute money to counties to reduce the costs of child care for eligible families. The commissioner shall adopt rules to govern the program in accordance with this section. The rules must establish a sliding schedule of fees for parents receiving child care services. The rules shall provide that 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~~ commissioner 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. 2. Minnesota Statutes 2010, section 119B.02, subdivision 2, is amended to read:

Subd. 2. **Contractual agreements with tribes.** The commissioner may enter into contractual agreements with a federally recognized Indian tribe with a reservation in Minnesota to carry out the responsibilities of county human service agencies to the extent necessary for the tribe to operate child care assistance programs for families eligible under sections ~~119B.03~~ 119B.09 and ~~119B.05~~ 119B.10. An agreement may allow for the tribe to be reimbursed for child care assistance services provided under ~~section 119B.05~~ this chapter. The commissioner shall consult with the affected county or counties in the

contractual agreement negotiations, if the county or counties wish to be included, in order to avoid the duplication of county and tribal child care services. ~~Funding to support services under section 119B.03 may be transferred to the federally recognized Indian tribe with a reservation in Minnesota from allocations available to counties in which reservation boundaries lie. When funding is transferred under section 119B.03, the amount shall be commensurate to estimates of the proportion of reservation residents with characteristics identified in section 119B.03, subdivision 6, to the total population of county residents with those same characteristics.~~

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

Subd. 3. **Eligible participants.** Families that meet the eligibility requirements under sections ~~119B.07, 119B.09, and 119B.10, except MFIP participants, diversionary work program, and transition year families~~ are eligible for child care assistance under the basic sliding fee child care assistance program. Families enrolled in the ~~basic sliding fee~~ child care assistance program shall be continued until they are no longer eligible. Child care assistance provided through the child care fund is considered assistance to the parent.

Sec. 4. 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 another 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:

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4.1 ~~(1) accept administrative responsibility for applicants for portable basic sliding fee~~
4.2 ~~assistance at the end of the two months of assistance under the Unitary Residency Act;~~
4.3 ~~(2) continue basic sliding fee assistance for the lesser of six months or until the~~
4.4 ~~family is able to receive assistance under the county's regular basic sliding program; and~~
4.5 ~~(3) notify the commissioner through the quarterly reporting process of any family~~
4.6 ~~that meets the criteria of the portable basic sliding fee assistance pool.~~

4.7 Sec. 5. Minnesota Statutes 2010, section 119B.03, subdivision 10, is amended to read:

4.8 Subd. 10. **Application; entry points.** Two or more methods of applying for the
4.9 ~~basic sliding fee~~ child care assistance program under this chapter must be available to
4.10 applicants in each county. To meet the requirements of this subdivision, a county may
4.11 provide alternative methods of applying for assistance, including, but not limited to, a mail
4.12 application, or application sites that are located outside of government offices.

4.13 Sec. 6. Minnesota Statutes 2010, section 119B.035, subdivision 1, is amended to read:

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

4.25 Sec. 7. Minnesota Statutes 2010, section 119B.035, subdivision 2, is amended to read:

4.26 Subd. 2. **Eligible families.** A family with an infant under the age of one year is
4.27 eligible for assistance if:

4.28 (1) the family is not receiving MFIP, other cash assistance, or other child care
4.29 assistance;

4.30 (2) the family has not previously received a lifelong total of 12 months of assistance
4.31 under this section; and

(3) the family is participating in the ~~basic sliding fee~~ child care assistance program or provides verification of participating in an authorized activity at the time of application and meets the program requirements.

Sec. 8. Minnesota Statutes 2010, section 119B.035, subdivision 4, is amended to read:

Subd. 4. **Assistance.** (a) A family is limited to a lifetime total of 12 months of assistance under subdivision 2. The maximum rate of assistance is equal to 90 percent of the rate established under section 119B.13 for care of infants in licensed family child care in the applicant's county of residence.

(b) A participating family must report income and other family changes as specified in the county's plan under section 119B.08, subdivision 3.

(c) Persons who are admitted to the at-home infant child care program retain their position in any ~~basic sliding fee~~ child care assistance program. Persons leaving the at-home infant child care program reenter the ~~basic sliding fee~~ child care assistance program at the position they would have occupied.

(d) Assistance under this section does not establish an employer-employee relationship between any member of the assisted family and the county or state.

