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State of Minnesota
HOUSE OF REPRESENTATIVES
NINETIETH SESSION

H. F. No. 1965

03/02/2017 Authored by Flanagan
The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance

1.1 A bill for an act
1.2 relating to state government; providing a phased-in minimum wage increase;
1.3 enabling low-income workers to meet basic needs; increasing the working family
1.4 credit; providing increased child care assistance to all low-income workers and
1.5 increasing reimbursement rates; increasing MFIP grants; providing funding by
1.6 closing a tax loophole for high-income individuals with income exempt from Social
1.7 Security taxes; authorizing rulemaking; appropriating money; amending Minnesota
1.8 Statutes 2016, sections 119B.02, subdivisions 1, 2; 119B.03, subdivisions 3, 9,
1.9 10; 119B.035, subdivisions 1, 2, 4, 5; 119B.05, subdivision 5; 119B.08, subdivision
1.10 3; 119B.09, subdivision 7; 119B.10; 119B.11, subdivision 1; 119B.12, subdivision
1.11 2; 119B.13, subdivision 1; 119B.15; 119B.24; 177.24, subdivision 1; 256J.24,
1.12 subdivision 5; 290.0671, subdivision 1, as amended; proposing coding for new
1.13 law in Minnesota Statutes, chapter 290; repealing Minnesota Statutes 2016, sections
1.14 119B.011, subdivisions 20, 20a; 119B.03, subdivisions 1, 2, 4, 5, 6, 6a, 6b, 8;
1.15 119B.05, subdivision 1; 119B.07; 119B.09, subdivisions 3, 4a; 119B.11, subdivision
1.16 4; 290.0671, subdivision 7.

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

1.18 ARTICLE 1

1.19 FINDINGS

1.20 Section 1. FINDINGS.

1.21 (a) The Legislative Commission on Ending Poverty in Minnesota called for steps to
1.22 bring an end to poverty by 2020, yet a large number of Minnesotans continue to struggle
1.23 to make ends meet. More than one in ten Minnesotans lives in poverty, and three in ten are
1.24 struggling to meet basic needs. Some workers cannot afford housing and go from their jobs
1.25 to a homeless shelter at night. More than two-thirds the time has passed between the year
1.26 in which the Poverty Commission wrote the report and the year 2020, yet little progress has
1.27 been made and bolder action is needed.

2.1 (b) Because low-income people frequently need government assistance to feed their
 2.2 families, the most effective welfare reform is to help Minnesota workers succeed in the
 2.3 economy. This includes ensuring that there are jobs available to them, that they have access
 2.4 to affordable child care, and that, through higher wages and an increase in the working
 2.5 family tax credit, they are able to afford basic needs. Helping low-income workers and their
 2.6 families will boost their productivity, improve the economy, and reduce financial assistance
 2.7 costs for the state.

2.8 (c) For people unable to work because of age or disability or who are unable to get a
 2.9 job, the state has had a long-standing commitment to assist them in meeting basic needs.
 2.10 However, the level of financial assistance grants provided under the MFIP program has not
 2.11 increased in more than three decades, and families needing assistance are sinking deeper
 2.12 into poverty. Significant increases in MFIP grants would ease the burden of poverty and
 2.13 help children grow up healthier and better able to thrive in school.

2.14 **ARTICLE 2**

2.15 **MINIMUM WAGE**

2.16 Section 1. Minnesota Statutes 2016, section 177.24, subdivision 1, is amended to read:

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

2.19 (1) "Large employer" means an enterprise whose annual gross volume of sales made or
 2.20 business done is not less than \$500,000 (exclusive of excise taxes at the retail level that are
 2.21 separately stated) and covered by the Minnesota Fair Labor Standards Act, sections 177.21
 2.22 to 177.35.

2.23 (2) "Small employer" means an enterprise whose annual gross volume of sales made or
 2.24 business done is less than \$500,000 (exclusive of excise taxes at the retail level that are
 2.25 separately stated) and covered by the Minnesota Fair Labor Standards Act, sections 177.21
 2.26 to 177.35.

2.27 (b) Except as otherwise provided in sections 177.21 to 177.35:

2.28 (1) every large employer must pay each employee wages at a rate of at least:

2.29 (i) ~~\$8.00~~ \$8 per hour beginning August 1, 2014;

2.30 (ii) ~~\$9.00~~ \$9 per hour beginning August 1, 2015;

2.31 (iii) \$9.50 per hour beginning August 1, 2016; and

- 3.1 (iv) \$10.25 per hour beginning August 1, 2017;
- 3.2 (v) \$11 per hour beginning August 1, 2018;
- 3.3 (vi) \$12 per hour beginning August 1, 2019;
- 3.4 (vii) \$13 per hour beginning August 1, 2020;
- 3.5 (viii) \$14 per hour beginning August 1, 2021;
- 3.6 (ix) \$15 per hour beginning August 1, 2022; and
- 3.7 ~~(iv)~~ (x) the rate established under paragraph ~~(f)~~ (e) beginning January 1, 2018 2023; and
- 3.8 (2) every small employer must pay each employee at a rate of at least:
- 3.9 (i) \$6.50 per hour beginning August 1, 2014;
- 3.10 (ii) \$7.25 per hour beginning August 1, 2015;
- 3.11 (iii) \$7.75 per hour beginning August 1, 2016; ~~and~~
- 3.12 (iv) \$8.50 per hour beginning August 1, 2017;
- 3.13 (v) \$9.25 per hour beginning August 1, 2018;
- 3.14 (vi) \$10 per hour beginning August 1, 2019;
- 3.15 (vii) \$11 per hour beginning August 1, 2020;
- 3.16 (viii) \$12 per hour beginning August 1, 2021;
- 3.17 (ix) \$13 per hour beginning August 1, 2022; and
- 3.18 ~~(iv)~~ (x) the rate established under paragraph ~~(f)~~ (e) beginning January 1, 2018 2023.
- 3.19 (c) Notwithstanding paragraph (b), during the first 90 consecutive days of employment,
- 3.20 an employer may pay an employee under the age of 20 years who is claimed as a dependent
- 3.21 on a federal income tax return a wage of at least:
- 3.22 (1) \$6.50 per hour beginning August 1, 2014;
- 3.23 (2) \$7.25 per hour beginning August 1, 2015;
- 3.24 (3) \$7.75 per hour beginning August 1, 2016; ~~and~~
- 3.25 (4) \$8.50 per hour beginning August 1, 2017;
- 3.26 (5) \$9.25 per hour beginning August 1, 2018;
- 3.27 (6) \$10 per hour beginning August 1, 2019;
- 3.28 (7) \$11 per hour beginning August 1, 2020;

