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The Governor's Budget for FY 2007 Preliminary Analysis of Selected Welfare, Child Care, Housing, Elder and Health Issues

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Governor Romney filed his budget proposal for FY 2007 (traditionally known as House 1), on Wednesday, January 25, 2006. House 1 recycles last year's proposal to subject TAFDC families with severe barriers to employment to strict work requirements and time limits. It also repeats last year's proposals to impose work requirements on the disabled individuals in the EAEDC program and work requirements and time limits in the MRVP program. The Legislature rejected these proposals last year. A Conference Committee is currently working out an agreement between House and Senate welfare reform proposals, both of which preserve protections for vulnerable TAFDC families.

With respect to housing, the Governor would slash already inadequate funding for state rental subsidies and homelessness prevention and deny emergency shelter to many low income families with children.

The Governor's health budget is largely a place-holder while a Conference Committee works out health care reform details. As promised in his State of the State speech, the Governor sets aside \$200 million dollars in trust for increased coverage of the uninsured, but the money may have come from the Uncompensated Care Pool. On the positive side, the Governor's budget allows for continued coverage of elderly and disabled legal immigrants in the MassHealth Essential account.

Cash Assistance and related items

- 1. TAFDC (Transitional Aid to Families with Dependent Children): families with severe employment barriers subject to work requirements and time limits, DTA discretion to set work hours and work activities without any legislative constraints (section 58).** These proposals – which are identical to last year's House 1 proposals – have been rejected in both the House and Senate's welfare reform bills.
 - House 1 would repeal the guarantee of child care** for recipients who are working or participating in a work activity and employed former recipients for the first year after they leave TAFDC. It would also deny child care and other work supports to parents or other caretakers who are receiving assistance for their children, but not themselves. This proposal – which the Governor made last year in House 1 – has also been rejected by both the House and Senate welfare reform bills.

- **Teen parents would be subject to the time limit; their benefits could end before they finish school and before they even become adults.** The Governor also made this proposal last year, and the House and Senate have rejected it.

These provisions would put the state at risk of federal penalties. Because many families with major barriers to employment are unable to participate in federally countable work activities for the required number of hours, subjecting these families to work requirements will *lower* the state's work participation rate and put the state at risk of federal penalties. The House and Senate welfare reform bills would retain protections for vulnerable families and insure that the state can meet federal work participation rates by covering them with state funds.

- **The line item (4403-2000) would be funded at \$291.7 million, \$21.2 million less than the FY 06 appropriation.** The Governor says the funding is “reduced . . . due to welfare reform,” presumably because under his proposal many families would be cut off benefits. The caseload has been dropping as the economy improves, so it is possible that the full amount appropriated for this year will not be needed, even if vulnerable families still have access to the program, as they would under the House and Senate welfare bills. The line item would provide for the clothing allowance but would not include it in the standard of need. Adding the clothing allowance to the standard of need allows very low income families to qualify for clothing assistance. DTA could make cuts in eligibility or benefit levels as it sees fit, without any notice to the Legislature. In the past, the advance notice requirement has been helpful in stopping DTA from making premature benefits cuts based on projected deficits.
- **Children penalized for parents' failure to comply with child support requirements (section 13).** House 1 would authorize DTA to terminate cash assistance to the entire family if the parent does not comply with child support requirements. Current law reduces the benefit by 25 percent.

2. **EAEDC (Elders, Disabled and Children Program): more holes in the safety net**

- **House 1 (item 4408-1000) would authorize DTA to impose work requirements on most adult EAEDC recipients,** other than the elderly, individuals with very short term disabilities, and persons in institutions. Virtually all of those who would be subject to work requirements have been certified by U.Mass Medical's Disability Evaluation Service as having a disability that substantially impairs their ability to work. DTA would have complete discretion to set the number of required work hours and the activities. The Legislature rejected these proposals last year.
- **The line item (4408-1000) would be funded at \$56.2 million, a cut of almost \$14 million from last year.** The Governor says the “[r]educed funding [is] due to reform,” so he is clearly expecting many disabled EAEDC recipients to

lose benefits. DTA could make cuts in eligibility or the low monthly benefit (currently \$303/month) without any advance notice to the Legislature. In the past, the notice requirement has given the Legislature time to provide the funding needed to stop DTA from cutting benefits because of projected deficits. The line item would allow DTA to use funds in the account for work activities, rather than benefits, which could create a deficit.

