



# MAINE EQUAL JUSTICE

*Finding solutions to poverty and improving the lives of people with low income in Maine.*

## The Governor's 2016-2017 State Biennial Budget: *Summary of Proposals that Impact Maine People with Low Incomes*

This is a preliminary analysis of the governor's proposed biennial budget for FY 2016 and 2017, based on a review of the document available at <http://www.maine.gov/budget/budgetinfo/>. More information is needed in order to fully assess the impact of the proposal on people with low incomes. The budget will not be finalized until sometime in June. It will not take effect until July 1, 2015.

### Budget Overview

The first step in the budget process is for the governor to present a budget to the legislature. This proposal offers a vision for the state and defines the Administration's priorities for the next two years.

This is a complex budget. It will be difficult to understand its full impact on people at different income levels without a complete analysis of how all of the many parts work together. However, there are three messages that are already clear and send a troubling message to Maine people with low incomes.

- 1. The proposed budget poses a series of false choices that pit the needs of one group of vulnerable Mainers against another—choices that we should not and do not need to make.** For example, this budget eliminates waitlists for home care services for people with autism and intellectual disabilities—something that we all support. **But**, it pays for these new services with cuts to the General Assistance and prescription drug and health care programs now helping other groups of Maine people with critical needs. There is no need to make these kinds of harmful choices.

**A better choice:** There is a way in which we can fund the waitlists and maintain our safety net. Rejecting the governor's proposal to eliminate the estate tax for the approximately 150 estates worth more than \$2 million dollars would preserve an estimated \$14 million over the next two years and \$71 million in the two following years. Making this change to the proposed budget, along with a small reduction in the significant amount of tax relief this budget would give to those with incomes

over \$300,000 a year, would easily provide the funds necessary to eliminate the waitlists, which would cost just over \$46 million in the next two years. Using tax revenue from those most able to afford it to pay for these critical services ***instead of depriving those in need of medicine and housing*** is a choice based on fairness and compassion.

2. **The proposed budget will increase inequality in our state. It disproportionately favors the wealthiest Mainers over those with lower incomes.** This proposal significantly shifts the way we pay for state services from the income tax to the sales tax. It increases the sales tax to 6.5% and extends it to several more services (food would not be subject to sales tax under this proposal). In general, shifting from reliance on the income tax to the sales tax puts burdens people with lower incomes more (those with low incomes pay a greater percentage of their incomes on sales tax while those with higher incomes pay a greater share of their income on income tax). While this budget does create a new “sales tax fairness credit” that would give a rebate of up to \$500 based on income to help offset the impact of the increased sales tax, the end result is still an unfair one. When all of the sections of this tax package are considered together it is clear that those with the highest incomes will receive a benefit that is worth several thousand dollars, while lower income Mainers will receive little and in some cases no relief. While some people with very low income may receive a sales tax credit, this will not come close to making up for their loss of necessary prescription drugs or housing as is proposed in this budget.
3. **The proposed budget is irresponsible. It makes large income tax cuts in 2018 and 2019 without paying for them.** This will necessitate future cuts to vital state services like education, health care and child care. The priorities this budget plan sets and its impact on future state capacity to invest in Maine people and communities are cause for serious concern.

## Summary of some specific proposals that impact people with low incomes:

### Proposals to cut programs that assist seniors and people with disabilities:

- **Reduction in eligibility for the Low Cost Drugs for the Elderly and Disabled (DEL) Program (Part TT)**

This proposal would reduce the eligibility limit for the Low Cost Drugs for the Elderly and Disabled (DEL) Program from 175% to 135% of the federal poverty level (from \$1,702 to \$1,313 a month for a single person and from \$2,294 to \$1,770 a month for a couple). This cut has been proposed by the governor previously and rejected by the legislature because of the hardship many Maine seniors would experience in accessing the medicine they need.

The DEL Program helps low-income seniors age 62 and over and people with disabilities access to prescription drugs. It provides a discount on generic drugs for everyone who is enrolled and on brand name drugs for people with certain serious health conditions like diabetes, heart disease, chronic lung disease and multiple sclerosis. DEL also helps people who have access to Medicare Part D prescription drug coverage pay the costs for Medicare Part D.