4.1 (8) \$12 per hour beginning August 1, 2021;

4.2 (9) \$13 per hour beginning August 1, 2022; and

4.3 ~~(4)~~ (10) the rate established under paragraph (f) (e) beginning January 1, 2018 2023.

4.4 No employer may take any action to displace an employee, including a partial displacement
4.5 through a reduction in hours, wages, or employment benefits, in order to hire an employee
4.6 at the wage authorized in this paragraph.

4.7 ~~(d) Notwithstanding paragraph (b), an employer that is a "hotel or motel," "lodging~~
4.8 ~~establishment," or "resort" as defined in Minnesota Statutes 2012, section 157.15,~~
4.9 ~~subdivisions 7, 8, and 11, must pay an employee working under a contract with the employer~~
4.10 ~~that includes the provision by the employer of a food or lodging benefit, if the employee is~~
4.11 ~~working under authority of a summer work travel exchange visitor program (J) nonimmigrant~~
4.12 ~~visa, a wage of at least:~~

4.13 ~~(1) \$7.25 per hour beginning August 1, 2014;~~

4.14 ~~(2) \$7.50 per hour beginning August 1, 2015;~~

4.15 ~~(3) \$7.75 per hour beginning August 1, 2016; and~~

4.16 ~~(4) the rate established under paragraph (f) beginning January 1, 2018.~~

4.17 ~~No employer may take any action to displace an employee, including a partial displacement~~
4.18 ~~through a reduction in hours, wages, or employment benefits, in order to hire an employee~~
4.19 ~~at the wage authorized in this paragraph.~~

4.20 ~~(e)~~ (d) Notwithstanding paragraph (b), a large employer must pay an employee under
4.21 the age of 18 who is claimed as a dependent on a federal income tax return at a rate of at
4.22 least:

4.23 (1) \$6.50 per hour beginning August 1, 2014;

4.24 (2) \$7.25 per hour beginning August 1, 2015;

4.25 (3) \$7.75 per hour beginning August 1, 2016; ~~and~~

4.26 (4) \$8.50 per hour beginning August 1, 2017;

4.27 (5) \$9.25 per hour beginning August 1, 2018;

4.28 (6) \$10 per hour beginning August 1, 2019;

4.29 (7) \$11 per hour beginning August 1, 2020;

4.30 (8) \$12 per hour beginning August 1, 2021;

5.1 (9) \$13 per hour beginning August 1, 2022; and

5.2 ~~(4)~~ (10) the rate established under paragraph ~~(f)~~ (e) beginning January 1, ~~2018~~ 2023.

5.3 No employer may take any action to displace an employee, including a partial displacement
5.4 through a reduction in hours, wages, or employment benefits, in order to hire an employee
5.5 at the wage authorized in this paragraph.

5.6 ~~(f)~~ (e) No later than August 31 of each year, beginning in ~~2017~~ 2022, the commissioner
5.7 shall determine the percentage increase in the rate of inflation, as measured by the implicit
5.8 price deflator, national data for personal consumption expenditures as determined by the
5.9 United States Department of Commerce, Bureau of Economic Analysis during the 12-month
5.10 period immediately preceding that August or, if that data is unavailable, during the most
5.11 recent 12-month period for which data is available. The minimum wage rates in paragraphs
5.12 (b), (c), (d), ~~and (e)~~ are increased by the lesser of: (1) 2.5 percent, rounded to the nearest
5.13 cent; or (2) the percentage calculated by the commissioner, rounded to the nearest cent. A
5.14 minimum wage rate shall not be reduced under this paragraph. The new minimum wage
5.15 rates determined under this paragraph take effect on the next January 1.

5.16 ~~(g)~~ ~~(f)~~ (f)(1) No later than September 30 of each year, beginning in ~~2017~~ 2022, the
5.17 commissioner may issue an order that an increase calculated under paragraph ~~(f)~~ (e) not
5.18 take effect. The commissioner may issue the order only if the commissioner, after
5.19 consultation with the commissioner of management and budget, finds that leading economic
5.20 indicators, including but not limited to projections of gross domestic product calculated by
5.21 the United States Department of Commerce, Bureau of Economic Analysis; the Consumer
5.22 Confidence Index issued by the Conference Board; and seasonally adjusted Minnesota
5.23 unemployment rates, indicate the potential for a substantial downturn in the state's economy.
5.24 Prior to issuing an order, the commissioner shall also calculate and consider the ratio of the
5.25 rate of the calculated change in the minimum wage rate to the rate of change in state median
5.26 income over the same time period used to calculate the change in wage rate. Prior to issuing
5.27 the order, the commissioner shall hold a public hearing, notice of which must be published
5.28 in the State Register, on the department's Web site, in newspapers of general circulation,
5.29 and by other means likely to inform interested persons of the hearing, at least ten days prior
5.30 to the hearing. The commissioner must allow interested persons to submit written comments
5.31 to the commissioner before the public hearing and for 20 days after the public hearing.