Sec. 9. Minnesota Statutes 2010, section 119B.035, subdivision 5, is amended to read:

Subd. 5. **Implementation.** The commissioner shall implement the at-home infant child care program under this section through counties that administer the ~~basic sliding fee~~ child care assistance program under ~~section 119B.03~~ this chapter. The commissioner must develop and distribute consumer information on the at-home infant child care program to assist parents of infants or expectant parents in making informed child care decisions.

Sec. 10. Minnesota Statutes 2010, section 119B.05, subdivision 5, is amended to read:

Subd. 5. **Federal reimbursement.** Counties and the state shall maximize their federal reimbursement under federal reimbursement programs for money spent for persons eligible under this chapter. The commissioner shall allocate any federal earnings to the county to be used to expand child care services under this chapter.

Sec. 11. Minnesota Statutes 2010, section 119B.08, subdivision 3, is amended to read:

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

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

(2) a description of procedures and methods to be used to make copies of the 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. 12. 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. 13. Minnesota Statutes 2010, section 119B.09, subdivision 7, is amended to read:

Subd. 7. **Date of eligibility for assistance.** (a) The date of eligibility for child care assistance under this chapter is the later of the date the application was signed; the beginning date of employment, education, or training; or the date the infant is born for applicants to the at-home infant care program; ~~or the date a determination has been made that the applicant is a participant in employment and training services under Minnesota Rules, part 3400.0080, or chapter 256J.~~

(b) Payment ceases for a family under the at-home infant child care program when a family has used a total of 12 months of assistance as specified under section 119B.035. ~~Payment of child care assistance for employed persons on MFIP is effective the date of employment or the date of MFIP eligibility, whichever is later. Payment of child care assistance for MFIP or DWP participants in employment and training services is effective the date of commencement of the services or the date of MFIP or DWP eligibility, whichever is later. Payment of child care assistance for transition year child care must be made retroactive to the date of eligibility for transition year child care.~~

(c) Notwithstanding paragraph (b), payment of child care assistance for participants eligible under section 119B.05 may only be made retroactive for a maximum of six months from the date of application for child care assistance.

Sec. 14. Minnesota Statutes 2010, section 119B.10, is amended to read:

119B.10 EMPLOYMENT OR TRAINING ELIGIBILITY.

Subdivision 1. **Assistance for persons seeking and retaining employment.** (a) Persons who are seeking employment and who are eligible for assistance under this ~~section~~ chapter are eligible to receive up to 240 hours of child care assistance per calendar year.

(b) Employed persons who work at least an average of 20 hours and full-time students who work at least an average of ten hours a week and receive at least a minimum wage for all hours worked are eligible for continued child care assistance for employment. For purposes of this section, work-study programs must be counted as employment. Child care assistance during employment must be authorized as provided in paragraphs (c) and (d).

(c) When the person works for an hourly wage and the hourly wage is equal to or greater than the applicable minimum wage, child care assistance shall be provided for the actual hours of employment, break, and mealtime during the employment and travel time up to two hours per day.

(d) When the person does not work for an hourly wage, child care assistance must be provided for the lesser of:

(1) the amount of child care determined by dividing gross earned income by the applicable minimum wage, up to one hour every eight hours for meals and break time, plus up to two hours per day for travel time; or

(2) the amount of child care equal to the actual amount of child care used during employment, including break and mealtime during employment, and travel time up to two hours per day.

Subd. 1a. Assistance for persons participating in employment plan. The following persons are also eligible for child care assistance:

(1) persons who are participating in employment orientation or job search, or other employment or training activities that are included in an approved employability development plan under chapter 256K;

(2) persons who are participating in work, job search, job support, employment, or training activities as required in their job search support or employment plan or in appeals, hearings, assessments, or orientations according to chapter 256J;

(3) persons who are participating in social services activities under chapter 256J or 256K as required in their employment plan approved according to chapter 256J or 256K; and

(4) families who are participating in programs as required in tribal contracts under section 119B.02, subdivision 2, or 256.01, subdivision 2.

Subd. 2. Financial eligibility required. Persons participating in employment programs, training programs, or education programs are eligible for continued assistance from the child care fund, if they are financially eligible under the sliding fee scale set by the commissioner in section 119B.12.