**Impact:** 16,257 seniors and people with disabilities would be impacted by this cut.

➤ **New asset test imposed in the DEL Program (Part UU)**

The budget proposes a new liquid asset test of for the DEL program. For the first time in more than forty years people with savings, including retirement accounts of more than \$50,000 per person or \$75,000 per couple would no longer be eligible for help with prescription drugs. Many older people rely on their savings to help them remain at home and make ends meet as they age.

**Impact:** 800 seniors and people with disabilities would lose DEL.

➤ **Deep cut to Maine's Medicare Savings (MSP) Program (Part TT)**

The MSP Program helps seniors and people with disabilities pay for Medicare premiums, co-insurance (the 20% that Medicare does not cover), co-payments and deductibles, prescription drug costs, and coverage through the so-called "donut hole".

The proposed budget would limit eligibility for this program to people with incomes at or below 135% of the federal poverty level. This program currently serves those with incomes up to 175% of the poverty level. This means that the monthly eligibility level would drop from \$1,717 to \$1,324 for a single person and from \$2,324 to \$1,793 for a couple.

**Impact:** 14,486 seniors and people with disabilities would lose all help with their Medicare Part A and B costs and some help with their Medicare Part D drug costs; 21,025 would lose some of the help they now get.

➤ **Delayed access to the MaineCare Program for people with disabilities (Part BBB)**

The budget proposes to double the time that the Department of Health and Human Services (DHHS) has to determine eligibility from 45 days to 90 days for people applying for MaineCare based on disability. Under current law Maine DHHS must determine eligibility for MaineCare based on disability within 45 days, or provide a temporary MaineCare card to applicants so that they can at least temporarily get care if they have not.

**Impact:** We estimate that approximately 100 individuals with disabilities would have to wait an additional 45 days before receiving needed health care coverage.

## **Proposals to cut programs that assist New Mainers, including asylum seekers:**

➤ ***Elimination of state-funded Supplemental Security Income (SSI) for elderly and disabled lawfully present immigrants (Part ZZ)***

The budget proposes to eliminate this vitally important program for lawfully present immigrants residing in Maine. Currently the state SSI program provides limited monthly support to lawfully present immigrants who are 65 or older or who have a serious disability. This support is used for basic needs such as rent, heat and food.

**Impact:** 116 seniors and people with disabilities would lose on average \$748 a month, or \$8,976 annually. For many this program provides their only income.

➤ ***Elimination of state-funded Food Supplement benefits and Temporary Assistance for Needy Families (TANF) benefits for lawfully present immigrants (Part ZZ)***

The budget proposes to eliminate access to these two critical programs, which provide food, shelter, heat and clothing. These programs are currently available to lawfully present immigrants who are seniors, have a disability, are victims of domestic violence, or are waiting for work authorization from the federal government. This proposal would eliminate this vital help for these vulnerable individuals and families with children.

**Impact:** 420 households, including 709 individuals would lose their Food Supplement benefits. Thirty-five (35) families including approximately 75 children would lose their TANF benefit.

➤ ***Bars access to the General Assistance program for many new Mainers, including asylum seekers and other lawfully present groups (Part DDD)***

The proposed budget would completely *eliminate* General Assistance for asylum seekers and other immigrants who are in need of emergency assistance. General Assistance is the safety net of last resort for Maine people facing hunger or homelessness. This proposal would deny these families and individuals this critical help.

**Impact:** An actual estimate is not available, but it appears that more than 1,000 individuals would be affected by this cut.

## **Additional cuts to the General Assistance program—Maine’s safety net of last resort (Part KKK)**

The proposed budget changes the state share of reimbursement for municipalities in the General Assistance (GA) program.

Currently municipalities receive 50% of the amount that they spend on GA benefits from the State until their expenditures reach a certain percent of their property tax valuation. At that point they begin to receive 90% reimbursement from the State.

