STATE OF MINNESOTA

Office of Governor Mark Dayton

130 State Capitol ♦ 75 Rev. Dr. Martin Luther King Jr. Boulevard ♦ Saint Paul, MN 55155

April 3, 2017

Dear Members of the Minnesota Congressional Delegation:

I am writing to share my deep concerns with the President's proposed budget blueprint. The blueprint proposes $15 billion in unspecified cuts to non-defense discretionary spending for FY 2017, even though the federal fiscal year is already half over. The cuts proposed in the 2018 budget proposal would have even more alarming impacts on the Minnesotans we serve. These funding cuts would have a disproportionate impact on the most vulnerable Minnesotans, including children, the elderly, and those living in poverty.

As you know, the decisions you make in Congress have profound effects on our budget here in Minnesota. The Legislature and I are only weeks away from adopting a two-year budget. We are making our decisions based on revenue projections that project two and four years into the future. I have spent the last six years working hard to right our state's fiscal ship by ensuring Minnesota's budget is balanced not just for two years, but for four years. While we always face risk that our revenue projections will change, we are seeing more uncertainty and risk than usual. I have proposed a budget that creates almost $1 billion of contingency savings to help manage our fiscal risks.

As you know, federal budget decisions directly impact the quality and quantity of services Minnesotans receive. Federal fiscal policy decisions have a ripple effect on the U.S. economy, Minnesota's economy and subsequently the revenues we collect at the state to support our budget decisions.

The blueprint includes cuts to federal agencies that provide critical funding and support to Minnesota, including:

- 21% decrease for the Department of Agriculture
- 16% decrease for the Department of Commerce
- 13% decrease for the Department of Education
- 17.9% decrease for the Department of Health and Human Services
- 13% decrease for the Department of Housing and Urban Development
- 12% decrease for the Department of Interior
- 3.8% decrease to the Department of Justice
- 21% decrease to the Department of Labor
- 13% decrease to the Department of Transportation

The elimination of and reductions to the following programs are especially concerning for Minnesota. This list is not exhaustive. There are additional programs that are being eliminated and reductions in the President's budget that are yet unspecified and put Minnesota programs and agencies at risk.

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Health and Human Services Community Services Block Grants
The U.S. Department of Health & Human Service's Community Services Block Grants (CSBG) are eliminated in the President's budget. In FY 2018, the Minnesota Department of Human Services is projected to receive $7.8 million from the CSBG. CSBG funding responds to locally-defined needs and locally-designed solutions to address poverty. In 2015, CSBG served 514,578 low-income Minnesotans in 201,262 families. 90% of CSBG funds are allocated to 24 Community Action Agencies and 11 Tribal governments, which cover all counties in Minnesota. These funds, guided by local innovation, are critical tools for Minnesotans serving Minnesotans and reducing the incidence of poverty in our state.

Health and Human Services Low Income Heating Energy Assistance Program (LIHEAP)
HHS's Low-Income Home Energy Assistance Program (LIHEAP) is eliminated in the President's budget. LIHEAP supports Minnesota's Energy Assistance Program (EAP) which helps pay for home heating costs and furnace repairs for low-income households. The program protects vulnerable Minnesotans from losing heat during the coldest months of the year. In federal FY 2016, Minnesota received $114 million in federal funds from LIHEAP and served 339,900 Minnesotans living in 133,000 households. Of these households, 35% had at least one senior member, 40% had at least one disabled member, and 22% had at least one child under age 6.

Housing and Urban Development HOME Program
The U.S. Department of Housing and Urban Development's (HUD) HOME Investment Partnership Program is eliminated in the President's budget. HOME is a flexible resource used to increase and preserve affordable rental housing across the state. In FY 2016, the state of Minnesota received over $13.5 million in appropriations under HOME, including nearly $6 million to Minnesota Housing Finance Agency. That year, the Minnesota Housing assisted 694 units of affordable housing. All HOME units served households with median annual incomes of just $18,000. Nearly 12% of households served are seniors, 32% are families with children, and 36% are people of color or Hispanic ethnicity.