Subd. 3. Child care assistance during education. (a) The following persons are eligible for child care assistance for education or training:

(1) persons who meet the requirements of section 119B.09 who are enrolled in remedial or basic education or English as a second language, or persons up to the age of 19 who are enrolled in an educational program to attain a high school diploma or general equivalency diploma;

(2) persons who meet the requirements of this section and section 119B.09 who receive child care assistance to reduce the costs of child care for education when employed an average of at least ten hours per week under subdivision 1, and are not receiving MFIP benefits as defined in section 119B.011, subdivision 17; and

(3) persons who meet the requirements of this section and section 119B.09 who receive child care assistance to reduce the costs of child care for education when enrolled in a postsecondary educational institution as a full-time undergraduate student, and are not receiving MFIP benefits as defined in section 119B.011, subdivision 17.

(b) Notwithstanding subdivisions 5 and 6, assistance for persons under paragraph (a), clause (3), is limited to 48 months or the length of time necessary to complete the degree, whichever is shorter.

Subd. 4. **Satisfactory progress.** Students enrolled in an education program under section 119B.011, subdivision 11, must be making satisfactory progress toward completion of the program as stipulated in the school's satisfactory progress policy.

Subd. 5. **Limiting duration of training.** Counties may not limit the duration of child care subsidies for a person in an employment or educational program, except when the person is found to be ineligible under the child care fund eligibility standards. Any limitation must be based on a person's employment plan in the case of an MFIP participant.

Subd. 6. **Maximum length of time for training.** The maximum length of time a participant is eligible for child care assistance under the child care fund for education and training is no more than the maximum time allowed to complete the credit requirements for an associate or baccalaureate degree as stipulated in the school's satisfactory progress policy. This length of time excludes basic or remedial education programs, English as a second language, high school, and general equivalency diploma programs needed to prepare for postsecondary education or employment.

Subd. 7. **MFIP student moves to another county.** If an MFIP participant who is receiving child care assistance under this chapter moves to another county, continues to participate in educational or training programs authorized in the MFIP participant's employment plans, and continues to be eligible for child care assistance under this chapter, the MFIP participant must receive continued child care assistance from the county responsible for the MFIP participant's current employment plan under section 256G.07.

Sec. 15. Minnesota Statutes 2010, section 119B.11, subdivision 1, is amended to read:

Subdivision 1. **County contributions required.** (a) In addition to payments from ~~basic sliding fee~~ child care assistance program participants, each county shall contribute from county tax or other sources a fixed local match equal to its calendar year 1996

required county contribution reduced by the administrative funding loss that would have occurred in state fiscal year 1996 under section 119B.15. The commissioner shall recover funds from the county as necessary to bring county expenditures into compliance with this subdivision. The commissioner may accept county contributions, including contributions above the fixed local match, in order to make state payments.

(b) The commissioner may accept payments from counties to:

(1) fulfill the county contribution as required under subdivision 1;

(2) pay for services authorized under this chapter beyond those paid for with federal or state funds or with the required county contributions; or

(3) pay for child care services in addition to those authorized under this chapter, as authorized under other federal, state, or local statutes or regulations.

(c) The county payments must be deposited in an account in the special revenue fund. Money in this account is appropriated to the commissioner for child care assistance under this chapter and other applicable statutes and regulations and is in addition to other state and federal appropriations.

Sec. 16. Minnesota Statutes 2010, section 119B.12, subdivision 2, is amended to read:

Subd. 2. **Parent fee.** A family must be assessed a parent fee for each service period. A family's parent fee must be a fixed percentage of its annual gross income. Parent fees must apply to families eligible for child care assistance under ~~sections 119B.03 and 119B.05~~ section 119B.09. Income must be as defined in section 119B.011, subdivision 15. The fixed percent is based on the relationship of the family's annual gross income to 100 percent of the annual state median income. Parent fees must begin at 75 percent of the poverty level. The minimum parent fees for families between 75 percent and 100 percent of poverty level must be \$5 per month. Parent fees must provide for graduated movement to full payment. Payment of part or all of a family's parent fee directly to the family's child care provider on behalf of the family by a source other than the family shall not affect the family's eligibility for child care assistance, and the amount paid shall be excluded from the family's income. Child care providers who accept third-party payments must maintain family specific documentation of payment source, amount, and time period covered by the payment.