- **DTA would be required to count or “deem” the income of a legal immigrant’s sponsor**, even though the sponsor does not make any money available to the immigrant. This could affect over 3,000 elderly legal immigrants as well as many non-elderly legal immigrant EAEDC recipients. Current EAEDC policy counts actual income paid by a sponsor but not fictitious income. Payments made to rest home EAEDC recipients are protected from sponsor deeming and from potential benefit cuts.

3. ESP (Employment Services Program): slightly increased funding, but insufficient in light of the need

- **House 1 proposes just over \$31 million (item 4401-1000), plus an additional \$3 million that could be available in retained revenue from certain federal reimbursements (4401-1100)**, for the program that provides **education, training, and other services** to help TAFDC recipients get and keep jobs. This would be a total increase of \$4 million from FY 06 (taking into account the FY 06 reserve account 1599-4408), if the maximum amount of retained revenue is achieved. But the proposed amounts are still less than the FY 02 appropriation of \$35.7 million, and under House 1 DTA, for the first time, could use unlimited amounts of the money in these accounts to impose work requirements on EAEDC recipients.

The proposed increase in ESP funds is welcome, but still inadequate to meet the needs of TAFDC recipients currently subject to the work requirement and those with the greatest barriers to employment who, under the Legislature’s pending welfare reform bill, would be eligible for services through “family well-being plans.” It is woefully inadequate to meet the special needs of the thousands of TAFDC and EAEDC recipients who would become subject to work requirements under the Governor’s proposal.

4. Emergency Assistance Shelter: families above poverty level excluded

- **The EA line item (4403-2120) would reduce the eligibility limit to 100% of the federal poverty limit from the 130% limit adopted last year.** It also would eliminate the six month grace period, which was adopted in FY 05 to allow families in shelter whose income goes over the income limit to stay in shelter for 6 months, escrow the “extra” money, and use the escrowed funds to transition to permanent housing. House 1 also would eliminate the requirement that DTA track and report information about shelter usage to the Legislature.

- **The EA line item would reduce the period of “presumptive eligibility” from 30 to 10 days.** In FY 06, the Legislature required DTA to place homeless families who appear to be eligible in shelter for up to 30 days while they collect any required verification of their eligibility. House 1 would reduce the period of time to obtain these verifications to only 10 days. **House 1 would also require DTA to place homeless families who have been in shelter within the past 36 months on “protective payments.”** “Protective payments,” undefined in House 1, could include forced assignment of the homeless family’s entire income to vendors or another third party, such as a shelter provider or DTA. Families who are unfortunate enough to be homeless and need shelter more than once in a 3 year period could be required to surrender their right to control their own incomes or lose shelter for their children.
- **EA shelter funding and pilot programs.** House 1 would reduce emergency shelter funding from \$73.6 million to \$73.5 million and would give DTA total discretion to fund pilot programs “to reduce reliance on emergency shelter,” regardless of whether they result in inadequate funding for shelter or have been shown to lead to permanent housing. DTA could make cuts in benefits or eligibility without advance notice to the Legislature.
- **Adult homeless shelter funding, item 4406-3000.** House 1 would slightly **increase** funding in this item from \$35.05 million to \$35.34 million and authorize DTA to spend unlimited amounts on “innovative or pilot programs to reduce reliance on emergency shelter.”
- **Teen living programs (4403-2119) would be funded at \$6.82 million,** a slight increase over the \$6.77 million for FY 06.

5. DTA operation and administration

- **DTA administration, item 4400-1000** would be funded at \$123.8 million, plus an additional \$1 million for a “homeless management information system,” for a total increase of \$5.5 million over FY 06. Domestic violence specialists would get a \$46,000 increase, bringing the total to \$666 thousand.

Child care and related items

1. Child care funding

- **Item 3000-4050, the main child care account for low income families, would get an increase of only \$4 million,** after taking into account this year’s child account the child care rate reserve and the TAFDC child care reserve. The Dep’t of Early Education and Care says that \$2.6 million of the increase will cover an increase in the rates paid for transportation. Although the funding should be enough to continue 2,500 vouchers being added this year, it will still leave thousands of children on the wait list.