5.32 (2) The commissioner may in a year subsequent to issuing an order under clause (1),
5.33 make a supplemental increase in the minimum wage rate in addition to the increase for a
5.34 year calculated under paragraph ~~(f)~~ (e). The supplemental increase may be in an amount up

6.1 to the full amount of the increase not put into effect because of the order. If the supplemental
 6.2 increase is not the full amount, the commissioner may make a supplemental increase of the
 6.3 difference, or any part of a difference, in a subsequent year until the full amount of the
 6.4 increase ordered not to take effect has been included in a supplemental increase. In making
 6.5 a determination to award a supplemental increase under this clause, the commissioner shall
 6.6 use the same considerations and use the same process as for an order under clause (1). A
 6.7 supplemental wage increase is not subject to and shall not be considered in determining
 6.8 whether a wage rate increase exceeds the limits for annual wage rate increases allowed
 6.9 under paragraph ~~(f)~~ (e).

6.10 **EFFECTIVE DATE.** This section is effective August 1, 2016.

6.11 **ARTICLE 3**

6.12 **FEDERAL SOCIAL SECURITY TAX LOOPHOLE**

6.13 Section 1. **[290.033] TAX ON CERTAIN INCOME NOT SUBJECT TO TAX UNDER**
 6.14 **THE FEDERAL INSURANCE CONTRIBUTIONS ACT.**

6.15 Subdivision 1. **Imposition.** In addition to the other taxes imposed under this chapter,
 6.16 there is imposed an annual tax for each taxable year on high-income individuals with income
 6.17 exceeding the Social Security cap that is not subject to federal Social Security tax.

6.18 Subd. 2. **Definition.** (a) For purposes of this section, "income not subject to federal
 6.19 Social Security tax" means the result of:

6.20 (1) an individual's wages as defined in section 3121, paragraph (a), of the Internal
 6.21 Revenue Code; plus

6.22 (2) an individual's net earnings from self-employment, as defined in section 1402 of the
 6.23 Internal Revenue Code; minus

6.24 (3) the contribution and benefit base for the taxable year, as defined in United States
 6.25 Code, title 42, section 430.

6.26 (b) In no case may an individual's income not subject to federal Social Security tax be
 6.27 less than zero.

6.28 Subd. 3. **Rate; computation.** (a) The tax imposed on an individual with income not
 6.29 subject to federal Social Security tax under this section is computed by applying to the
 6.30 individual's income not subject to federal Social Security tax the rate of 6.2 percent.

7.1 (b) In the case of a married couple filing a joint return, each spouse must compute his
 7.2 or her tax separately, based on that spouse's income not subject to federal Social Security
 7.3 tax.

7.4 (c) An individual who is not a Minnesota resident for the entire year may apportion the
 7.5 individual's tax using the percentage calculated under section 290.06, subdivision 2c,
 7.6 paragraph (e).

7.7 (d) Notwithstanding any other law to the contrary, the tax under this section is not subject
 7.8 to offset by any credits in this chapter.

7.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 7.10 31, 2017.

7.11 **ARTICLE 4**

7.12 **CHILD CARE ASSISTANCE EXPANSION AND MFIP CASH GRANT INCREASE**

7.13 Section 1. Minnesota Statutes 2016, section 119B.02, subdivision 1, is amended to read:

7.14 Subdivision 1. **Child care services.** The commissioner shall develop standards for county
 7.15 and human services boards to provide child care services to enable eligible families to
 7.16 participate in employment, training, or education programs. ~~Within the limits of available~~
 7.17 ~~appropriations,~~ The commissioner shall distribute money to counties to reduce the costs of
 7.18 child care for eligible families. The commissioner shall adopt rules to govern the program
 7.19 in accordance with this section. The rules must establish a sliding schedule of fees for parents
 7.20 receiving child care services. The rules shall provide that funds received as a lump-sum
 7.21 payment of child support arrearages shall not be counted as income to a family in the month
 7.22 received but shall be prorated over the 12 months following receipt and added to the family
 7.23 income during those months. The commissioner shall maximize the use of federal money
 7.24 under title I and title IV of Public Law 104-193, the Personal Responsibility and Work
 7.25 Opportunity Reconciliation Act of 1996, and other programs that provide federal or state
 7.26 reimbursement for child care services for low-income families who are in education, training,
 7.27 job search, or other activities allowed under those programs. Money appropriated under
 7.28 this section must be coordinated with the programs that provide federal reimbursement for
 7.29 child care services to accomplish this purpose. ~~Federal reimbursement obtained must be~~
 7.30 ~~allocated to the county that spent money for child care that is federally reimbursable under~~
 7.31 ~~programs that provide federal reimbursement for child care services.~~ The counties
 7.32 commissioner shall use the federal money to expand child care services. The commissioner
 7.33 may adopt rules under chapter 14 to implement and coordinate federal program requirements.