Sec. 17. Minnesota Statutes 2010, section 119B.13, subdivision 1, is amended to read:

Subdivision 1. **Subsidy restrictions.** (a) Beginning July 1, ~~2006~~ 2011, the maximum rate paid for child care assistance ~~in any county or multicounty region~~ under the child care fund ~~shall be the rate for like-care arrangements in the county effective January 1, 2006,~~

11.1 ~~increased by six percent~~ is the 75th percentile rate for like-care arrangements as surveyed
11.2 ~~by the commissioner in the most current market rate survey.~~

11.3 ~~(b) Rate changes shall be implemented for services provided in September 2006~~
11.4 ~~unless a participant eligibility redetermination or a new provider agreement is completed~~
11.5 ~~between July 1, 2006, and August 31, 2006.~~

11.6 ~~As necessary, appropriate notice of adverse action must be made according to~~
11.7 ~~Minnesota Rules, part 3400.0185, subparts 3 and 4.~~

11.8 ~~New cases approved on or after July 1, 2006, shall have the maximum rates under~~
11.9 ~~paragraph (a), implemented immediately.~~

11.10 ~~(e)~~ (b) Every year, the commissioner shall survey rates charged by child care
11.11 providers in Minnesota to determine the 75th percentile for like-care arrangements in
11.12 counties. When the commissioner determines that, using the commissioner's established
11.13 protocol, the number of providers responding to the survey is too small to determine
11.14 the 75th percentile rate for like-care arrangements in a county or multicounty region,
11.15 the commissioner may establish the 75th percentile maximum rate based on like-care
11.16 arrangements in a county, region, or category that the commissioner deems to be similar.

11.17 ~~(d)~~ (c) A rate which includes a special needs rate paid under subdivision 3 or under a
11.18 school readiness service agreement paid under section 119B.231, may be in excess of the
11.19 maximum rate allowed under this subdivision.

11.20 ~~(e)~~ (d) The department shall monitor the effect of this paragraph on provider rates.
11.21 The county shall pay the provider's full charges for every child in care up to the maximum
11.22 established. The commissioner shall determine the maximum rate for each type of care on
11.23 an hourly, full-day, and weekly basis, including special needs and disability care.

11.24 ~~(f)~~ (e) When the provider charge is greater than the maximum provider rate allowed,
11.25 the parent is responsible for payment of the difference in the rates in addition to any
11.26 family co-payment fee.

11.27 ~~(g)~~ (f) All maximum provider rates changes shall be implemented on the Monday
11.28 following the effective date of the maximum provider rate.

11.29 Sec. 18. Minnesota Statutes 2010, section 119B.15, is amended to read:

11.30 **119B.15 ADMINISTRATIVE EXPENSES.**

11.31 The commissioner shall use up to 1/21 of the state and federal funds available for the
11.32 ~~basic sliding fee program and 1/21 of the state and federal funds available for the MFHP~~
11.33 ~~child care assistance program for payments to counties for administrative expenses the~~
11.34 administrative costs of the delivery of direct services. The commissioner shall make

monthly payments to each county based on direct service expenditures. Payments may be withheld if monthly reports are incomplete or untimely.

Sec. 19. Minnesota Statutes 2010, section 119B.24, is amended to read:

119B.24 DUTIES OF COMMISSIONER.

In addition to the powers and duties already conferred by law, the commissioner of human services shall:

(1) administer the child care fund, ~~including the basic sliding fee program~~ authorized under sections 119B.011 to 119B.16;

(2) monitor the child care resource and referral programs established under section 119B.19; and

(3) encourage child care providers to participate in a nationally recognized accreditation system for early childhood and school-age care programs. Subject to approval by the commissioner, family child care providers and early childhood and school-age care programs shall be reimbursed for one-half of the direct cost of accreditation fees, upon successful completion of accreditation.

Sec. 20. DIRECTION TO COMMISSIONER OF MANAGEMENT AND BUDGET.

The state obligation for the child care assistance program under Minnesota Statutes, chapter 119B, must be included in the Department of Management and Budget February and November forecast of state revenues and expenditures under Minnesota Statutes, section 16A.103, beginning with the November 2011 forecast.

Sec. 21. REVISOR'S INSTRUCTION.

(a) In the next edition of Minnesota Statutes and Minnesota Rules, the revisor shall renumber the statutory section in column A with the section in column B, and make necessary cross-reference changes consistent with the renumbering:

| <u>Column A</u> | <u>Column B</u> |
|-------------------------|--------------------------|
| <u>119B.035</u> | <u>119B.105</u> |
| <u>119B.05, subd. 4</u> | <u>119B.03, subd. 11</u> |
| <u>119B.05, subd. 5</u> | <u>119B.03, subd. 12</u> |

(b) The revisor of statutes shall correct internal cross-references to sections resulting from the repealer in section 22. The revisor may make changes necessary to correct the punctuation, grammar, or structure of the remaining text and preserve its meaning.

