

The Governor’s Fiscal Year 2011 Budget (Updated)

OVERVIEW

Following two years in which the state budget was cut deeply and taxes were increased to address substantial budget deficits, the Governor’s Fiscal Year 2011 budget recommends additional cuts, suggests modest revenue increases, and relies heavily on assistance from the federal government.

While Massachusetts has struggled with structural budget problems for over a decade,¹ the acute problems of the last two years have been caused by a national recession more severe than any downturn since the Great Depression. Across the country this recession has led to state budget gaps of close to \$200 billion in FY 2010 and \$180 billion in FY 2011.²

For the sake of the national economy, it is important that states receive federal assistance to close budget gaps caused by a national recession. Economists estimate that if states were to close \$180 billion in budget gaps with just spending cuts and tax increases, those actions would reduce the nation’s gross domestic product by close to a full point, which could cost the economy 900,000 jobs.³

[This *Budget Monitor* has been updated to reflect changes proposed by the Governor on March 5, 2010 subsequent to the recognition that spending on the so-called Medicare Part D “Clawback” will be reduced.]

Overview of How the Governor Proposes to Address the \$2.75 Billion Budget Gap

Federal Stimulus and Federal Jobs Creation Funding: \$1.42 billion

To protect the national economy, and state budgets, Congress included significant state fiscal relief in the American Recovery and Reinvestment Act (ARRA, the stimulus law enacted last year).⁴ The state is

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¹ See <http://massbudget.org/doc/638/655>

² See <http://www.cbpp.org/cms/index.cfm?fa=view&id=711>

³ See <http://www.cbpp.org/cms/index.cfm?fa=view&id=2988>

⁴ See <http://massbudget.org/doc/701>

scheduled to receive approximately \$812 million from that law to help balance the state budget in FY 2011. This includes \$690 million in increased Medicaid reimbursements (FMAP), \$96 million in education and flexible block funds, and \$25.5 million for Temporary Assistance for Needy Families (TANF) Emergency Funds and adoption assistance funding. In addition, the Governor's budget, like those of eight other states,⁵ assumes that Congress will provide additional state fiscal relief that would be worth \$608 million to Massachusetts in FY 2011. Because deep state budget cuts and tax increases could cost hundreds of thousands of jobs, this new state fiscal relief was included in jobs creation legislation approved by the U.S. House and pending in the Senate. If Congress does not provide this funding, it would cause significant fiscal problems for Massachusetts and other states, as well as economic problems for the nation.

Cuts and Savings: \$797 million (net savings of \$670 million because some cuts reduce federal reimbursements)

This includes cuts in most areas of state government and other savings initiatives such as debt restructuring and having quasi-public agencies pick up costs previously paid for in the state budget. These cuts and savings are described in the subject area sections of this *Budget Monitor*.

New Revenues: \$230 million (net revenue to close the budget gap is \$199 million)

This includes several initiatives, the most significant of which are capping the cost of tax subsidies for the motion picture industry at \$50 million (for a savings of \$75 million) and eliminating the sales tax exemption for candy and soda, which will generate \$61.6 million. It also includes a number of smaller tax changes, departmental revenues and administrative provisions related to tax collection. These are described in the revenue section of this *Budget Monitor*. The net available to close the budget gap is less than the total new revenue because some of the revenue is dedicated to specific purposes (tobacco taxes to health care, revenue for the expanded bottle bill to recycling, and a portion of the sales tax reforms to school building).

Other Temporary Revenue and Savings: \$460 million [updated March 24, 2010]

The Governor's initial budget proposal included a \$175 million withdrawal from the Commonwealth's Stabilization Fund (the "rainy day" fund), \$100 million from shifting debt payments from FY 2011 to future years (which is in addition to \$200 million in savings from a similar shift to smooth out a spike in debt payments that would have occurred in FY 2011), and \$160 million that the state hopes to receive from the federal government as repayment for costs that were billed to the state Medicaid program that should have been paid by the federal Medicare program. On March 5, the Governor announced an expected increase in the amount of revenue that will come to the Commonwealth associated with the state's Medicaid program. Accordingly, the Governor has decreased his proposed withdrawal from the Stabilization Fund by \$29 million to \$146 million.

⁵ See <http://www.cbpp.org/cms/index.cfm?fa=view&id=1214&emailView=1>

HOW TO READ THE TABLES

The tables included at the beginning of each section provide an overview of the funding for each category and how it compares to funding in FY 2010. Here is an explanation of each item presented in these tables.

FY 2010 GAA: The level of funding that was approved in the enacted budget for FY 2010.

FY 2010 Current: This amount includes any subsequent additions or reductions to the approved funding level in the GAA, including any cuts that were made by the Governor in October of 2009 through the 9C process. (For more information on 9C cuts, see here: <http://massbudget.org/doc/632>)

FY 2011 Governor: This is the funding amount proposed by the Governor for FY 2011.

FY 2011 Governor (Adjusted): In order to allow for accurate comparisons of FY 2011 budget proposals to FY 2010 budget totals, MassBudget “adjusts” budget totals when the FY 2011 proposal recommends departmental reorganizations. These adjustments allow the user to differentiate between changes in funding due to proposed cuts or expansions in funding, rather than due to organizational shifts.