8.1 Sec. 2. Minnesota Statutes 2016, section 119B.02, subdivision 2, is amended to read:

8.2 Subd. 2. **Contractual agreements with tribes.** The commissioner may enter into
 8.3 contractual agreements with a federally recognized Indian tribe with a reservation in
 8.4 Minnesota to carry out the responsibilities of county human service agencies to the extent
 8.5 necessary for the tribe to operate child care assistance programs for families eligible under
 8.6 sections ~~119B.03~~ 119B.09 and ~~119B.05~~ 119B.10. An agreement may allow the state to
 8.7 make payments for child care assistance services provided under ~~section 119B.05~~ this
 8.8 chapter. The commissioner shall consult with the affected county or counties in the
 8.9 contractual agreement negotiations, if the county or counties wish to be included, in order
 8.10 to avoid the duplication of county and tribal child care services. ~~Funding to support services~~
 8.11 ~~under section 119B.03 may be transferred to the federally recognized Indian tribe with a~~
 8.12 ~~reservation in Minnesota from allocations available to counties in which reservation~~
 8.13 ~~boundaries lie. When funding is transferred under section 119B.03, the amount shall be~~
 8.14 ~~commensurate to estimates of the proportion of reservation residents with characteristics~~
 8.15 ~~identified in section 119B.03, subdivision 6, to the total population of county residents with~~
 8.16 ~~those same characteristics.~~

8.17 Sec. 3. Minnesota Statutes 2016, section 119B.03, subdivision 3, is amended to read:

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

8.24 Sec. 4. Minnesota Statutes 2016, section 119B.03, subdivision 9, is amended to read:

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

8.32 (b) ~~To be eligible for portable basic sliding fee assistance, a family that has moved from~~
 8.33 ~~a county in which it~~ A family receiving child care assistance under the child care fund that

9.1 has moved from a county in which the family was receiving ~~basic sliding fee~~ child care
 9.2 assistance to a another county ~~with a waiting list for the basic sliding fee program~~ must be
 9.3 admitted into the receiving county's child care assistance program if the family:

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

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

9.9 ~~(e)~~ (b) The receiving county must:

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

9.12 ~~(2)~~ ~~continue basic sliding fee assistance for the lesser of six months or until the family~~
 9.13 ~~is able to receive assistance under the county's regular basic sliding program~~; and

9.14 ~~(3)~~ ~~notify the commissioner through the quarterly reporting process of any family that~~
 9.15 ~~meets the criteria of the portable basic sliding fee assistance pool.~~

9.16 Sec. 5. Minnesota Statutes 2016, section 119B.03, subdivision 10, is amended to read:

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

9.22 Sec. 6. Minnesota Statutes 2016, section 119B.035, subdivision 1, is amended to read:

9.23 Subdivision 1. **Establishment.** A family in which a parent provides care for the family's
 9.24 infant child may receive a subsidy in lieu of assistance if the family is eligible for or is
 9.25 receiving assistance under the ~~basic sliding fee~~ child care assistance program. An eligible
 9.26 family must meet the eligibility factors under section 119B.09, except as provided in
 9.27 subdivision 4, and the requirements of this section. Subject to federal match and maintenance
 9.28 of effort requirements for the child care and development fund, ~~and up to available~~
 9.29 ~~appropriations~~, the commissioner shall provide assistance under the at-home infant child
 9.30 care program and for administrative costs associated with the program. At the end of a fiscal
 9.31 year, the commissioner may carry forward any unspent funds under this section to the next

10.1 fiscal year within the same biennium for assistance under the ~~basic sliding fee~~ child care
 10.2 assistance program.

10.3 Sec. 7. Minnesota Statutes 2016, section 119B.035, subdivision 2, is amended to read:

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

10.6 (1) the family is not receiving MFIP, other cash assistance, or other child care assistance;
 10.7 and

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

10.10 ~~(3)~~ (2) the family is participating in the ~~basic sliding fee~~ child care assistance program
 10.11 or provides verification of participating in an authorized activity at the time of application
 10.12 and meets the program requirements.

10.13 Sec. 8. Minnesota Statutes 2016, section 119B.035, subdivision 4, is amended to read:

10.14 Subd. 4. **Assistance.** (a) ~~A family is limited to a lifetime total of 12 months of assistance~~
 10.15 ~~under subdivision 2.~~ The maximum rate of assistance is equal to 68 percent of the rate
 10.16 established under section 119B.13 for care of infants in licensed family child care in the
 10.17 applicant's county of residence.

10.18 (b) A participating family must report income and other family changes as specified in
 10.19 sections 256P.06 and 256P.07, and the county's plan under section 119B.08, subdivision 3.

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

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

10.25 Sec. 9. Minnesota Statutes 2016, section 119B.035, subdivision 5, is amended to read:

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

11.1 Sec. 10. Minnesota Statutes 2016, section 119B.05, subdivision 5, is amended to read:

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

11.6 Sec. 11. Minnesota Statutes 2016, section 119B.08, subdivision 3, is amended to read:

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

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

11.22 (2) a description of procedures and methods to be used to make copies of the proposed
11.23 state plan reasonably available to the public, including members of the public particularly
11.24 interested in child care policies such as parents, child care providers, culturally specific
11.25 service organizations, child care resource and referral programs, interagency early
11.26 intervention committees, potential collaborative partners and agencies involved in the
11.27 provision of care and education to young children, and allowing sufficient time for public
11.28 review and comment; and

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

11.31 The commissioner shall notify counties within 90 days of the date the plan is submitted
11.32 whether the plan is approved or the corrections or information needed to approve the plan.
11.33 The commissioner shall withhold ~~a county's allocation until it has an approved plan. Plans~~

12.1 ~~not approved by the end of the second quarter after the plan is due may result in a 25 percent~~
 12.2 ~~reduction in allocation. Plans not approved by the end of the third quarter after the plan is~~
 12.3 ~~due may result in a 100 percent reduction in the allocation to the county payments to a~~
 12.4 ~~county until it has an approved plan. Counties are to maintain services despite any ~~reduction~~~~
 12.5 ~~in their allocation withholding of payments due to plans not being approved.~~