Sec. 22. **REPEALER.**

Minnesota Statutes 2010, sections 119B.011, subdivisions 20 and 20a; 119B.03, subdivisions 1, 2, 4, 5, 6, 6a, 6b, and 8; 119B.05, subdivision 1; 119B.07; 119B.09, subdivision 3; and 119B.11, subdivision 4, are repealed.

ARTICLE 3

WORKING FAMILY TAX CREDIT

Section 1. Minnesota Statutes 2010, 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~~ 60 percent of ~~earned income~~. ~~To receive a credit, a taxpayer must be eligible for a~~ the credit for which the individual is eligible under section 32 of the Internal Revenue Code.

~~(b) For individuals with no qualifying children, the credit equals 1.9125 percent of the first \$4,620 of earned income. The credit is reduced by 1.9125 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 percent of the first \$6,920 of earned income and 8.5 percent of earned income over \$12,080 but less than \$13,450. The credit is reduced by 5.73 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 percent of the first \$9,720 of earned income and 20 percent of earned income over \$14,860 but less than \$16,800. The credit is reduced by 10.3 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)~~ (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).

~~(f)~~ (c) 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)~~ (d) 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, 2010.

Sec. 2. **REPEALER.**

Minnesota Statutes 2010, section 290.0671, subdivision 7, is repealed.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

ARTICLE 4

MINIMUM WAGE

Section 1. 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~~ \$9.75 an hour effective August 1, 2011. 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~~ \$9 an hour effective August 1, 2011. Effective August 1, 2012, every large employer must pay each employee wages at a rate of at least \$10.50 an hour, and every small employer must pay each employee wages at a rate of \$10 an hour.

(c) Notwithstanding paragraph (b), during the first 90 consecutive days of employment, an employer may pay an employee under the age of ~~20~~ 18 years a wage at a rate of \$4.90 at least \$9 an hour effective August 1, 2011. 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.

(d) Beginning August 1, 2012, and each August 1 thereafter, employee wage rates under paragraphs (b) and (c) shall be indexed to inflation.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 5

MINNESOTA EMERGENCY EMPLOYMENT DEVELOPMENT

Section 1. **CITATION.**

Sections 1 to 14 may be cited as the "Minnesota Emergency Employment Development (MEED) Act of 2011."

Sec. 2. **DEFINITIONS.**

Subdivision 1. **Terms.** For the purposes of sections 1 to 14, the following terms have the meanings given them.

Subd. 2. **Commissioner.** "Commissioner" means the commissioner of employment and economic development.

Subd. 3. **Department.** "Department" means the Department of Employment and Economic Development.

Subd. 4. **Eligible business.** "Eligible business" means a for-profit business.

Subd. 5. **Eligible employer.** "Eligible employer" means an eligible government agency, an eligible nonprofit agency, or an eligible business.

Subd. 6. **Eligible government agency.** "Eligible government agency" means a county, municipality, school district, or other local governmental subdivision.

Subd. 7. **Eligible job applicant.** "Eligible job applicant" means a person who:
(1) has been a resident of this state for at least six months;
(2) is unemployed;
(3) has attempted to secure a nonsubsidized job by completing a comprehensive job search program administered by a county or workforce service area;
(4) is not receiving and is not eligible to receive unemployment compensation or workers' compensation; and
(5) is determined by the employment administrator to be likely to be available for employment by an eligible employer for the duration of the job.

Subd. 8. **Eligible nonprofit agency.** "Eligible nonprofit agency" means an organization exempt from taxation under the Internal Revenue Code of 1986, section 501(c)(3), as amended.

Subd. 9. **Employment administrator.** "Employment administrator" means the administrative entity designated by the commissioner to administer the provisions of this act in each workforce service area.

Subd. 10. **Household.** "Household" means an individual, the individual's spouse, and any person considered a dependent under sections 151 and 152 of the Internal Revenue Code domiciled at the same address.

Subd. 11. **Program.** "Program" means the Minnesota emergency employment development program created by sections 1 to 14 consisting of temporary employment projects in the government and nonprofit agencies and new permanent job creation in the private sector.

Subd. 12. **Workforce service area.** "Workforce service area" means an area designated as a workforce service area under Minnesota Statutes, section 116L.666.

Sec. 3. **DUTIES OF COMMISSIONER.**

17.1 Subdivision 1. **Duties.** The commissioner shall administer the provisions of sections
17.2 1 to 14. The commissioner shall:

17.3 (1) enter into contracts with the workforce service areas within 30 days of enactment;

17.4 (2) review the emergency employment development plan submitted by the
17.5 employment administrator of each workforce service area and approve satisfactory plans.