ACCOUNT	ACCOUNT NAME	Governor Adjustment
1108-5200	Group Insurance Premium and Plan Costs	(120,300,000)
8910-0000	County Correctional Programs	27,000,000
	Off-budget adjustment	93,300,000
1599-1970	Mass. Turnpike Authority Contract Assistance	(100,000,000)
1595-6368	Mass. Transportation Trust Fund	100,000,000
2210-0105	Toxics Use Retained Revenue	(1,657,449)
7100-0200	University of Massachusetts	1,657,449
4590-0915	Public Health Hospitals	1,011,168
7004-0102	Homeless Individuals Assistance	(1,011,168)

EDUCATION

FY 2010 GAA [Updated March 24, 2010]	\$6,711,429,032
FY 2010 Current [Updated March 24, 2010]	\$6,654,691,798

FY 2011 Governor’s Budget \$6,731,180,899

FY 2011 Governor’s Budget (Adjusted)* \$6,732,838,348

Increase (decrease) from FY 2010 GAA	\$21,409,316
<i>Percent Change from FY 2010 GAA</i>	<i>0.3%</i>
Increase (decrease) from FY 2010 Current	\$78,146,550
<i>Percent Change from FY 2010 Current</i>	<i>1.2%</i>

** In cases where the Governor has shifted line items between categories, we have made an adjustment to reflect FY 2010 categories in order to provide an apples-to-apples comparison.*

In his budget, the Governor proposes spending \$6.73 billion on education in Fiscal Year 2011 (FY 2011). This amount, which includes money that the federal American Recovery and Reinvestment Act (ARRA) provides to states for education costs, is \$21.4 million more than the FY 2010 General Appropriations Act (GAA) and \$78.1 million, or 1 percent, more than the current FY 2010 budget. [These numbers have been updated to include approximately \$4.5 million in additional ARRA funding.]

In his budget the Governor recommends providing a small increase (0.2 percent) in funding for Chapter 70 and a small (0.5 percent) reduction to state colleges and universities compared with the FY 2010 GAA. Programs that provide aid for child care and preschool receive a proposed 3 percent reduction in aid, while the Governor recommends cutting about 2 percent of funding for elementary and secondary schools (K-12). The largest increase in education aid is for the School Modernization and Reconstruction Trust (SMART, also referred to as School Building Assistance (SBA), which would get 8 percent more in funding than in the FY 2010 GAA.

CHAPTER 70

The Governor’s budget provides most districts with the same amount of Chapter 70 aid as they received last year, totaling \$4.05 billion. This includes small increases for a few districts, which total \$6.3 million. The districts that receive increases are districts that are experiencing rapid enrollment growth and those that have historically made a larger local contribution than the current formula suggests they should be required to make.

Though this is a small overall increase, the state’s share of money to fund Chapter 70 aid has actually increased by \$178 million. This is to make up for \$172 million in federal recovery act dollars that were used for education aid in FY 2010 but are no longer available. In FY 2010, \$167.6 million of ARRA funding was used to make up for Chapter 70 cuts. Subsequently, another \$4.5 million of ARRA money was allocated to districts as a result of a local contribution waiver process. In FY 2011, an additional \$6.3 million of funding would be allocated for districts that require more aid in FY 2011 to meet foundation budget requirements

When a district experiences enrollment growth its total foundation budget (the amount the state says must be spent on education in that town) goes up to account for the additional students. If this growth

in enrollment causes a gap between the foundation budget and the sum of what the town is required to contribute to its schools and what the state gave in the prior year, then the state provides additional aid to make sure that the schools in that town will have the foundation budget amount available to educate the students in that district.

As the result of reforms made in FY2007, some districts are being allowed gradually to reduce the amount they are contributing to their local schools.⁶ These are primarily towns that had historically contributed proportionately more than other towns and had received less aid as a result (their contribution had been above the target “standard of effort” for local contributions, which is the level of local support that the new formula calls for, based primarily on the incomes and property values in each town). Additional aid is being phased in for those towns as their required local contributions decline. Specifically, in the Governor’s budget those towns will have their required local contribution decreased by 30 percent of the amount they are over the standard of effort. While the standard of effort generally sets the local contribution requirement at a uniform rate based on incomes and property values, there is a special provision that allows wealthier communities to contribute a smaller percentage of resources. This is accomplished by the establishment of a floor (being phased in) that will guarantee that every community will receive at least 17.5 percent of its foundation budget in state aid regardless of need.

Another important issue is the way the Governor’s budget calculates inflation in the Chapter 70 formula. The foundation budget is increased each year by the rate of inflation as defined by a particular inflation measure calculated by the federal Bureau of Economic Analysis, but the rate is capped at 4.5 percent. The law requires the adjustment to be made based on the most recent data available when the Governor is preparing his budget in January. That is the data for the year (four quarters) ending September 30th of the prior year.⁷ Last year the rate during that period was 6.75 percent. When the Senate adopted its budget (with the state facing a budget gap of \$5 billion) a change was made to save the state money by using a lower inflation adjustment: 3.04 percent. This number was the inflation that occurred in the 12 months that ended on December 31st of the prior year. The problem with this change is that it means that a quarter of inflation that did occur (the fourth calendar quarter of 2007, which was a very high inflation quarter) is not included in the inflation calculation. As a result, the current foundation budget is less than it would be if it had been accurately adjusted for inflation. This led to less state aid for many communities last year, a few communities this year, and likely additional communities in future years.

Actual Inflation Adjustment Calculation Factors	
<u>Time Period</u>	<u>Inflation Adjustment</u>
Sept. 30, 2007 – Sept. 30, 2008	6.75%

Inflation Adjustment Calculation Factors Used in FY 2010	
<u>Time Period</u>	<u>Inflation Adjustment</u>
Dec. 30, 2007 – Dec. 30, 2008	3.04%
<i>Unaccounted for Months: October, November, December of 2007 (Fourth Quarter)</i>	

⁶ See http://www.massbudget.org/file_storage/documents/Public_School_Funding-Where_We_Are_What_Has_Changed_-_FINAL.pdf

⁷ Definition of “foundation inflation index” <http://www.mass.gov/legis/laws/mgl/70-2.htm>

The problem could be fixed this year, but the Governor's budget does not propose to do so. To fix the problem, the formula could be run in a way that accounts for the actual inflation over the previous two years and then subtracts out the adjustment that was made last year to determine this year's inflation adjustment. Alternatively, that process could be implemented using an inflation rate of 4.5 percent last year, to reflect the statutory cap. Instead the Governor's budget uses an inflation calculation that looks just at the most recent four quarters, a process which leads to the inflation during the quarter ending in December of 2008 getting counted twice (a low inflation quarter that ends up in last year's calculation and this year's) and the quarter that was skipped last year (a high inflation quarter) never getting counted.⁸

EARLY EDUCATION & CARE

The Governor's FY 2011 budget recommendations include \$520.8 million for early education and care services. Although the Governor recommends level funding for early education and care services compared to current FY 2010 funding levels, this recommendation does maintain \$16.5 million in 9C cuts which occurred in FY 2010 and represents a 3 percent decrease from the FY 2010 GAA. It is also important to note that funding for early education and care services has decreased 21 percent since FY 2001, after adjusting for inflation.