Housing and Urban Development Rental Assistance
HUD federal rental assistance is cut by $2 billion, resulting in over 2,800 fewer vouchers in Minnesota. Federal rental assistance includes housing choice vouchers, public housing, Section 8 based units, and USDA rural development. Minnesota Housing manages Section 8 rental assistance on behalf of the federal government. In FY 2016, this portfolio assisted nearly 32,000 households with median incomes of $12,000, 48% who are seniors and 22% families with children. In addition, 34% of households have a disabled occupant. Housing choice vouchers, administered by Public Housing Agencies and Housing and Redevelopment Authorities throughout the state, assist another 31,000 households.

Housing and Urban Development Small Cities Community Development Block Grants
The HUD Small Cities Community Development Block Grants are eliminated in the President's budget. The funds received from this program are used for rehabilitation of homes and revitalization of downtown areas in Greater Minnesota. Funds are also used to replace outdated water systems. The program employs local government staff, non-profits and for-profits, engineering firms, and construction workers. The impact of the loss of funds would be exponential in nature because as Greater Minnesota communities become blighted, residents relocate elsewhere and small town economies suffer.

Minnesota received almost $14 million in FY 2016, with the state contributing matching funds. During that time, 267,319 low to moderate income Minnesotans and 900 commercial businesses benefitted from funding for projects, 6,000 people were impacted by funding for clean water in local public infrastructure projects, and 100 jobs were created as a result of the economic development.

Department of Education Supporting Effective Instruction State Grants
The U.S. Department of Education's Supporting Effective Instruction State Grants Program is eliminated in the President's budget. This program serves the highest poverty school districts to help recruit, train and retain teachers. Minnesota currently receives about $31.7 million that goes to 500 Minnesota schools. Approximately 560 teaching positions would be cut, impacting tens of thousands of kids.

Department of Education 21st Century Community Learning Centers
The Department of Education's 21st Century Community Learning Centers Program is eliminated. The program serves poor children enrolled in after-school programs designed to boost their literacy skills and give them a safe place to learn before and after school. Minnesota receives $12 million that provides programming at 108 community and school-based centers. In the 2015-16 school year the programs served 23,517 students attending 384 different schools, including public, private, charter, and BIE schools.

Department of Education State Library Program
The Department of Education's State Library Program provides Minnesota $3 million that would be eliminated. The funding benefits 10,000 visually impaired Minnesotans who receive services through the state's Braille and talking book libraries, which reaches 368 public libraries and universities.

Department of Education TRIO Programs
The Department of Education TRIO programs are cut by 10%, or $92 million. TRIO is a set of federally-funded college opportunity programs that motivate and support students from disadvantaged backgrounds in their pursuit of a college degree. There are 69 TRIO programs in 31 colleges and universities across the state of Minnesota.

Department of Education GEAR UP Program
The Department of Education's Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) funding is cut by 33% and future GEAR UP grant competition funding is frozen pending the completion of a rigorous evaluation of the program. GEAR UP provides grants to states and partnerships to provide services at high-poverty middle and high schools. GEAR UP funds are also used to provide college scholarships to low-income students. The Minnesota Office of Higher Education houses Get Ready, a GEAR UP program, whose grant ends this year. Should the state be denied future funding, over 61,000 students would lose valuable support for postsecondary preparation and access, 158 schools and over 40 higher education partners would be impacted, and about 20 full time employees would be out of a job.

Department of Education Federal Supplemental Education Opportunity Grant Program
The Department of Education's Federal Supplemental Educational Opportunity Grant (FSEOG) Program is eliminated in the President's budget. The FSEOG Program is a campus-based federal grant for undergraduates with exceptional financial need. In 2014-2015, approximately 27,000 postsecondary students attending Minnesota postsecondary institutions received approximately $19 million in FSEOG funds.