12.6 Sec. 12. Minnesota Statutes 2016, section 119B.09, subdivision 7, is amended to read:

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

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

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

12.24 Sec. 13. Minnesota Statutes 2016, section 119B.10, is amended to read:

12.25 **119B.10 EMPLOYMENT OR TRAINING ELIGIBILITY.**

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

12.29 (b) Employed persons who work at least an average of 20 hours and full-time students
 12.30 who work at least an average of ten hours a week and receive at least a minimum wage for
 12.31 all hours worked are eligible for continued child care assistance for employment. For

13.1 purposes of this section, work-study programs must be counted as employment. Child care
 13.2 assistance during employment must be authorized as provided in paragraphs (c) and (d).

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

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

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

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

13.15 **Subd. 1a. Assistance for persons participating in employment or family stabilization**
 13.16 **plan.** The following persons are also eligible for child care assistance:

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

13.20 (2) persons who are participating in social services activities under chapter 256J as
 13.21 required in their employment plan approved according to chapter 256J;

13.22 (3) families who are participating in programs as required in tribal contracts under section
 13.23 119B.02, subdivision 2, or 256.01, subdivision 2; and

13.24 (4) persons who are participating in services or activities that are included in an approved
 13.25 family stabilization plan under section 256J.575.

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

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

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

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

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

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

14.16 Subd. 4. **Satisfactory progress.** Students enrolled in an education program must be
 14.17 making satisfactory progress toward completion of the program as stipulated in the school's
 14.18 satisfactory progress policy.

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

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

14.31 Subd. 7. **MFIP student moves to another county.** If an MFIP participant who is
 14.32 receiving child care assistance under this chapter moves to another county, continues to
 14.33 participate in educational or training programs authorized in the MFIP participant's
 14.34 employment or family stabilization plan, and continues to be eligible for child care assistance

15.1 under this chapter, the MFIP participant must receive continued child care assistance from
 15.2 the county responsible for the MFIP participant's current employment or family stabilization
 15.3 plan under section 256G.07.

15.4 Sec. 14. Minnesota Statutes 2016, section 119B.11, subdivision 1, is amended to read:

15.5 Subdivision 1. **County contributions required.** (a) In addition to payments from ~~basic~~
 15.6 ~~sliding fee~~ child care assistance program participants, each county shall contribute from
 15.7 county tax or other sources a fixed local match equal to its calendar year 1996 required
 15.8 county contribution reduced by the administrative funding loss that would have occurred
 15.9 in state fiscal year 1996 under section 119B.15. The commissioner shall recover funds from
 15.10 the county as necessary to bring county expenditures into compliance with this subdivision.
 15.11 The commissioner may accept county contributions, including contributions above the fixed
 15.12 local match, in order to make state payments.

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

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

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

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

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

15.23 Sec. 15. Minnesota Statutes 2016, section 119B.12, subdivision 2, is amended to read:

15.24 Subd. 2. **Parent fee.** A family must be assessed a parent fee for each service period. A
 15.25 family's parent fee must be a fixed percentage of its annual gross income. Parent fees must
 15.26 apply to families eligible for child care assistance under ~~sections 119B.03 and 119B.05~~
 15.27 section 119B.09. Income must be as defined in section 119B.011, subdivision 15. The fixed
 15.28 percent is based on the relationship of the family's annual gross income to 100 percent of
 15.29 the annual state median income. Parent fees must begin at 75 percent of the poverty level.
 15.30 The minimum parent fees for families between 75 percent and 100 percent of poverty level
 15.31 must be \$2 per biweekly period. Parent fees must provide for graduated movement to full
 15.32 payment. Payment of part or all of a family's parent fee directly to the family's child care

16.1 provider on behalf of the family by a source other than the family shall not affect the family's
16.2 eligibility for child care assistance, and the amount paid shall be excluded from the family's
16.3 income. Child care providers who accept third-party payments must maintain family specific
16.4 documentation of payment source, amount, and time period covered by the payment.

16.5 Sec. 16. Minnesota Statutes 2016, section 119B.13, subdivision 1, is amended to read:

16.6 Subdivision 1. **Subsidy restrictions.** (a) Beginning ~~February 3, 2014~~ July 1, 2016, the
16.7 maximum rate paid for child care assistance ~~in any county or county price cluster under the~~
16.8 ~~child care fund shall be the greater of the 25th percentile of the 2011 child care provider~~
16.9 ~~rate survey or the maximum rate effective November 28, 2011. The commissioner may: (1)~~
16.10 ~~assign a county with no reported provider prices to a similar price cluster; and (2) consider~~
16.11 ~~county level access when determining final price clusters~~ is the 75th percentile rate for
16.12 like-care arrangements as surveyed by the commissioner in the most current market rate
16.13 survey.

16.14 (b) A rate which includes a special needs rate paid under subdivision 3 may be in excess
16.15 of the maximum rate allowed under this subdivision.

16.16 (c) The department shall monitor the effect of this paragraph on provider rates. The
16.17 county shall pay the provider's full charges for every child in care up to the maximum
16.18 established. The commissioner shall determine the maximum rate for each type of care on
16.19 an hourly, full-day, and weekly basis, including special needs and disability care. The
16.20 maximum payment to a provider for one day of care must not exceed the daily rate. The
16.21 maximum payment to a provider for one week of care must not exceed the weekly rate.

16.22 (d) Child care providers receiving reimbursement under this chapter must not be paid
16.23 activity fees or an additional amount above the maximum rates for care provided during
16.24 nonstandard hours for families receiving assistance.