Specifically, the Governor's FY 2011 recommendations include:

- Consolidation of funding for child care financial assistance into one line item. The FY 2010 GAA funded child care access through three dedicated line items, including: access for children with active cases with the Department of Children and Families, access for families receiving or transitioning from TAFDC who are working or in job training programs, and access for other low-income families. The Governor consolidates these former line items into one new child care access line items with no earmarks for specific programs. In total, the Governor recommends \$451.2 million for child care access, representing a \$16.4 million, or 4 percent, reduction from the FY 2010 GAA and a \$4.8 million reduction from current budget levels.
- An increase in funding for the universal pre-kindergarten program from \$8 million in the FY 2010 GAA to \$9 million.
- Level funding of state-supported Head Start when compared to the FY 2010 GAA.
- A broadening of services funded through the Services for Infants and Parents line item (formerly known as the Family Support and Engagement in FY 2010) to include local grants for coordinated family and community engagement, as well as expansion of parent support services to families with school age children. Although this line item seems to increase in funding by \$12 million in the Governor's proposal, the expansion of services is funded

⁸ To further complicate matters, inflation in the four quarters used by the Governor's budget has been negative. If we think of inflation using a scale that was set at 100 for FY 2009, then it should have gone to 106.75 for FY 2010 and declined to 104.4 for the FY 2011 budget. If a 6.75 percent inflation adjustment had been made for FY 2010 it would make sense now to adjust down by 2.2 points. But in FY 2010 there was only an adjustment to 103.04 - and the Governor's FY 2011 budget proposes adjusting that level down by 2.2 points so that the FY 2011 foundation budget will only be .8 percent above FY 2009, even though the relevant measure shows that inflation over that period was 4.4 percent. If FY2010 inflation had been set at 4.5 percent reflecting the statutory cap and then reduced by 2.2 points this year we would now be at 102.3 - below the inflation change that actually occurred, but above the level in the Governor's budget. The Governor's budget does, however, have a provision dictating that no community will receive less than it did last year. As a result this year the inflation problem will only directly affect those communities that would have received additional aid as a result of growing enrollments or other factors. But in future years it will affect additional communities if not corrected. Because the Governor's plan reduces foundation budgets this year by 2 percent, the first 2 percent of inflation next year will not lead to any new aid.

primarily by a transfer of \$9.6 million from the Quality Program Supports to continue local community engagement grants and cuts to child care access detailed above.

K-12 EDUCATION

In addition to the money proposed to fund Chapter 70 education aid mentioned above and the School Building Assistance (see below), the Governor's budget recommends spending \$436.9 million on elementary and secondary education (K-12) grant programs in FY 2011. This amount is \$11 million, or 2 percent less than the FY 2010 GAA. The Governor's proposal, however, is 1 percent, or \$2.3 million, more than the amount the state expects to spend in FY 2010 because of 9C cuts the Governor made in October 2010 when revenue collections were lower than expected.

In his budget proposal the Governor recommends creating a commission to study the Chapter 70 school aid formula. The Governor's proposal provides \$250,000 for this commission created in Outside Section 41 of his budget (http://www.mass.gov/bb/h1/fy11h1/os_11/h41.htm).

While the Governor's FY 2011 budget proposes level-funding for many of the grant programs for elementary and secondary schools in Massachusetts, overall funding for these grant programs has fallen 30 percent since FY 2001 after adjusting for inflation. In some programs the Governor proposes funding levels that are below the FY 2010 GAA, including:

- \$74.6 million in funding for charter school reimbursements. While this amount is in line with what the state expects to spend in FY 2010, it is less than the FY 2010 GAA because of a \$5.2 million 9C cut the Governor made in October 2010.
- \$135 million for the special education circuit breaker. This level is \$5.1 million below the FY 2010 GAA because of a \$7 million 9C cut made by the Governor in FY 2010. The FY 2011 budget proposal provides an additional \$1.9 million above the amount the state expects to spend in FY 2010 to account for projected increased costs for the program.
- \$28 million for adult basic education grants. This is a cut of \$127,739 from the amount appropriated in the FY 2010 GAA.

In his proposal, the Governor recommends that many other K-12 grant programs receive funding at the same level as in the FY 2010 GAA. Some of these include:

- \$40.5 million in transportation funding for regional school districts. This level is the same as both the FY 2010 GAA and the FY 2010 current spending. In October 2010, the Governor made \$18 million in 9C cuts to this program and then restored the funding when revenues exceeded expectations in January of 2010.
- \$6.9 million to provide assistance to underperforming schools. This proposal is level-funded with the FY 2010 GAA.
- \$15.7 million for extended learning time grants.
- \$9.3 million in grants to cities and towns to provide academic support for students with low scores on the Massachusetts Comprehensive Assessment System exam.

Finally, in Outside Section 30 (http://www.mass.gov/bb/h1/fy11h1/os_11/h30.htm) the Governor recommends freezing reimbursement rates for special education schools in FY 2011 at the same level as in FY 2010.

HIGHER EDUCATION

The Governor's FY 2011 budget recommends \$1.07 billion in funding for higher education, comprised of both state and federal recovery act funding. This proposal represents a very slight reduction, in the amount of \$5.3 million (or 0.5 percent) from FY 2010 GAA budgeted amounts. The largest component of this reduction is \$3.5 million from the University of Massachusetts (UMass) Scholarship Program.