Department of Education Pell Grants
The Department of Education's Pell Grant program in the President's budget includes a cancellation of $3.9 billion from unobligated carryover funding. This cut essentially eliminates the opportunity for summer Pell Grant funding. This change also includes no increase in eligibility, no inflationary adjustment, and no savings in State Grants. In FY 2015, 122,103 Minnesota students received over $408 million in Pell Grant funding.

Department of Education Work-Study
The Department of Education's Work-Study program is significantly reduced, including an elimination of funding for graduate students. In 2015, 114,134 Minnesota graduate students received work study through the federal funding. The Minnesota state work study program provided over $15 million for 10,799 Minnesota undergraduate and graduate students in FY2015. Without additional federal investment, the Minnesota Work Study program would be unable to accommodate the graduate students who would be cut from federal work study.

Department of Energy Low-Income Weatherization Assistance Program (WAP)
The U.S. Department of Energy's Weatherization Assistance Program (WAP) is eliminated in the President's budget. WAP provides grants to states, territories, and Indian tribes to improve the energy efficiency of low-income family homes. Over $6.6 million dollars was infused into local communities throughout the state in FY 2015 alone. On average, implementation of weatherization assistance reduces a household's energy bill by 30% to 45% and generates $4.50 in benefits for every dollar invested. WAP services have been provided to over 44,000 low-income Minnesota households since 2005. In the FY 2016, 2,789 individuals were served by improving the health, safety, and by reducing the overall energy burden, including 455 elderly individuals, 357 people with disabilities, and 461 children. The funding also supports jobs in both metro and rural communities.

Department of Energy State Energy Program
The Department of Energy's State Energy Program (SEP) is eliminated in the President's budget. SEP provides funding to carry out programs tailored to individual state's needs, including energy-related economic development work, private sector energy innovation, and state-driven energy system and infrastructure planning. SEP is also the primary mechanism for governors to plan for and mitigate energy-related emergencies. Minnesota has prioritized energy assurance and response, financial and technical assistance, and outreach and education. On average, Minnesota receives approximately $1 million each year as well as $317,000 in competitive awards. Additionally, if the DOE Energy Efficiency & Renewable Energy Office Sunshot Initiative is eliminated, an additional $2 million in current competitive grant awards would be lost.

Department of Labor Senior Community Service Employment Program
The U.S. Department of Labor Senior Community Service Employment Program is eliminated in the President's budget. The program provides people age 55 and older with job training to help them return to work. In Minnesota, this has resulted in just over $2 million in FY 2016 that served 1,284 Minnesotans. The services not only impact the individuals in finding employment, but also their family members who may have a disability.

Environmental Protection Agency Grants
The Environmental Protection Agency is cut by 31% in the President's budget; however, it proposes a severe 47% cut to the Minnesota Pollution Control Agency (MPCA). The impact to the state would be a loss of $2.6 million from the 2017 federal fiscal year and $10.5 million in FFY2018. These grants provide continuing environmental program funding for all areas of work at the MPCA. Programs proposed for elimination at EPA include the Great Lakes Restoration Initiative ($1.25M), which was to clean-up pollution and restore ecosystems in the St. Louis River Area of Concern, and the Clean Diesel Program ($1.3M) that targeted reduction of pollution emissions to protect sensitive populations and the quality of air for Minnesotans in general. Other grant programs totaling $19.2 million are cut by 45%, hampering the state's ability to monitor air and water quality, implement projects to reduce or eliminate sources of air, hazardous waste and water pollution, and perform permitting and compliance activities for underground petroleum storage tanks. 30% reductions are proposed for Superfund and Brownfields programs, limiting activities to clean up sites that pose hazards to public health, welfare, and the environment at federally designated Superfund sites, and redevelopment and restoration of land to commercial use.