17.6 If an employment administrator submits an unsatisfactory plan, the department shall assist
17.7 the employment administrator in developing a satisfactory one;

17.8 (3) coordinate the program with other state agencies;

17.9 (4) coordinate administration of the program with the Minnesota family investment
17.10 program under Minnesota Statutes, chapter 256J;

17.11 (5) set policy regarding disbursement of program funds;

17.12 (6) perform general program marketing and monitoring functions; and

17.13 (7) apply to the federal government for a waiver allowing Minnesota to use extended
17.14 unemployment insurance benefits for wage subsidies and to seek federal funding for
17.15 this program.

17.16 Subd. 2. **Enforcement.** The commissioner shall ensure that all eligible employers
17.17 and employment administrators comply with sections 1 to 14 and all other applicable state
17.18 and federal laws, including those relating to:

17.19 (1) affirmative action;

17.20 (2) occupational health and safety standards;

17.21 (3) environmental standards; and

17.22 (4) fair labor practices.

17.23 Subd. 3. **Report to governor and legislature.** The commissioner shall report
17.24 semiannually to the chairs of the standing committees of the house of representatives
17.25 and senate having jurisdiction over employment and economic development issues and
17.26 the governor on:

17.27 (1) the number of persons employed;

17.28 (2) the number and type of employers under the program;

17.29 (3) the amount of money spent in each service delivery area for wages for each type
17.30 of employment and each type of other expense;

17.31 (4) the number of persons who have completed participation in the program and their
17.32 current employment, educational, or training status; and

17.33 (5) any other information deemed pertinent by the commissioner.

17.34 Subd. 4. **Rules.** The commissioner may adopt rules necessary to implement the
17.35 Minnesota emergency employment development program of 2011.

Sec. 4. **ALLOCATION OF FUNDS AMONG WORKFORCE SERVICE AREAS.**

(a) Ninety percent of the funds available for allocation to employment administrators for the program must be allocated among eligible workforce service areas. Workforce service areas are eligible to receive that proportion of the funds available which equals the number of unemployed persons in the workforce service area divided by the total number of unemployed persons in the state for the 12-month period ending the most recent March 31.

(b) Ten percent of the funds available for allocation to employment administrators under the program must be allocated at the discretion of the commissioner to employment administrators:

(1) who will maximize the use of the funds through coordination with other programs and state, local, and federal agencies, through the use of matching funds or through the involvement of low-income constituent groups;

(2) who have demonstrated need beyond the allocation available under paragraph (a); or

(3) who have demonstrated outstanding performance in job creation.

Sec. 5. **ALLOCATION WITHIN WORKFORCE SERVICE AREAS; PRIORITIES.**

Subdivision 1. Among job applicants. Allocation of funds among eligible job applicants within a workforce service area shall be determined by the employment administrator in each workforce service area. The employment administrator shall give priority to:

(1) applicants living in households with no other income source;

(2) applicants who would otherwise be eligible to participate in the Minnesota family investment program or the diversionary work program; and

(3) veterans as defined under Minnesota Statutes, section 196.21, subdivision 2.

Subd. 2. Among employers. The employment administrator within each workforce service area shall determine allocation of funds among eligible employers within a workforce service area according to the priorities in section 9. The employment administrator shall give priority to funding private sector jobs to the extent that eligible businesses apply for funds. No more than 50 percent of the funds may be allocated for jobs with eligible government and nonprofit agencies during the biennium.

Sec. 6. **USE OF FUNDS.**

(a) Funds appropriated for the purposes of sections 1 to 14 may be used as follows:

(1) to provide a state contribution for wages and fringe benefits for eligible job applicants for a maximum of 1,040 hours over a maximum period of 26 weeks per job applicant. For eligible job applicants participating in a job training program, the state contribution for wages may be used for a maximum period of 26 weeks per job applicant. The employer must pay at least \$10 per hour to each eligible employee. The state contribution for wages shall be 50 percent of the wage up to \$12 per hour for each eligible job applicant employed by an eligible employer. The employer may use funds from other sources to provide increased wages to the applicants it employs. At least 70 percent of the funds appropriated for the program must be used to pay wages for eligible job applicants;

(2) to reimburse the department in an amount not to exceed one percent of the funds appropriated for the actual cost of administering sections 1 to 14;