The Governor's proposal includes commitments from various quasi-public entities to provide their own resources to make up for line item reductions in the budget. One of these commitments is from UMass to make up the \$3.5 million reduction in funding for the Scholarship Program using other resources. The Governor's higher education figures also include another commitment from UMass in the amount of \$541,000 for the Collins Center for Public Management at the McCormack Graduate School of Policy Studies at UMass Boston. Although the Scholarship Program and Collins Center will ultimately be preserved if UMass is able to fulfill these commitments, this *Budget Monitor* counts these reductions as budget cuts because the state would be reducing its own resources that were previously devoted to these programs.

The Governor's proposed budget maintains FY 2009 and FY 2010 funding levels for state and community colleges and UMass, totaling \$969 million. This total includes both state appropriations and federal recovery funds. In FY 2010, this funding was comprised of \$230 million in ARRA funds and \$739.7 million in state funds. Because there is less ARRA funding available for FY 2011, the Governor proposes using the remaining \$96 million in recovery funds and increasing the state share of funding by \$134 million. This means that in FY 2011, state colleges, community colleges, and UMass will be funded through \$96 million in recovery act dollars and \$873.6 from the state's General Fund.

It is important to note that in this analysis we have included a \$1.7 million earmark for the Toxics Use Reduction Institute at UMass Lowell within the \$969 million for state and community colleges in FY 2011. This institute was funded through the UMass general line item in FY 2010, and prior to that had been funded through its own line item within higher education. In FY 2011, the Governor proposes to consolidate funding for this institution into a new line item (2210-0105) for the implementation of the Toxics Use Reduction Act, under the Executive Office of Energy and Environmental Affairs (EEA). Though the Toxics Use Reduction Institute would be administered through EEA, because it was included in the appropriation for UMass in FY 2010 and is earmarked for spending at UMass Lowell for FY 2011, it is counted toward the overall proposed appropriation for state and community colleges in this *Budget Monitor*.

In addition, the Governor recommends consolidating the line items for each individual state college and community college into two line items: a community colleges line item (7100-3000) and a state colleges line item (7100-4000). This would allow the Executive Office of Education and the Department of Higher Education flexibility to allocate resources among the various state and community colleges.

SCHOOL BUILDING

The Governor's budget reflects a contribution to the School Modernization and Reconstruction Trust (SMART) of \$655 million, an increase of \$74.2 million over the FY 2010 level. Each year the Commonwealth is required to contribute to this trust an amount equal to one penny of the state sales tax. The FY 2011 increase reflects anticipated increases in sales tax receipts due to economic growth and the extension of the sales tax to candy, soda, and airplanes, as proposed in the Governor's budget.

BUDGET MONITOR

The FY 2010 GAA reflected a transfer of \$607.1 million from the General Fund into the School Modernization and Reconstruction Trust. During FY 2010, the \$607.1 million transfer was reduced by \$27 million to \$580.1 million. The GAA also transferred \$150 million that had been in the trust back to the General Fund. In the FY 2010 *Budget Monitor* MassBudget netted this transfer off of the transfer into the fund, showing it as a reduction in SMART funding. Official documents, however, treat this transfer to the general fund as new revenue rather than reduced spending. To be consistent with this treatment, the FY 2010 total in this *Monitor* does not reduce the FY 2010 transfer by \$150 million.

ENVIRONMENT & RECREATION

FY 2010 GAA	\$199,734,240
FY 2010 Current	\$202,521,782

FY 2011 Governor's Budget	\$187,382,866
FY 2011 Governor's Budget (Adjusted)*	\$185,725,417

Increase (decrease) from FY 2010 GAA	\$(14,008,823)
<i>Percent Change from FY 2010 GAA</i>	<i>-7%</i>
Increase (decrease) from FY 2010 Current	\$(16,796,365)
<i>Percent Change from FY 2010 Current</i>	<i>-8.3%</i>

* In cases where the Governor has shifted line items between categories, we have made an adjustment to reflect FY 2010 categories in order to provide an apples-to-apples comparison.

The Governor's Fiscal Year 2011 budget proposal recommends providing \$185.7 million for environment and recreation programs. This is a \$14 million, or 7 percent, reduction from the FY 2010 General Appropriations Act (GAA) and a \$16.8 million, or 8 percent, reduction from the current FY 2010 budget. (The FY 2010 current budget for environmental programs is higher than the FY 2010 GAA because after the budget was enacted the state provided money to communities affected by a severe ice storm.) In his environment and recreation budget the Governor recommends that the largest cuts come from funding for recreational facilities including parks, beaches and pools. Since 2001, funding for environment and recreation programs has fallen by \$87.7 million, or 32 percent, in inflation-adjusted dollars.

AGRICULTURE

The Governor recommends spending \$16.1 million on state agriculture programs. This is an increase of \$96,000 from the FY 2010 GAA but is in line with the current budget. The Governor recommends providing \$11.5 million in FY 2011 on state support for regional food banks in Massachusetts. This level is \$500,000 more than the FY 2010 GAA but the same as the current budget.

ENVIRONMENTAL ADMINISTRATION

The Governor recommends spending \$20.6 million on the Executive Office of Energy and Environmental Affairs (EOEEA). This is an increase of \$3.1 million, or 17 percent, over the FY 2010 GAA and is a \$4.1 million, or 25 percent increase over the current budget.

The increase in the budget for EOEEA comes from the Governor's proposal to expand the bottle bill to include water, juice and sport drinks among others, included in Outside Section 20 of his budget (http://www.mass.gov/bb/h1/fy11h1/os_11/h20.htm). The Governor estimates that this expansion will raise \$20 million and he proposes contributing \$5 million of these funds to pay for the state's recycling and solid waste management programs. In his FY 2011 proposal the Governor merges the solid waste management and redemption centers accounts and provides \$5.4 million which is a \$5 million increase over maintenance..

The Governor's budget recommends a number of reductions in funding within EOEEA, including:

- \$296,377 decrease in funding for the EOEEA administrative account; and

- \$727,282 from Environmental Law Enforcement.

The Governor also proposes merging EOEEA's Office of Technical Assistance into a new toxic use retained revenue account (see Environmental Protection section below).

ENVIRONMENTAL PROTECTION

The Governor's FY 2011 budget recommends spending \$61.1 million on environmental protection programs. This is \$4.7 million, or 7 percent, decrease from the FY 2010 GAA and a \$1.6 million or 3 percent decrease from current budget.

