

AMERICAN FAMILIES PLAN

The Need for Action in Minnesota

The American Families Plan is an investment in Minnesota's children and families – because when American families do well, our nation thrives. The American Families Plan is a once-in-a-generation investment in the foundations of middle-class prosperity: education, health care, and child care. It will help families cover the basic expenses that so many struggle with now, lower health insurance premiums, and continue the American Rescue Plan's historic reductions in child poverty. It will yield significant economic returns – boosting productivity and economic growth, supporting a larger, more productive, and healthier workforce on a sustained basis, and generating savings to states and the federal government.

- **HIGHER EDUCATION:** Higher education is key to unlocking opportunity in the new economy, but the average cost of a 2-year degree in Minnesota is \$5,600 per year. High costs are part of the reason just 70 percent of students in Minnesota are able to complete a postsecondary degree of any kind within 6 years of enrolling, and across the United States, high-minority and high-poverty high schools have seen 9.4 percent and 11.4 percent declines in college enrollment, respectively. To make higher education more accessible, the American Families Plan will provide at least two years of free community college to all students, including DREAMers. It will also increase the maximum Pell Grant awards by approximately \$1,400 to support the 115,000 students in Minnesota who rely on Pell for their education, and provide grants to increase college retention and completion. In addition, the American Families Plan will provide support to minority-serving institutions (MSIs) and the students they serve across the country, like Historically Black Colleges and Universities (HBCUs), Tribal Colleges and Universities (TCUs), and Hispanic-serving institutions (HSIs). This includes 14 MSIs in Minnesota.
- **UNIVERSAL PRE-SCHOOL:** Pre-school is critical to ensuring that children start kindergarten with the skills and supports that set them up for success in school. But today, only 28,700 or 20 percent of the 145,000 3- and 4-year-olds in Minnesota are enrolled in publicly-funded pre-school. The American Families Plan will provide access to free, high-quality pre-school to all 3- and 4-year-olds in Minnesota, boosting their educational outcomes and allowing more parents to go back to work. In addition, the American Families Plan will ensure that all employees in funded pre-school programs are paid a \$15 minimum wage and provide compensation and benefits comparable to kindergarten educators to those with similar qualifications.
- **INVESTING IN TEACHERS:** Even before the pandemic, our nation's schools faced an estimated shortage of more than 100,000 teachers, resulting in

teachers either teaching out of their subject area or positions going unfilled. Minnesota has seen a 7 percent decline in new teacher supply. In high-need areas like special education and bilingual education, the lack of qualified teachers is worsening educational disparities for students with disabilities and English-learners. And while we know that having teachers reflect the communities they serve is critical to student performance, in Minnesota just 5 percent of teachers are teachers of color, while students of color make up 34 percent of the student population. The American Families Plan will invest \$9 billion in our teachers so we address teacher shortages, improve teacher preparation, recruit and develop more teachers of color, and leverage our veteran teachers to help support and train new teachers.

- **CHILD CARE:** Affordable child care is a barrier for many Minnesotans. The average annual cost of a child care center for a toddler in Minnesota is \$14,100 meaning that a two-parent household would on average need to spend 13 percent of their income on care for one child every year. The lack of affordable child care also makes it more difficult for women to remain in their jobs, contributing to the 17 percent gender gap in workforce participation between mothers and fathers in Minnesota. And access to care is just as important as cost, especially for the 26 percent of Minnesotans living in areas without enough child care options to meet the need. The American Families Plan will enable low and middle-income families to pay no more than 7 percent of their income on high-quality child care, generating lifetime benefits for 159,000 children under 5 in Minnesota and helping working families make ends meet. We must also make sure child care is a source of good jobs for Minnesota, where the median hourly wage of child care workers is just \$12.06. The American Families Plan will ensure a \$15 minimum wage for early childhood educators and provide compensation and benefits comparable to kindergarten educators to those with similar qualifications.
- **PAID LEAVE:** Paid leave has been shown to reduce racial wealth gaps, improve child health, increase employee retention, and boost women's workforce participation. These supports are especially critical now, with COVID-19 resulting in lost wages and a decline in economic activity. But in Minnesota and across the nation, more than 110 million workers lack access to paid family leave and nearly 84 million lack access to paid medical leave. For the country's lowest-wage workers, many of whom are women and workers of color, 95 percent are without paid family leave and 91 percent without paid medical leave. The American Families Plan will create a national, comprehensive paid family and medical leave program to ensure workers receive partial wage replacement from the government to take time to bond with a new child, care for a seriously ill loved one, deal with a loved one's military deployment, find safety from sexual assault, stalking, or domestic violence, and heal from their own serious illness.

- **CHILD NUTRITION:** A good diet is critical to a child’s health and ability to succeed in school, but 13 percent of children in Minnesota live in food insecure households and 22 percent are obese. The American Families Plan will ensure that the nutritional needs of Minnesota’s children are met by expanding access to free school meals to an additional 65,000 students and providing 350,000 students with resources to purchase food over the summer.

- **HEALTH CARE:** Health care should be a right, not a privilege, and Minnesotans facing illness should never have to worry about how they are going to pay for their treatment. President Biden has a plan to build on the Affordable Care Act to lower prescription drug costs, reduce premiums, lower the Medicare enrollment age to 60, create a public option, and close the Medicaid coverage gap to help millions of Americans gain health insurance. The American Rescue Plan provided two years of lower health insurance premiums for those who buy coverage on their own; the American Families Plan will make those premium reductions permanent. In Minnesota, that means 39,000 uninsured people will gain coverage and 47,700 will on average save hundreds of dollars per year on their premiums. The average American family will save \$50 per person per month on health coverage. In addition, the American Families Plan will support maternal health and the families of veterans receiving health care services, key parts of a historic investment in health care affordability for all Americans.

- **TAX CUTS FOR MINNESOTA’S FAMILIES AND WORKERS.** There are 68,000 children or 5 percent of children under the age of 18 in Minnesota who are considered poor. The American Families Plan will bolster financial security and spur economic growth in Minnesota by reducing taxes on the middle class and those striving to break into it.

 - The American Families Plan will extend through 2025 the American Rescue Plan’s Child Tax Credit (CTC) increases to \$3,000 per child 6-years old and above and \$3,600 per child under 6. It will also make the credit fully refundable so that low-income families can now receive the same credit as middle-income families. This extension will benefit 1,122,000 children in Minnesota, including 362,000 children of color. This proposal is estimated to lift 43,000 children out of poverty in Minnesota and reduce child poverty in the state by 48 percent.
 - To support families with child care needs, the American Families Plan will provide a permanent increase to the temporary Child and Dependent Care Tax Credit expansion enacted in the American Rescue Plan. Families will get back as a tax credit as much as half of their spending on child care for children under age 13, so they can receive a total of up to \$4,000 for one

child or \$8,000 for two or more children. The full 50 percent reimbursement will be available to families making less than \$125,000 a year and all families making between \$125,000 and \$400,000 will receive a partial credit.

- The American Families Plan will also make the Earned Income Tax Credit Expansion (EITC) for childless workers permanent to support low-wage workers. This will benefit 276,000 workers in Minnesota, many of whom are essential workers, and 24 percent of whom are people of color.