- **Supportive child care (item 3000-3050) is level-funded at \$50.8 million,** after taking into account this year's child care rate reserve.
 - **A "mixed system" of preschool programs (item 3000-4000), including private providers and schools, would be funded at \$68.7 million.** This account, at the same level, is currently called Community Partnership child care. Headstart (item 3000-5000) would be cut by \$1.4 million, to \$7.5 million. Reach Out and Read (item 3000-7070) would get a \$300 thousand increase, to \$800 thousand.
 - **Full day kindergarten** would be level funded at \$25 million (7030-1002).
- 2. Child care administration and licensing**
- **The Dep't of Early Education and Care (item 3000-1000) would be funded at \$10.8 million,** an increase about \$400 thousand after taking into account some additional licensing responsibilities that were previously funded elsewhere. **Child care resource and referral (item 3000-2000) would be funded at \$11.1 million,** an increase of about \$800 thousand.
- 3. Healthy Families Home Visiting**
- **Healthy Families (item 4130-1000), a program to visit young parents at home to assist them with parenting,** would be funded at \$6.3 million, half of what the Legislature appropriated in FY 06. This account historically is paid for with TANF (welfare block grant) funds. The Governor proposed a similar cut last year.
- 4. Parent education**
- **Parental Preparation (item 3000-4025), a new line item to provide parenting information and support, would be funded at \$3 million.**

Adult Basic Education

- 1. Item 7035-0002** would be almost level funded at \$29.4 million. Last year the Governor proposed an increase to \$35.8 million. It is unfortunate he has given up so easily on additional funding for this woefully underfunded program, particularly given his eagerness to press last year's proposals in other areas.

Housing

- 1. Public housing operating subsidies increased over current FY 06 levels**
- **House 1 proposes \$43.1 million for item 7004-9005, which helps housing authorities meet the expenses of maintaining the state's 50,000 public housing units.** The Governor's recommendation for FY 07 is approximately

\$8.2 million more than the amount appropriated in the FY 06 budget (\$34.9 million). Pending before a Conference Committee of the Legislature is a supplemental FY 06 budget that would add between \$7.2 million (House) and \$10.7 million (Senate).

2. Time limits and work requirements in the Massachusetts Rental Voucher Program (MRVP), item 7004-9024, which helps low-income tenants pay private apartment rent

- **Again this year, the Governor proposes to impose work requirements and time limits (36 months consecutive; 60 months lifetime) on recipients of MRVP assistance and to eliminate turnover of mobile vouchers. Proposed funding is \$24.3 million, \$2 million less than the FY 06 appropriation.** At a time when the need for rental assistance in Massachusetts continues to be very high, the Governor has again proposed restricting access to the MRVP program. The proposal to eliminate the turnover of mobile vouchers is designed to ratchet down the program over time. The Governor's proposed work requirements and time limits would contribute to the demise of MRVP; each voucher lost by operation of the time limit or through a sanction for not complying with work requirements would bring the program closer to termination. The administrative budget for the Department of Housing and Community Development (DHCD), which will have some responsibility for administering the new work requirements and time limits, has not been increased; instead the Governor proposes to decrease the administration budget by \$1.2 million from the FY 06 appropriation.

3. RAFT Program decreased to \$3 million and eligibility restricted

- **House 1 proposes \$3 million for the RAFT program (Residential Assistance for Families in Transition, 7004-9316), which provides financial assistance of up to \$3,000 per family to help homeless families and families at risk of homelessness to keep or obtain permanent housing. The funding amount is \$2 million less than the FY 06 appropriation (and the FY 06 funding is likely to be depleted during the next few weeks). For the first time, House 1 proposes to make ineligible for RAFT any family who has a housing voucher or resides in or is trying to move to subsidized housing.**

4. Alternative Housing Voucher Program and DMH Rental Subsidy Program funded at FY 06 levels

- **House 1 proposes \$3 million for the Alternative Rental Voucher Program (ARVP), which provides a rental subsidy for disabled single persons with very low income (7004-9030). This amount is the same as the FY 06 appropriation.**
- **House 1 proposes \$2.5 million for the DMH Rental subsidy program, which provides a rental subsidy for eligible clients of the Department of**

Mental Health (7004-9033). This is the same as the amount appropriated in FY 06.

5. Increase for Housing Services and Counseling program

- **House 1 proposes \$1.5 million for Housing Services and Counseling to help families retain their housing (7004-3036).** This amount represents an increase of \$278 thousand over the FY 06 appropriation. The line item language directs that the appropriation be spent as grants to the nine Housing Consumer Education Centers.