In his environmental protection budget, the Governor recommends creating a \$3.1 million toxic use retained revenue account to implement the Toxic Use Reduction Act. This new line item would merge funding from the Toxic Use Reduction program under DEP, EOEEA's Office of Technical Assistance (see above) and the Toxic Use Reduction Institute at UMass Lowell, which is currently funded by the UMass account.⁹ Under the Governor's budget these merged programs would receive the same level of funding as they did in the FY 2010 GAA.

The Governor recommended that a number of DEP programs receive significantly less funding than in last year's GAA, including:

- \$26.6 million for DEP's administrative account. This is a reduction of \$3.1 million, or 10 percent, from the FY 2010 GAA.
- \$13.9 million for the hazardous waste cleanup program, a cut of \$1.5 million, or 10 percent, from the FY 2010 GAA.
- \$8.5 million for information technology, which is a cut of \$762,425, or 8 percent, from the FY 2010 GAA.

FISH & GAME

The Governor recommends providing \$17.5 million to the Department of Fish and Game. This is about \$300,000 less than the FY 2010 GAA and is \$65,000 more than current spending.

Most of the Governor's decreases in his FY 2011 budget recommendations for Fish and Game are relatively small, in most cases less than \$50,000. He does propose \$4.5 million for the Division of Marine Fisheries which is \$220,000 less than the amount it received in the FY 2010 GAA. The Governor's budget also recommends the creation of a new retained revenue account for Saltwater Sportfish Licensing of \$50,000.

PARKS & RECREATION

The Governor's budget proposes spending \$72.2 million on parks and recreation programs in Massachusetts. This is a \$10.5 million, or 13 percent, reduction from the FY 2010 GAA and is \$17.7

⁹ MassBudget does not include this proposed transfer of \$1 million in funding in its total for the Environment and Recreation Category total. Rather it keeps it in the UMass account within Education Category in order to provide readers with a meaningful comparison between FY 2010 and FY 2011 funding for both the Environment and Education categories.

million, or 20 percent, less than current spending. As mentioned above, the Department of Conservation and Recreation (DCR) received supplemental funding in FY 2010 to help communities affected by a winter storm.

The Governor's FY 2011 proposed spending for parks include significant reductions. His proposed spending amounts include:

- \$41.6 million for state and urban parks, a reduction of \$5 million, or 11 percent, from the FY 2010 GAA.
- \$12.4 million for beaches and pools, a \$621,000 or, 5 percent, cut from the FY 2010 GAA.
- \$3.7 million for DCR's administrative account, which is a \$1.1 million, or 23 percent, cut from FY 2010.
- \$3.2 million for parkways maintenance including snow and ice removal. This is a \$2.6 million, or 45 percent, reduction in funding.
- \$536,287 for the watershed management program for state parkways, a cut of over \$714,000, or 57 percent, from FY 2010 GAA.

DCR's Office of Dam Safety receives \$421,516 in the Governor's proposal. In October of 2009 the Governor made \$425,928 in 9C cuts from this program, leaving it with \$1,500. His FY 2011 budget recommends reinstating funding for this office.

In his budget the Governor proposes merging all of the retained revenue line items within DCR into a single \$8.5 million account. This is the same level that these accounts were provided in the FY 2010 GAA.

In Outside Section 34 (http://www.mass.gov/bb/h1/fy11h1/os_11/h34.htm) of his FY 2011 budget, the Governor recommends that pools and rinks owned and run by the DCR be leased to private companies that will manage the operations of those facilities.

HEALTH CARE

FY 2010 GAA	\$12,658,724,991
FY 2010 Current	\$12,772,285,193

FY 2011 Governor's Budget [Revised March 5, 2010]	\$13,875,021,773
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FY 2011 Governor's Budget (Adjusted)* [Revised March 5, 2010]	\$13,755,732,941
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Increase (decrease) from FY 2010 GAA	\$1,097,007,950
<i>Percent Change from FY 2010 GAA</i>	8.7%
Increase (decrease) from FY 2010 Current	\$ 983,447,748
<i>Percent Change from FY 2010 Current</i>	7.7%

* In cases where the Governor has shifted line items between categories, we have made an adjustment to reflect FY 2010 categories in order to provide an apples-to-apples comparison.

The Governor's Fiscal Year 2011 (FY 2011) initial budget recommendation included \$13.81 billion for health care. On March 5, however, the Governor announced that due to changes in what is known as the Medicare "Clawback" program, the Commonwealth could reduce its MassHealth spending by \$50 million. The total health care budget with these revisions is \$13.76 billion. This total includes \$11.33 billion funding for MassHealth and health reform, \$621.7 million for mental health services, \$492.3 million for public health, and \$1.31 billion for the costs associated with state employee health insurance. The Governor states that his budget proposal does not change health care eligibility, but in order to control costs, there are proposed cuts in health services, and notable reductions in funding for public health and mental health programs. There are also several programmatic consolidations and reorganizations within the Governor's budget proposal that affect these totals. These changes are described in more detail below.

MASSHEALTH (MEDICAID) & HEALTH REFORM

With the revisions on March 5, the Governor's budget includes \$11.33 billion for MassHealth and health reform, an increase in funding over FY 2010 current budget totals of \$10.39 billion. The Governor, however, has filed legislation to add close to \$200 million more to the MassHealth budget to meet the program's needs for FY 2010. If the Legislature approves this supplemental funding for FY 2010, there will still be a shortfall of \$100 million. The Governor's budget proposal for FY 2011 is 7 percent above estimated FY 2010 spending, and a 9 percent increase over the FY 2010 budget.

Funding for MassHealth and health reform encompasses a number of health programs (see table), the largest of which is MassHealth, the state's Medicaid program. The state's Medicaid program provides health insurance to more than 1.2 million low-income or disabled children and adults, and is the single largest payer of elder long-term care costs. The increases in the Governor's proposed MassHealth budget include an assumed 3 percent increase in MassHealth enrollment during FY 2011 (which the Administration estimates will cost \$271 million). Even though the percentage of people in Massachusetts without health insurance is very low (Massachusetts has highest rate of health insurance coverage in the nation at 97 percent), MassHealth enrollment grows during a recession. When people

are out of work and lose their employer-based health insurance, they often turn to the government for MassHealth or Commonwealth Care health insurance.