The governor’s budget would reimburse each municipality (and Indian Tribe) 90% of their GA benefit costs upfront until expenditures equal 40% of their average “adjusted direct cost” for the past six years. At that point the state reimbursement would drop to 10%.

The State spends just over \$12 million a year to support this program. This proposal would cut nearly half of those funds. This would inevitably result in a reduction in the amount of GA provided to Maine families in need.

The GA program serves approximately 12,000 people a year providing an average annual benefit of \$966. More than 85% of the GA budget goes to help people with housing costs. GA is Maine’s safety net of last resort, protecting very poor people from hunger and homelessness.

**Impact:** An estimate of the number of people affected is not available at this time.

## **Reduced access to affordable housing resources (Part O)**

The proposed budget would reduce the amount of funding transferred from the real estate transfer tax to the Maine State Housing Authority’s HOME Fund by \$6,291,740 in fiscal year 2015-16 and \$6,090,367 in fiscal year 2016-17.

These funds would otherwise be used to reduce interest rates for first-time home buyer loans, for developers creating low-income rental units, for loans or grants to owners of substandard housing, and for loans or grants to developers to create special needs housing. Additionally, funds are granted to homeless shelters throughout Maine. Some legislators have proposed to use these funds to create a Maine rental assistance program that provides housing subsidies to people on long waitlists throughout the State for federal Housing Choice vouchers.

**Impact:** An estimate of the number of people potentially affected is not available.

## **Cuts to the MaineCare Program:**

- ***Eliminates access to residential services at Private Non-Medical Institutions (PNMIs) for some seniors and people with disabilities (A-338 and 378)***

This proposal would deny state funded assistance to seniors and people with disabilities applying for assistance at a residential group home (private non-medical institution, or PNMI). These individuals have assets of less than \$2,000 and incomes over the poverty level making them ineligible for MaineCare. Current DHHS uses state dollars to fund their medical costs until they meet their deductible and become eligible for MaineCare. Under the budget proposal these individuals would no longer be eligible for this help if their income is greater than 175% of the Federal Poverty Level (\$1,702 a month). This proposal will affect applicants only. Persons already residing in PNMIs with incomes over this limit will not be affected by this proposal.

**Impact:** Eighteen new applicants a month, or 216 people a year would not be able to receive residential services under this proposal.

- ***Eliminates methadone treatment as a covered service in the MaineCare Program (A-339)***

This initiative proposes to eliminate reimbursement for Methadone clinics. While the State of Maine spends more than \$8 million annually disbursing Methadone, only a percentage of those expenditures would be realized as savings due to the estimate that 80% of the individuals currently receiving Methadone would likely transition to Suboxone treatments.

**Impact:** An estimate of individuals affected is not available at this time.

## **New funding for mental health services required by the AMHI consent decree including the Bridging Rental Assistance Program (BRAP) (A-254)**

The budget provides funds required by a court order to improve the mental health system in Maine. Approximately \$5.8 million is budgeted each year for this purpose. The budget also increases funding for the BRAP program by \$1.2 million in each year. BRAP provides rental assistance for people with mental health conditions.

**Impact:** This proposal would eliminate the waiting list for BRAP housing vouchers. An estimate of the number that would be helped is not available at this time.

## **Additional funds to serve people on waitlists for community based services (A-261; A-273; and A-335)**

The proposed budget provides funds to eliminate waitlists for home and community-based services for the following groups of people. The number of individuals on these waitlists is not yet known:

- **People with Intellectual Disabilities or Autistic Disorders - these services are available under Section 21 of the MaineCare rules.**

**Impact:** Waitlist as of December 2014 was 1,024 individuals

- **Adults with brain injuries - these services are available under Section 18 of the MaineCare rules.**

**Impact:** Waitlist as of October 2014 was 52 individuals.

- **Adults with Cerebral Palsy or Epilepsy - these services are available under Section 20 of the MaineCare rules.**

**Impact:** There were 0 people on this waitlist as of October 2014.

- **Seniors and people with disabilities - these services are available under Section 19 of the MaineCare rules.**

**Impact:** There were 52 people on this waitlist as of December 2014.