16.25 (e) When the provider charge is greater than the maximum provider rate allowed, the
16.26 parent is responsible for payment of the difference in the rates in addition to any family
16.27 co-payment fee.

16.28 (f) All maximum provider rates changes shall be implemented on the Monday following
16.29 the effective date of the maximum provider rate.

16.30 (g) Notwithstanding Minnesota Rules, part 3400.0130, subpart 7, maximum registration
16.31 fees in effect on January 1, 2013, shall remain in effect.

17.1 Sec. 17. Minnesota Statutes 2016, section 119B.15, is amended to read:

17.2 **119B.15 ADMINISTRATIVE EXPENSES.**

17.3 The commissioner shall use up to 1/21 of the state and federal funds available for the
 17.4 ~~basic sliding fee program and 1/21 of the state and federal funds available for the MFIP~~
 17.5 ~~child care assistance program for payments to counties for administrative expenses~~ the
 17.6 administrative costs of the delivery of direct services. The commissioner shall make monthly
 17.7 payments to each county based on direct service expenditures. Payments may be withheld
 17.8 if monthly reports are incomplete or untimely.

17.9 Sec. 18. Minnesota Statutes 2016, section 119B.24, is amended to read:

17.10 **119B.24 DUTIES OF COMMISSIONER.**

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

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

17.15 (2) monitor the child care resource and referral programs established under section
 17.16 119B.19; and

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

17.22 Sec. 19. Minnesota Statutes 2016, section 256J.24, subdivision 5, is amended to read:

17.23 Subd. 5. **MFIP transitional standard.** The MFIP transitional standard is based on the
 17.24 number of persons in the assistance unit eligible for both food and cash assistance. The
 17.25 amount of the transitional standard is published annually by the Department of Human
 17.26 Services. Effective July 1, 2017, the amount of the transitional standard is increased by
 17.27 \$300 per household.

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

17.29 The state obligation for the child care assistance program under Minnesota Statutes,
 17.30 chapter 119B, must be included in the Department of Management and Budget February

18.1 and November forecast of state revenues and expenditures under Minnesota Statutes, section
 18.2 16A.103, beginning with the November 2017 forecast.

18.3 Sec. 21. **REVISOR'S INSTRUCTION.**

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

	<u>Column A</u>	<u>Column B</u>
18.7	<u>119B.035</u>	<u>119B.105</u>
18.8	<u>119B.05, subd. 4</u>	<u>119B.03, subd. 11</u>
18.9	<u>119B.05, subd. 5</u>	<u>119B.03, subd. 12</u>

18.11 (b) The revisor of statutes shall correct internal cross-references to sections resulting
 18.12 from the repealer in section 21. The revisor may make changes necessary to correct the
 18.13 punctuation, grammar, or structure of the remaining text and preserve its meaning.

18.14 Sec. 22. **REPEALER.**

18.15 Minnesota Statutes 2016, sections 119B.011, subdivisions 20 and 20a; 119B.03,
 18.16 subdivisions 1, 2, 4, 5, 6, 6a, 6b, and 8; 119B.05, subdivision 1; 119B.07; 119B.09,
 18.17 subdivisions 3 and 4a; and 119B.11, subdivision 4, are repealed.

18.18 **ARTICLE 5**

18.19 **WORKING FAMILY TAX CREDIT**

18.20 Section 1. Minnesota Statutes 2016, section 290.0671, subdivision 1, as amended by Laws
 18.21 2017, chapter 1, section 6, is amended to read:

18.22 Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota is
 18.23 allowed a credit against the tax imposed by this chapter equal to ~~a percentage~~ 75 percent of
 18.24 ~~earned income. To receive a credit, a taxpayer must be eligible for a~~ the credit for which
 18.25 the individual is eligible under section 32 of the Internal Revenue Code.

18.26 ~~(b) For individuals with no qualifying children, the credit equals 2.10 percent of the first~~
 18.27 ~~\$6,180 of earned income. The credit is reduced by 2.01 percent of earned income or adjusted~~
 18.28 ~~gross income, whichever is greater, in excess of \$8,130, but in no case is the credit less than~~
 18.29 ~~zero.~~

18.30 ~~(c) For individuals with one qualifying child, the credit equals 9.35 percent of the first~~
 18.31 ~~\$11,120 of earned income. The credit is reduced by 6.02 percent of earned income or adjusted~~

19.1 ~~gross income, whichever is greater, in excess of \$21,190, but in no case is the credit less~~
 19.2 ~~than zero.~~

19.3 ~~(d) For individuals with two or more qualifying children, the credit equals 11 percent~~
 19.4 ~~of the first \$18,240 of earned income. The credit is reduced by 10.82 percent of earned~~
 19.5 ~~income or adjusted gross income, whichever is greater, in excess of \$25,130, but in no case~~
 19.6 ~~is the credit less than zero.~~

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

19.9 ~~(f)~~ (c) For a person who was a resident for the entire tax year and has earned income not
 19.10 subject to tax under this chapter, including income excluded under section 290.0132,
 19.11 subdivision 10, the credit must be allocated based on the ratio of federal adjusted gross
 19.12 income reduced by the earned income not subject to tax under this chapter over federal
 19.13 adjusted gross income. For purposes of this paragraph, the subtractions for military pay
 19.14 under section 290.0132, subdivisions 11 and 12, are not considered "earned income not
 19.15 subject to tax under this chapter."