The Commonwealth Care insurance program provides health insurance to approximately 150,000 people with incomes under 300 percent of the federal poverty line who do not have access to employer-sponsored health insurance and who do not qualify for MassHealth. The Governor's budget does not recommend changing program eligibility or increasing premiums. The Governor anticipates that his budget will support an enrollment increase of approximately 20,000 additional people in Commonwealth Care.

MassHealth (Medicaid) and Health Reform				
<i>(in Millions of Dollars)</i>				
	FY 2010 GAA	FY 2010 Current	FY 2010 adjusted*	FY 2011 Governor
MassHealth (Medicaid)				
MassHealth	8,923	8,990	9,190	9,788
MassHealth administration	184	178	178	183
Sub-Total	9,107	9,168	9,368	9,971
Health Reform and Health Safety Net				
Pharmacy Program	40	34	34	32
Health Care Finance & Other Initiatives	20	20	20	19
<i>Commonwealth Care Trust</i>	592	632	632	797
<i>Commonwealth Care Trust (pre-budget)</i>	105	105	105	120
<i>Medical Assistance Trust</i>	399	399	399	393
<i>Medical Security Trust</i>	0	30	30	0
Sub-Total	1,156	1,220	1,220	1,360
Total	10,263	10,388	10,588	11,331

* This total includes a supplemental budget request filed by the Governor, but not yet passed by the Legislature.

In FY 2010, the Commonwealth created the "Commonwealth Care Bridge" program, to provide health insurance to legal immigrants who have resided in the United States for less than five years and who - due to program changes - are no longer eligible for MassHealth. The Governor's budget maintains this program, with the expectation that it will continue to cover approximately 26,000 persons.

One of the largest funding increases in the Governor's budget proposal is due to the ramping up to full implementation of the Children's Behavioral Health Initiative, which is funding for children's mental health services as mandated by what is known as the *Rosie D. Settlement*. This program provides universal mental health screenings for children and adolescents, and then provides services for persons identified with "serious emotional disturbance." In FY 2010, since this program was just getting started, funding totaled \$65.7 million. For FY 2011, as the program moves towards full implementation, the Governor's budget recommends \$106.7 million.

It is also important to keep in mind that the MassHealth program in particular - and other health care programs that are eligible for Medicaid reimbursement - have significant impacts on revenues

supporting the Commonwealth's budget. The Commonwealth receives reimbursement for a portion of spending on Medicaid, typically 50 percent. Because of the American Recovery and Reinvestment Act (ARRA, the federal recovery bill), for the first half of FY 2011, Massachusetts will receive an enhanced federal Medicaid reimbursement rate. Accordingly, for every dollar spent on Medicaid services during the first half of the fiscal year, the Commonwealth will receive on average 62 cents in federal revenues. At the time of the Governor's initial budget proposal, that reimbursement rate was scheduled drop back to 50 cents on the dollar after December 31. It is likely that Congress will approve legislation to continue this enhanced reimbursement rate through the remainder of FY 2011. It is important to understand, therefore, if the Commonwealth cuts \$100 from a MassHealth program, the state treasury only "nets" \$38 in actual savings from that \$100 worth of programmatic cuts.

Other highlights of the Governor's budget include:

- Restructuring dental services for the more than 200,000 adults who currently receive coverage for dental care under MassHealth by excluding restorative services. The Administration estimates that this cut will save the program \$56.3 million (but will save the Commonwealth less than half of that). This change will not affect approximately 4,300 disabled adults who are clients of the Department of Developmental Services (DDS). It is unclear whether this language is intended to exclude restorative dental services for any new DDS clients. The Administration states that many MassHealth members who lose dental care under the MassHealth program will be able to receive this care at community health centers through the Commonwealth's "health safety net."
- Increases in co-payments for generic prescription medications from \$2 to \$3 (except on drugs to treat diabetes, hypertension, high cholesterol) for MassHealth members and for people receiving Commonwealth Care. The Administration estimates that this co-pay increase will save the Commonwealth over \$8 million.
- Transferring \$797 million into the Commonwealth Care Trust Fund, which along with existing funds remaining in that Trust, and designated revenue from a cigarette excise tax, fund the Commonwealth Care program and the state's Health Care Safety Net.
- Reducing reimbursements to providers by approximately \$174 million. This reduction should save anywhere from \$77 million to \$66 million, depending upon the reimbursement rate from federal revenues.
- Efforts to "tighten and strengthen" MassHealth operations, which the Governor anticipates could reduce costs by \$23 million, thereby saving the Commonwealth anywhere from \$9 million to \$11 million. Among the changes the Governor proposes are increasing the amounts retrieved from private health insurance and changes in billing practice.
- Continued funding for MassHealth enrollment and outreach grants, but not through the budgeted appropriations. The Governor's budget counts on \$2.5 million from the Commonwealth Connector to pay for these grants.

MENTAL HEALTH

The Governor's budget includes \$621.7 million for mental health services. His proposal cuts mental health funding by \$12.2 million compared to FY 2010 current budget levels, and is \$22.3 million less than the total amount appropriated for mental health services at the beginning of FY 2010. The Governor's proposal includes \$388.2 million for adult mental health services (a 6 percent increase over funding in the FY 2010 budget, but only just the amount the department estimates will be needed to

maintain services in FY 2011), and \$72.2 million for children's mental health services (level funding compared to FY 2010). The Governor's budget includes only \$134 million for inpatient facilities, a 20 percent cut from estimated spending in FY 2010, and a 7 percent cut from what the department estimates it would need to maintain services in FY 2011. The fact that inpatient services have been cut and community services are level funded reflects the Administration's continued emphasis on moving people out of inpatient facilities as quickly as possible and into community settings.