Environmental Protection Agency Great Lakes Restoration Initiative
The U.S Environmental Protection Agency's Great Lakes Restoration Initiative (GRLI) and the National Oceanic and Atmospheric Administration's (NOAA) Coastal Zone Management funds would be eliminated in the President's budget. The GLRI program funds support restoring and protecting watersheds in eight states surrounding the Great Lakes that provide drinking water for over 40 million Americans and drive a $62 billion annual economy of fishing, boating and recreational activities. The Minnesota Department of Natural Resources and the Minnesota Pollution Control Agency receive GRLI and NOAA funding for the following activities: $800,000 annual grants for prevention and management of Aquatic Invasive Species in the Great Lakes Basin, $4.5 million grant for habitat restoration and remedial action plan implementation activities in the St. Louis River Area of Concern Project, and $896,000 lake management activities to protect water quality in Lake Superior Basin through efforts to reduce impairments and toxic chemicals. The Coastal Zone Management program funds $972,000 annually for protecting streams and rivers in the Great Lakes area.

Department of Agriculture Rural Development –Water and Wastewater Programs
The U.S. Department of Agriculture's Rural Development water and wastewater loan and grant program is eliminated in the President's budget. This program provides funding for essential water infrastructure projects in small rural communities throughout Minnesota.
In 2016 the program provided almost $50 million in construction funding for Minnesota communities. The President's budget states that this program is duplicative and that rural communities can be served by private sector financing or the Environmental Protection Agency's State Revolving Funds. However private sector financing is often unaffordable for small rural communities, and while it is positive that the very important State Revolving Funds are not proposed for cuts, the small recommended increase for the SRFs would not replace the loss in funding from the elimination of the USDA program.

The net result would be that many small rural communities in Minnesota would not be able to make the water infrastructure improvements they need to protect public health and the environment.

Department of Agriculture and Rural Development
The President's budget proposes a 21% reduction in USDA discretionary agriculture spending which will negatively impact farms and rural communities. The budget proposes a $200 million reduction in the McGovern – Dole Food for Education Program, which was developed to provide school lunch for students in developing countries and diminishes America's effort to decrease global food dependency and its linkage to global education. The proposed $200 million reduction in the WIC program turns our back on the health and nutritional needs of low income Women, Infants and Children in America. In addition, the budget proposes a to be determined decrease in support for USDA farm service centers which will decrease the amount of service provided by critical county offices across rural America.

Federal Transit Administration Capital Investment Grant Program Limited to Projects with Existing Full Funding Grant Agreements
Funding for the Federal Transit Administration's Capital Investment Grant Program (CIG), known as New Starts, Small Starts, and Core Capacity are currently funded at a level of $2.3 billion, the level authorized in the Fixing America's Surface Transportation (FAST) Act. However, the President's budget proposes to limit the funding to projects with existing full funding grant agreements which may prohibit the extension of the Green Line (Southwest LRT) from being funded. The CIG program is important to communities – generating regional economic benefit, connecting workers to their employers, relieving congestion, and mitigating air quality in metro areas. Our metropolitan region values this program and the work of FTA as an essential partner in expanding our transit network. Critical projects such as the Orange Line and Green Line extension projects have advanced significantly in the planning process and now rely on the CIG program for funding.

Department of Transportation Essential Air Service Program
The U.S. Department of Transportation Essential Air Service (EAS) airport program would be eliminated under the President's budget. Five Minnesota communities receive EAS funding: Bemidji, Brainerd, Chisholm/Hibbing, International Falls and Thief River Falls. The Essential Air Service (EAS) program was put into place to guarantee that small communities that were served by certificated air carriers before airline deregulation maintain a minimal level of scheduled air service. Without EAS funding, commercial airlines are likely to suspend service to these communities in favor of more lucrative routes.

On behalf of the people of Minnesota, I request that you voice your opposition to the President's budget blueprint and reject the draconian cuts it proposes to programs that serve thousands of our citizens. Moving forward, I ask that we work together to ensure that the 2018 federal budget is a fair approach for the services, upon which Minnesotans depend. My agency and office staff and I stand ready to assist you, as you consider budget proposals for 2018.

Sincerely,

Mark Dayton
Governor