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

19.19 ~~(g) For tax years beginning after December 31, 2013, the \$8,130 in paragraph (b), the~~
 19.20 ~~\$21,190 in paragraph (c), and the \$25,130 in paragraph (d), after being adjusted for inflation~~
 19.21 ~~under subdivision 7, are each increased by \$5,000 for married taxpayers filing joint returns.~~
 19.22 ~~For tax years beginning after December 31, 2013, the commissioner shall annually adjust~~
 19.23 ~~the \$5,000 by the percentage determined pursuant to the provisions of section 1(f) of the~~
 19.24 ~~Internal Revenue Code, except that in section 1(f)(3)(B), the word "2008" shall be substituted~~
 19.25 ~~for the word "1992." For 2014, the commissioner shall then determine the percent change~~
 19.26 ~~from the 12 months ending on August 31, 2008, to the 12 months ending on August 31,~~
 19.27 ~~2013, and in each subsequent year, from the 12 months ending on August 31, 2008, to the~~
 19.28 ~~12 months ending on August 31 of the year preceding the taxable year. The earned income~~
 19.29 ~~thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends~~
 19.30 ~~in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner~~
 19.31 ~~under this subdivision is not a rule under the Administrative Procedure Act.~~

19.32 ~~(h)~~ (d) The commissioner shall construct tables showing the amount of the credit at
 19.33 various income levels and make them available to taxpayers. The tables shall follow the

20.1 schedule contained in this subdivision, except that the commissioner may graduate the
20.2 transition between income brackets.

20.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
20.4 31, 2017.

20.5 Sec. 2. **REPEALER.**

20.6 Minnesota Statutes 2016, section 290.0671, subdivision 7, is repealed.

20.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
20.8 31, 2017.

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Article locations in 17-2996

ARTICLE 1	FINDINGS	Page.Ln 1.18
ARTICLE 2	MINIMUM WAGE	Page.Ln 2.14
ARTICLE 3	FEDERAL SOCIAL SECURITY TAX LOOPHOLE	Page.Ln 6.11
	CHILD CARE ASSISTANCE EXPANSION AND MFIP CASH	
ARTICLE 4	GRANT INCREASE	Page.Ln 7.11
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119B.011 DEFINITIONS.

Subd. 20. **Transition year families.** "Transition year families" means families who have received MFIP assistance, or who were eligible to receive MFIP assistance after choosing to discontinue receipt of the cash portion of MFIP assistance under section 256J.31, subdivision 12, or families who have received DWP assistance under section 256J.95 for at least three of the last six months before losing eligibility for MFIP or DWP. Transition year child care may be used to support employment or job search. Transition year child care is not available to families who have been disqualified from MFIP or DWP due to fraud.

Subd. 20a. **Transition year extension families.** "Transition year extension families" means families who have completed their transition year of child care assistance under this subdivision and who are eligible for, but on a waiting list for, services under section 119B.03. For purposes of sections 119B.03, subdivision 3, and 119B.05, subdivision 1, clause (2), families participating in extended transition year shall not be considered transition year families. Transition year extension child care may be used to support employment or a job search that meets the requirements of section 119B.10 for the length of time necessary for families to be moved from the basic sliding fee waiting list into the basic sliding fee program.

119B.03 BASIC SLIDING FEE PROGRAM.

Subdivision 1. **Notice of allocation.** By October 1 of each year, the commissioner shall notify all counties of their final child care fund program allocation.

Subd. 2. **Waiting list.** Each county that receives funds under this section must keep a written record and report to the commissioner the number of eligible families who have applied for a child care subsidy or have requested child care assistance. Counties shall perform a preliminary determination of eligibility when a family requests child care assistance. At a minimum, a county must make a preliminary determination of eligibility based on family size, income, and authorized activity. A family seeking child care assistance must provide the required information to the county. A family that appears to be eligible must be put on a waiting list if funds are not immediately available. The waiting list must identify students in need of child care. Counties must review and update their waiting list at least every six months.

Subd. 4. **Funding priority.** (a) First priority for child care assistance under the basic sliding fee program must be given to eligible non-MFIP families who do not have a high school or general equivalency diploma or who need remedial and basic skill courses in order to pursue employment or to pursue education leading to employment and who need child care assistance to participate in the education program. This includes student parents as defined under section 119B.011, subdivision 19b. Within this priority, the following subpriorities must be used:

- (1) child care needs of minor parents;
- (2) child care needs of parents under 21 years of age; and
- (3) child care needs of other parents within the priority group described in this paragraph.

(b) Second priority must be given to parents who have completed their MFIP or DWP transition year, or parents who are no longer receiving or eligible for diversionary work program supports.

(c) Third priority must be given to families who are eligible for portable basic sliding fee assistance through the portability pool under subdivision 9.

(d) Fourth priority must be given to families in which at least one parent is a veteran as defined under section 197.447.

(e) Families under paragraph (b) must be added to the basic sliding fee waiting list on the date they begin the transition year under section 119B.011, subdivision 20, and must be moved into the basic sliding fee program as soon as possible after they complete their transition year.

Subd. 5. **Review of use of funds; reallocation.** (a) After each quarter, the commissioner shall review the use of basic sliding fee program allocations by county. The commissioner may reallocate unexpended or unencumbered money among those counties who have expended their full allocation or may allow a county to expend up to ten percent of its allocation in the subsequent allocation period.

(b) Any unexpended state and federal appropriations from the first year of the biennium may be carried forward to the second year of the biennium.

Subd. 6. **Allocation formula.** The basic sliding fee state and federal funds shall be allocated on a calendar year basis. Funds shall be allocated first in amounts equal to each county's guaranteed floor according to subdivision 8, with any remaining available funds allocated according to the following formula:

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(a) One-fourth of the funds shall be allocated in proportion to each county's total expenditures for the basic sliding fee child care program reported during the most recent fiscal year completed at the time of the notice of allocation.