It is important to note that a significant portion of the Commonwealth's mental health services for children are funded through the MassHealth program in what is known as the Children's Behavioral Health Initiative (often referred to as the *Rosie D* program.) This relatively new program mandates universal pediatric screening for mental health disorders and treatment for children with "serious emotional disturbance," and will continue to expand towards full implementation in FY 2011. Funding for this program is included in the "MassHealth (Medicaid) and Health Reform" section of this *Budget Monitor*.

PUBLIC HEALTH

The Governor's budget includes \$492.3 million for public health programs. In order to make accurate year-to-year comparisons, this number adds back in \$1 million that the Governor recommends transferring from a homelessness assistance program at the Lemuel Shattuck Hospital administered by the Department of Public Health to the homelessness assistance program within the Department of Housing and Community Development. Adjusting for this transfer, the Governor's budget represents a 2 percent cut in public health funding compared to current FY 2010 budget totals.

Over the long term, funding for public health has dropped significantly. Compared to funding levels in FY 2001, and after adjusting for inflation, public health programs have been cut by 25 percent.

The Governor does, however, propose a new revenue source to help pay for existing public health programming. Included in his budget proposal is language that would eliminate the current sales tax exemption for soda and candy. The Administration estimates that expanding the sales tax to soda and candy would bring in more than \$60 million in sales tax revenue, a portion of which would automatically go to support school building assistance, and approximately \$51.7 million of which in FY 2011 would go into the Commonwealth Health and Prevention Fund, to help pay for the state's public health programs.

The Governor's budget also recommends coordinating and consolidating various programs. These consolidations include creating new line items, such as:

- \$81.2 million for addiction control services, which would include funding for substance abuse services and gambling prevention. The Governor's funding recommendation is a 5 percent cut compared to FY 2010 budget levels for these combined programs.
- \$103.5 million for infectious disease prevention and control programs, including funding for HIV/AIDS prevention and treatment, the blood lead poisoning program, tuberculosis testing, the universal immunization program, and funding for the state laboratory. This proposed funding level is just under funding in FY 2010, and is approximately \$1 million below what it might cost in FY 2011 simply to maintain existing services.
- \$40.3 million for consolidated health promotion, violence prevention and workforce expansion programs. This line item consolidates funding for community health centers, dental health,

family health, suicide prevention, the shaken baby syndrome prevention program, health promotion and disease prevention, domestic violence prevention, the sexual assault nurse examiner program, teen pregnancy prevention, school-based health programs, and violence prevention programs. This total cuts funding for these services by approximately 7 percent from FY 2010 current budget levels.

- \$38.9 million for children's health and nutrition programs, including the WIC supplemental food program, early intervention, newborn hearing screening, and the pediatric palliative care program. This amount is level with funding in FY 2010.
- \$16.4 million for health care safety and quality programs, including environmental health and the boards of registration. This total is 5 percent below funding in the current FY 2010 budget.

STATE EMPLOYEE HEALTH INSURANCE

After making certain adjustments (see below), the Governor's budget proposes \$1.31 billion for state employee health benefits, which allows for an estimated 5 percent increase in health care premium costs in FY 2011. This total includes funding for the Group Insurance Commission (GIC), as well as additional state funding for employee health benefits. This total also includes funding transferred from the General Fund to a special State Retiree Benefits Trust designated to fund health care costs for retirees. The FY 2011 GIC total in the Governor's proposal also incorporates costs that were previously paid for elsewhere. For example, the Governor's budget transfers \$27 million from funding for the sheriffs' offices to cover the health insurance costs of their staff. The Governor's budget also anticipates that employees from the Commonwealth's Department of Transportation (the Turnpike Authority and the MBTA) will now receive health insurance through the Group Insurance Commission. The anticipated increases in costs transferred to the GIC are \$7.6 million for the health insurance costs of the employees of the Mass. Turnpike Authority, and \$85.7 million for the employees of the MBTA. The Governor's (adjusted) totals in this *Budget Monitor* remove these costs from the GIC totals in order to allow accurate year-to-year comparisons. Not currently included in this total, but also part of state employee health benefits, is \$19.8 million set aside to reimburse certain state employees for increased out-of-pocket costs associated with health insurance benefits [updated March 24, 2010].

The total state employee health insurance costs include a variety of increases that are due to changes in the number of employees participating in the Group Insurance Commission's health insurance programs. In fact, the Governor's budget does not currently propose any changes in the structure of state employee contributions to health care premiums, but it is possible that health care costs will increase beyond the estimated 5 percent, and there will need to be changes over the course of the fiscal year.

It is important to note that this state employee health benefit total also adjusts for the fact that more municipalities are opting to participate in the state's Group Insurance Commission health care plans. These increased costs in the Group Insurance Commission do not actually increase the state's health insurance costs, because they are reimbursed by the participating municipalities. The FY 2010 budget includes approximately \$203.5 million in reimbursed municipal health care costs, and the FY 2011 budget includes approximately \$233.9 million in fully-reimbursed municipal health care costs. In order to avoid an artificial distortion in the numbers associated with these changing costs, the totals in this *Budget Monitor* remove these municipal health care costs.

HUMAN SERVICES

FY 2010 GAA	\$3,361,492,631
FY 2010 Current	\$3,331,368,995

FY 2011 Governor’s Budget **\$3,347,105,822**
[Revised March 5, 2010]

Increase (decrease) from FY 2010 GAA	\$(14,386,809)
<i>Percent Change from FY 2010 GAA</i>	<i>-0.4%</i>
Increase (decrease) from FY 2010 Current	\$(15,736,827)
<i>Percent Change from FY 2010 Current</i>	<i>0.5%</i>

The Governor’s Fiscal Year 2011 (FY 2011) initial budget included \$3.33 billion in funding for human services, but with the recognition on March 5 that there would be additional funding available because spending on the so-called Medicare Part D “Clawback” will be reduced, he increased his recommended funding by \$21.1 million to a total of \$3.35 billion. This represents a \$14.4 million reduction when compared to FY 2010 GAA funding levels.

