

# Minnesota to cut health, education budgets

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19 February 2011

Minnesota Governor Mark Dayton released his budget proposal on February 15, 2011, which includes cuts to health care, higher education, and the state's workforce. As with states throughout the country, Minnesota faces a widening deficit and growing social need for public assistance. For the current fiscal year, the state has a projected budget gap of \$6.2 billion.

Of the nearly \$1 billion in Dayton's proposed budget reductions, more than half center on state health and human service programs. Approximately 7,200 low-income adults will lose their state subsidized health care services under the plan, which caps financial eligibility at little more than \$20,000 per year. The state Department of Human Services would be cut 2.8 percent, and nursing homes and home health care services would also face budget cuts.

Dayton, newly elected on the Democratic-Farmer-Labor Party ticket and keenly aware of the sharp opposition to austerity policies in neighboring Wisconsin, is attempting to offset state-level cuts with an injection of federal funds. On February 17, federal authorities approved a plan to expand the state's Medicaid rolls to provide some services that tens of thousands of poor adults previously received in the state-funded MinnesotaCare.

The governor's plan also calls for an increase of surcharges to providers of patients enrolled in General Assistance Medical Care, the state's Medicaid program that is jointly funded by the federal government. Health care advocates fear this will lead to both a loss of jobs for health care workers and further reduced care for the elderly and disabled.

Dayton's proposal would cut higher education funding by 6 percent for the 2012-13 fiscal year, amounting to some \$171 million from the university systems. The cuts will translate into still higher tuition and fees borne by students, even as the state cuts scholarship and grant aid.

The governor's budget plan includes increased funding of \$33 million for an optional all-day Kindergarten program, with funds tied to the Obama administration's Race To the Top model of punishing schools and teachers with lower test scores. Under the plan, the top 20 percent of schools with improved test scores would be eligible for more funding. Education Department spokesperson Charlene Briner told the *Pioneer Press* February 15 that the scheme was "like a mini Race to the Top almost, but doled out to schools by the state."

Other K-12 programs face \$15 million in cuts. The governor also plans to save \$1.45 billion in education spending by simply delaying needed aid payments to schools.

The state workforce is to be cut by 6 percent, or some 800 jobs, with many older state workers to be pressured into early retirement. Their positions are to be left unfilled. The public sector unions, which overwhelmingly backed Dayton's election campaign, have been conspicuously supportive of the proposed budget. Minnesota Association of Professional Employees head Jim Monroe issued a statement February 15 endorsing the proposal as "a responsible plan to get Minnesota back to work and get the economy moving." The AFL-CIO characterized the budget as a "welcome relief to working class Minnesotans who have sacrificed too much over the last decade."

In addition to the large cuts, the budget proposal also calls for numerous fees on work licenses, park admissions, and other activities that will disproportionately impact the working class.

Dayton's plan is likely to represent the lower limit of cuts, since the Republican-controlled House and Senate are proposing much deeper reductions to resolve the budget deficit. Steve Larson, an advocate for people with disabilities with The Arc Minnesota, remarked to

the Associated Press in anticipation of the budget announcement, “The high water mark during the legislative session will be with the governor’s budget. Then at that point, we’re going to be in a great struggle to maintain services at that level.”

Dayton’s budget includes small tax increases for the wealthiest 5 percent of Minnesotans, a proposal that in large part propelled him into office. A September 2010 Minneapolis-St. Paul *Star Tribune* poll found that more than 60 percent of Minnesotans favored Dayton’s election pledge to raise taxes on the wealthy.

Under Dayton’s plan, the tax rate would increase to 10.95 percent for households bringing in more than \$150,000, and those with more than \$500,000 per year would be subject to an additional temporary 3 percent tax expiring in three years. Of the 3 percent surcharge, Dayton pledged, “I give my word that it’s temporary.”

That the tax rate on the so-called “4th tier” of taxpayers has been whittled down over the past decade to a mere 9.8 percent—a lower rate than many middle- and lower-income families must pay out—makes clear that the governor’s proposal is little more than toothless populist pandering.

Moreover, Republican lawmakers are certain to veto any tax increase on the rich. Claiming that Minnesota would have the highest income tax in the US, state Senate majority leader Amy Koch announced that “tax increases are not going to be accepted by the House and Senate.” House speaker Kurt Zellers characterized Dayton’s budget as a “feeble and pathetic attempt to go back in time.” Zellers boasted “Don’t worry, we are not going to let Mark Dayton tax our jobs out of our state.”

Earlier this month in an attempt to gain an advantage in the budget process, the legislature handed Dayton a bill that would have cut approximately \$1 billion in aid to local governments, colleges and universities, and the Department of Human Services, among others.

Traditionally, Minnesota has been recognized for the quality of its schools, health care, and overall standard of living. The past decade has seen declines in key indices. In data that does not even reflect the full impact of the economic meltdown in the fall of 2008, the US Census Bureau shows the percentage of individuals living below the poverty level increased from 2000 to 2008 from 6.9 percent to 9.6 percent. The percentage of families living below the poverty level

increased from 5.1 percent to 6.2 percent during the same period.

A multitude of other statistics show the effects that the diversion of public funds away from social programs has had on the day-to-day living conditions of the working class population. For example, 2007-08 data from the federal Department of Education’s National Center for Education Statistics showed that Minnesota’s student to teacher ratio ranked 33rd in the nation. Wilder Research found that homeless increased 25 percent between 2006 and 2009. A recent report by the Minnesota Home Ownership Center revealed an 11 percent increase in home foreclosures in 2010 and projects similar increases for 2011. Zillow.com reported that 42.3 percent of single-family homes in the Twin Cities were “under water.”

The quality of life for the vast majority of Minnesotans continues to erode, and the most vulnerable members of the population will be hit the hardest by any budget deals struck in the statehouse. This is not due to any lack of wealth in the state. To the contrary, Minnesota is home to personal fortunes worth many times the state’s current deficit. Six billionaires on the 2010 Forbes list of the 400 wealthiest Americans live in Minnesota, and Census Bureau data indicates that 33,000 Minnesotans had a net worth of at least \$1.5 million, for a combined net worth of \$135,682,000 as of 2004.



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