6. New House 1 funding proposals for Tenancy Preservation and Individual Development Account programs

- **House 1 proposes \$1 million for a Tenancy Preservation Program (7004-3045)** to provide neutral party consultation services in Housing Court eviction cases where the eviction is directly related to a disability in the tenant household. This proposal appears to be very similar to a program already operating in the Housing Court.
- **House 1 proposes \$500,000 for a pilot program for Individual Development Accounts for households in state-subsidized housing (7004-9317).** The funds may be used for training, as a match for some qualified homebuyers and to secure federal asset building program funds.

7. Reserve account of \$30 million to encourage housing creation

- **Section 81 and item 1201-2005** propose a \$30 million reserve account for payments to cities and towns that increase the number of dwelling units at least 1 percent over the number on January 1, 2006.

Elder

1. Prescription Advantage

- **Item 9110-1455, the Prescription Advantage Program** of drug insurance for elderly and low-income persons with disabilities, **would be funded at \$59.6 million** compared to \$92.2 million in FY 06. The FY 06 level assumed that beginning in January 2006, Medicare Part D would be the primary payer and Prescription Advantage would be the secondary payer, so enrollees' out-of-pocket costs would be the same as when Prescription Advantage was the primary payer. The Governor's proposal assumes that Prescription Advantage will be the secondary payer for all FY 07. This may be too optimistic.

Because of Medicare Part D start-up problems, Prescription Advantage is continuing primary payer status until February 15 for enrollees who are having trouble getting their medications. This is estimated to cost an additional \$1 million this year, but it may be reimbursed by the federal government. In

addition, the Legislature passed emergency legislation in late December that requires Prescription Advantage to pay for a one-time 30 day supply of drugs that are not covered by an enrollee's Part D plan, and a 72-hour supply after that. This coverage will not currently authorized beyond June 30, and these costs are not included in the FY 07 proposal.

- **Supplemental assistance for elders and disabled with other drug coverage (section 86).** This section would give the Executive Office of Elder Affairs the authority to establish supplemental assistance levels based on a sliding income scale and on coverage provided by the primary payer plan (Part D or other coverage). The statute passed at the end of December (Chapter 175) requires EOEA to hold out-of-pocket costs for premiums, deductibles, copayments and non-coverage periods to no more than the out-of-pocket costs paid by the enrollee in Prescription Advantage. Individuals who are not eligible for Medicare will continue to be eligible for Prescription Advantage primary payment as they were before January 1, 2006.

Selected health issues

1. **The Governor's proposed budget would continue funding for existing eligibility groups and services within the various MassHealth assistance categories. For the first time, the Governor has proposed to continue coverage to elderly and disabled immigrants (item 4000-1405) but he does not address the fate of those who currently rely on the Uncompensated Care Pool (Free Care) for their health care coverage.**
 - **The Governor does not propose any further restoration in medical services, including dental services and eyeglasses** for most adults in the MassHealth program.
 - **The Governor sets aside \$200 million (item 1599-1500), as promised in his State of the State speech, in a special trust account for additional state funding needed to fund state health care reform** initiatives for the uninsured to be provided for by the Health Reform bills which are currently in House/Senate conference. However, the Governor's proposal omits any state funding for the existing Uncompensated Care Pool (Free Care), and the millions of state dollars currently used for the pool are not re-appropriated to any other health coverage initiative. With this apparent elimination of public funds for Free Care, the Governor's new commitment may be much more modest than advertised.
2. **Some accounts vary substantially from FY 06 allocations**
 - **The MassHealth Basic account (4000-0870) would be increased by more than 50 percent** from \$61.3 million to \$97.7 million. The proposed increase may be intended to cover increased health care costs rather than program changes.

- **The MassHealth HIV program (4000-1400) would also increase by 60 percent** to \$12.1 million, possibly also to cover increased health care costs.
 - **MassHealth Family Assistance (4000-0880) would receive an even larger increase (300 percent).** The Governor does not provide any explanation of this increase, so it is not clear if the Governor is proposing a real expansion of the program.
 - **MassHealth Essential (item 4000-1405) would increase by nearly 70 percent,** but some of the increase is attributable to the **change from a 9-month budget to a full 12 month appropriation.** Currently there are nearly 12,000 people in need of coverage on the wait list for MassHealth Essential because the appropriation and the waiver limit the number of participants. Without more information about the projected cost per participant, it's not possible to tell whether the Governor's budget intends to make a substantial dent in this wait list.
 - **The CommonHealth account (4000-0430) would be decreased by approximately 25 percent** from 84.7 million to \$63.4 million. There is no explanation given for this large decrease.
3. **Enrollment outreach grants for community groups (item 4000-0352) are level-funded** at \$500 thousand.

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