(3) to reimburse the employment administrators in an amount not to exceed 14 percent of the funds appropriated for the actual cost of program operations. Of the 14 percent, no more than ten percent may be used for administrative costs for workforce service areas as defined under the Workforce Investment Act. The commissioner and the employment administrators shall reallocate funds from other sources to cover the administrative costs of this program whenever possible;

(4) to provide child care services or subsidies to applicants employed under sections 1 to 14;

(5) to provide workers' compensation coverage to applicants employed by government or nonprofit agencies under sections 1 to 14;

(6) to provide job search assistance, labor market orientation, job seeking skills, and referral for other services; and

(7) to purchase supplies and materials for projects creating permanent improvements to public property in an amount not to exceed one percent of the funds appropriated.

(b) Any funds allocated to the workforce service area for which there is no spending plan approved by the commissioner or which are significantly underspent in the reporting period shall cancel back to the Minnesota emergency employment development account and must be reallocated by the commissioner to other employment administrators.

Sec. 7. EMPLOYMENT ADMINISTRATORS; POWERS AND DUTIES.

Subdivision 1. **In general.** The employment administrator for each workforce service area has the powers and duties given in this section and any additional duties given by the commissioner.

Subd. 2. **Employment plan.** Each employment administrator shall develop an emergency employment development plan for the workforce service area under guidelines

developed by the commissioner and submit it to the commissioner within the period allowed by the commissioner. To the extent feasible, the employment administrator shall seek input from potential eligible employers and the public.

Subd. 3. **Outreach.** Each employment administrator shall publicize the program within the workforce service area to seek maximum participation by eligible job applicants and employers.

Subd. 4. **Contracts.** Each employment administrator shall enter into contracts with eligible employers setting forth the terms of their participation in the program as required by sections 1 to 14.

Subd. 5. **Screening and coordination.** Each employment administrator shall screen job applicants and employers to achieve the best possible placement of eligible job applicants with eligible employers.

Subd. 6. **Eligible job applicant priority lists.** Each employment administrator shall maintain a list of eligible job applicants unable to secure employment under the program at the time of application. The list shall prioritize eligible job applicants pursuant to section 5, subdivision 1, and shall be used to fill jobs with eligible employers as they become available.

Subd. 7. **Coordination of education and training programs.** Each employment administrator shall cooperate with local educational and training institutions to coordinate and publicize the availability of their resources to assure that applicants may receive training needed before or while employed in jobs which are available under the program.

Subd. 8. **Materials.** Each employment administrator may disburse funds not to exceed one percent of the amount allocated to the service delivery area for the purchase of supplies and materials for projects creating permanent improvements to public property.

Sec. 8. **ELIGIBLE GOVERNMENT AND NONPROFIT AGENCY EMPLOYMENT.**

A government or nonprofit agency is an eligible employer with respect to temporary employment projects that are determined by the employment administrator to have long-term benefit to or are needed by the community including, but not limited to, jobs in permanent public improvement projects, residential or public building weatherization projects, reforestation projects, mineland reclamation projects, planting or tree trimming projects, soil conservation projects, natural resource development projects, and community social service programs such as child care and home health care.

Sec. 9. **BUSINESS EMPLOYMENT.**

21.1 Subdivision 1. **Eligible businesses.** A business employer is an eligible employer
21.2 if it enters into a written contract with the employment administrator in its workforce
21.3 service area containing assurances that:

21.4 (1) funds received by a business shall be used only as permitted under sections 1
21.5 to 14;

21.6 (2) the business has submitted a plan to the employment administrator:

21.7 (i) describing the duties and proposed compensation of each employee proposed to
21.8 be hired under the program; and

21.9 (ii) demonstrating that, with the funds provided under sections 1 to 14, the business
21.10 is likely to succeed and continue to employ persons hired under the program;

21.11 (3) the business will use funds exclusively for compensation and fringe benefits of
21.12 eligible job applicants and will provide employees hired with these funds with fringe
21.13 benefits and other terms and conditions of employment comparable to those provided to
21.14 other employees of the business who do comparable work;

21.15 (4) the funds are necessary to allow the business to begin, or to employ additional
21.16 people, but not to fill positions which would be filled even in the absence of funds from
21.17 this program;

21.18 (5) the business will cooperate with the commissioner and the employment
21.19 administrator in collecting data to assess the result of the program; and

21.20 (6) the business is in compliance with all applicable affirmative action, fair labor,
21.21 health, safety, and environmental standards.