(b) Up to one-fourth of the funds shall be allocated in proportion to the number of families participating in the transition year child care program as reported during and averaged over the most recent six months completed at the time of the notice of allocation. Funds in excess of the amount necessary to serve all families in this category shall be allocated according to paragraph (f).

(c) Up to one-fourth of the funds shall be allocated in proportion to the average of each county's most recent six months of reported first, second, and third priority waiting list as defined in subdivision 2 and the reinstatement list of those families whose assistance was terminated with the approval of the commissioner under Minnesota Rules, part 3400.0183, subpart 1. Funds in excess of the amount necessary to serve all families in this category shall be allocated according to paragraph (f).

(d) Up to one-fourth of the funds shall be allocated in proportion to the average of each county's most recent six months of reported waiting list as defined in subdivision 2 and the reinstatement list of those families whose assistance was terminated with the approval of the commissioner under Minnesota Rules, part 3400.0183, subpart 1. Funds in excess of the amount necessary to serve all families in this category shall be allocated according to paragraph (f).

(e) The amount necessary to serve all families in paragraphs (b), (c), and (d) shall be calculated based on the basic sliding fee average cost of care per family in the county with the highest cost in the most recently completed calendar year.

(f) Funds in excess of the amount necessary to serve all families in paragraphs (b), (c), and (d) shall be allocated in proportion to each county's total expenditures for the basic sliding fee child care program reported during the most recent fiscal year completed at the time of the notice of allocation.

Subd. 6a. **Allocation due to increased funding.** When funding increases are implemented within a calendar year, every county must receive an allocation at least equal to its original allocation for the same time period. The remainder of the allocation must be recalculated to reflect the funding increase, according to formulas identified in subdivision 6.

Subd. 6b. **Allocation due to decreased funding.** When funding decreases are implemented within a calendar year, county allocations must be reduced in an amount proportionate to the reduction in the total allocation for the same time period. This applies when a funding decrease necessitates the revision of an existing calendar year allocation.

Subd. 8. **Guaranteed floor.** (a) Beginning January 1, 1996, each county's guaranteed floor shall equal 90 percent of the allocation received in the preceding calendar year. For the period January 1, 1999, to December 31, 1999, each county's guaranteed floor must be equal to its original calendar year 1998 allocation or its actual earnings for calendar year 1998, whichever is less.

(b) When the amount of funds available for allocation is less than the amount available in the previous year, each county's previous year allocation shall be reduced in proportion to the reduction in the statewide funding, for the purpose of establishing the guaranteed floor.

119B.05 MFIP CHILD CARE ASSISTANCE PROGRAM.

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

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

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

(3) families 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 section 256J.95;

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

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

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

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

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- (8) families who are participating in the transition year extension under section 119B.011, subdivision 20a; and
- (9) student parents as defined under section 119B.011, subdivision 19b.

119B.07 USE OF MONEY.

(a) Money for persons listed in sections 119B.03, subdivision 3, and 119B.05, subdivision 1, shall be used to reduce the costs of child care for students, including the costs of child care for students while employed if enrolled in an eligible education program at the same time and making satisfactory progress towards completion of the program. 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, and county policies included in the child care fund plan. The maximum length of time a student is eligible for child care assistance under the child care fund for education and training is no more than the time necessary to complete the credit requirements for an associate or baccalaureate degree as determined by the educational institution, excluding basic or remedial education programs needed to prepare for postsecondary education or employment.

(b) To be eligible, the student must be in good standing and be making satisfactory progress toward the degree. Time limitations for child care assistance do not apply to basic or remedial educational programs needed to prepare for postsecondary education or employment. These programs include: high school, general equivalency diploma, and English as a second language. Programs exempt from this time limit must not run concurrently with a postsecondary program. If an MFIP participant who is receiving MFIP child care assistance under this chapter moves to another county, continues to participate in educational or training programs authorized in their employment plans, and continues to be eligible for MFIP child care assistance under this chapter, the MFIP participant must receive continued child care assistance from the county responsible for their current employment plan, under section 256G.07.

119B.09 FINANCIAL ELIGIBILITY.

Subd. 3. **Priorities; allocations.** If a county projects that its child care allocation is insufficient to meet the needs of all eligible families, it may prioritize among the families that remain to be served after the county has complied with the priority requirements of section 119B.03. Counties that have established a priority for families who are not MFIP participants beyond those established under section 119B.03 must submit the policy in the annual child care fund plan.

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.

119B.11 COUNTY CONTRIBUTION.

Subd. 4. **Maintenance of funding effort.** To receive money through this program, each county shall certify, in its annual plan to the commissioner, that the county has not reduced allocations from other federal and state sources, which, in the absence of the child care fund, would have been available for child care assistance. However, the county must continue contributions, as necessary, to maintain on the basic sliding fee program, families who are receiving assistance on July 1, 1995, until the family loses eligibility for the program or until a family voluntarily withdraws from the program. This subdivision does not affect the local match required for this program under other sections of the law.

290.0671 MINNESOTA WORKING FAMILY CREDIT.

Subd. 7. **Inflation adjustment.** The earned income amounts used to calculate the credit and the income thresholds at which the maximum credit begins to be reduced in subdivision 1 must be adjusted for inflation. The commissioner shall adjust 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 "2013" shall be substituted for the word "1992." For 2015, the commissioner shall then

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determine the percent change from the 12 months ending on August 31, 2013, to the 12 months ending on August 31, 2014, and in each subsequent year, from the 12 months ending on August 31, 2013, 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 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.