21.22 Subd. 2. **Priorities.** In allocating funds among eligible businesses, the employment
21.23 administrator shall give priority to businesses which best satisfy the following criteria:

21.24 (1) have a high potential for growth and long-term job creation;

21.25 (2) are labor intensive;

21.26 (3) meet the definition of a small business as defined in Minnesota Statutes, section
21.27 645.445;

21.28 (4) make high use of local and Minnesota resources;

21.29 (5) are under ownership of women or minorities;

21.30 (6) make extensive use of new technology;

21.31 (7) produce energy conserving materials or services or are involved in development
21.32 of renewable sources of energy; and

21.33 (8) have their primary place of business in Minnesota.

21.34 Subd. 3. **Employer accountability.** (a) A business receiving funds under this
21.35 program is expected to retain employees at least six months beyond the initial six-month
21.36 subsidized period. In the event an employer terminates participation in the subsidy

program during the initial six-month subsidy phase for any participant, the employer shall pay back 20 percent of the subsidies received to date. In the event an employer has not retained a participant at least 90 days beyond the subsidy phase, the employer shall pay back 20 percent of the wage subsidies received. In the event a business employer has retained a participant 180 days beyond the subsidy period, a business employer will be eligible for a bonus equivalent to \$2 per hour for the hours the participant worked during those 180 days.

(b) If an employer dismisses an employee for good cause or the employee chooses to leave the position and the employer works in good faith with the program administrator to employ and train another person referred by the employment administrator, the accountability conditions shall apply as if the original participant had fulfilled the employment timeline.

Sec. 10. **MINNESOTA EMERGENCY EMPLOYMENT DEVELOPMENT ACCOUNT.**

The Minnesota emergency employment development account is created in the state treasury. All payments from businesses under section 9 shall be deposited in this account, and all funds in the account are appropriated to the commissioner of employment and economic development for the purpose of making disbursements pursuant to section 6.

Sec. 11. **WORKER DISPLACEMENT PROHIBITED.**

Subdivision 1. **Layoffs; work reductions.** An eligible employer may not terminate, lay off, or reduce the working hours of an employee for the purpose of hiring an individual with funds available under sections 1 to 14.

Subd. 2. **Hiring during layoffs.** An eligible employer may not hire an individual with funds available under sections 1 to 14 if any other person has been laid off from the same or a substantially equivalent job within the previous six months.

Subd. 3. **Employer certification.** In order to qualify as an eligible employer, a government or nonprofit agency or business must certify to the employment administrator that each job created and funded under sections 1 to 14:

(1) will result in an increase in employment opportunities over those which would otherwise be available;

(2) will not result in the displacement of currently employed workers, including partial displacement such as reduction in hours of nonovertime work, wages, or employment benefits; and

23.1 (3) will not impair existing contracts for service or result in the substitution of
23.2 program funds for other funds in connection with work that would otherwise be performed.

23.3 Sec. 12. **TERMINATION; NOTIFICATION.**

23.4 (a) On the date the program is terminated, any balance remaining in the Minnesota
23.5 emergency employment development account established under section 10 shall cancel
23.6 to the general fund. Any payments received under section 10 on or after that date shall
23.7 be deposited in the general fund.

23.8 (b) The commissioner shall immediately terminate the Minnesota emergency
23.9 employment development program if and when none of the money appropriated under
23.10 section 13 remains.

23.11 Sec. 13. **APPROPRIATION.**

23.12 \$200,000,000 is appropriated from the general fund to the commissioner for
23.13 deposit in the Minnesota emergency employment development account each year in the
23.14 2012-2013 biennium for the Minnesota Emergency Employment Development (MEED)
23.15 Act of 2011. Any unexpended balance remaining at the end of the fiscal year does not
23.16 cancel and is available until expended.

23.17 Sec. 14. **EFFECTIVE DATE.**

23.18 This article is effective the day following final enactment.

APPENDIX
Article locations in 11-3151

| | | |
|-----------|--|---------------|
| ARTICLE 1 | FINDINGS | Page.Ln 1.16 |
| ARTICLE 2 | CHILD CARE ASSISTANCE CONSOLIDATION | Page.Ln 2.3 |
| ARTICLE 3 | WORKING FAMILY TAX CREDIT | Page.Ln 13.5 |
| ARTICLE 4 | MINIMUM WAGE | Page.Ln 14.28 |
| ARTICLE 5 | MINNESOTA EMERGENCY EMPLOYMENT DEVELOPMENT ... | Page.Ln 15.26 |