In this analysis “human services” include services for children and families, transitional assistance for low-income families, services to the adults with developmental disabilities, and other human services detailed below. For information about mental health services, please see the health care portion of this *Budget Monitor*.

The Governor’s budget recommends cuts to services for children and families, child care financial assistance, and the Department of Youth Services. Anticipating caseload increases, the Governor’s budget provides more funding for services administered by the Department of Transitional Assistance (DTA). With the additional funding added on March 5, the Governor’s revised total for adults with developmental disabilities is a slight increase over funding in the FY 2010 GAA (not adjusting for inflation.)

CHILDREN & FAMILIES (FORMERLY DEPARTMENT OF SOCIAL SERVICES)

The Governor’s FY 2011 budget provides \$760 million in funding for the Department of Children and Families (DCF) and the child and family services it administers. This represents a \$23.8 million, or 3 percent, reduction from FY 2010 GAA levels.

Like many of the budget reorganizations proposed in his FY 2011 budget, the Governor’s budget proposes the consolidation of 11 DCF line items into five. Some notable consolidations in the Governor’s budget include:

- Consolidation for services to children and families, incorporating the following programs into a single “Service for Children and Families” line item: family permanency, stabilization, placement services, group care for children in the state’s custody, juvenile offender placement and the sexual abuse intervention network. In total, the Governor’s budget reduces funding for these programs by \$20 million from current FY 2010 spending levels and \$26.6 million from the FY 2010 GAA. Based on the Governor’s recommendations, group care services for children in the custody of DCF will absorb this cut, which the administration indicates will require a

reduction in the number of voluntary child placements from families into other care arrangements. In addition, according to the Administration, this reduction will call for DCF to eliminate 140 group care slots.

- Consolidation of line items for social worker case management, DCF regional administration, and foster care review into the central DCF Administration line item. In total, the Governor's budget include \$237.8 million in funding for DCF Administration, which is \$4.9 million, or 2 percent, more than the amount currently budgeted for all affected line items.

DEVELOPMENTAL SERVICES (FORMERLY THE DEPARTMENT OF MENTAL RETARDATION)

The Governor's revised FY 2011 budget provides \$1.27 billion in funding for the Department of Developmental Services (DDS) and the services it administers. Although the Governor's initial proposal included an overall reduction of \$13 million for DDS when compared to the FY 2010 GAA, the Governor's revised budget proposes an additional \$21.1 million for Community Programs for the Intellectually Disabled. In total, the Governor's revised funding recommendation for developmental services is \$8 million above the FY 2010 GAA.

Other notable aspects of the Governor's budget include:

- Consolidation of several line items funding community based services for adults with disabilities. The Governor recommends the consolidation of line items for community day and work programs for adults, transportation services, and respite and intensive family supports into one "Community Programs for the Intellectually Disabled" line item. In his proposal, the Governor's budget recommendation is \$7.1 million, or 4 percent, below the FY 2010 GAA for these consolidated programs.
- Consolidation of community and state sponsored residential supports. In total, the Governor initially recommends \$9.5 million more in funding for these consolidated line items when compared to the FY 2010 GAA. However, with his March 5 adjustment, the Governor adds \$21.1 million to this line item, which makes his total FY 2011 budget proposal for the consolidated line items \$30.5 million above the FY 2010 GAA.
- Level funding for transitional services for adults (turning 22) when compared to both the current FY 2010 budget and FY 2010 GAA. The Governor's FY 2011 recommendation falls \$3.7 million, or 43 percent, below FY 2001 GAA funding levels, when adjusted for inflation

ELDER SERVICES

The Governor's FY 2011 budget includes \$219.5 million for community-based elder service programs. This total is level with the current FY 2010 budget total, but is \$1.6 million less than the funding that would be needed to simply maintain the current level of services into the coming year. (For funding associated with the Prescription Advantage program, MassHealth, and for nursing homes, see the "Health Care" section of this *Budget Monitor*.)

The Governor's elder services budget includes:

- \$136.4 million for the elder home care program, and \$45.8 million for the enhanced home care services program - both community-based long term care services designed to help elders stay in their homes in the community as long as possible. These are both level-funded, even though there are currently more than 2,000 elders on waiting lists for these community services.

- \$15.2 million for elder protective services, a program to protect elders from negligence or abuse. Protective services were cut by \$1 million over the course of FY 2010, and the Governor's budget proposal does not restore that cut.
- \$8.1 million to local councils on aging, an amount that is level with FY 2010 totals.
- \$5.7 million for elder housing programs, an amount that is level with FY 2010 current budget totals, but is a 2 percent cut from what would be needed to maintain current services.

TRANSITIONAL ASSISTANCE

In total, the Governor's FY 2011 budget provides \$773.4 million in funding for transitional assistance through the Department of Transitional Assistance (DTA). In anticipation of increases in caseload, the Governor's budget provides \$14.1 million, or 2 percent, more funding for transitional services than current FY 2010 budget levels and \$6.3 million more than the FY 2010 GAA.

Specifically, funding changes proposed in the Governor's budget include:

- A reduction in funding for the Employment Services Program (ESP) by \$9 million compared to FY 2010 current budget levels. Since ESP received \$3.5 million in FY 2010 9C cuts, the Governor's budget proposal represents a total reduction of \$12.5 million, or 49 percent, relative to the FY 2010 GAA. The Governor's administration estimates that this may reduce employment assistance slots by 5,000. According to DTA's plan to address this cut, many ESP program will be eliminated, such as transportation services, and other programs, like the Young Parents Program (YPP), which helps TAFDC teen parents earn a GED, would be reduced by 5-10 percent. This program has been cut consistently over the last several years. When adjusted for inflation, the Governor's funding recommendation represents a 58 percent reduction in funding when compared to FY 2001.
- To address anticipated caseload increases, the Governor recommends \$12.2 million, or 4 percent, in additional funding for TAFDC grant payments when compared to current FY 2010 budget levels.
- To address anticipated caseload increases, the Governor recommends \$5.4 million, or 6 percent, in additional funding for Emergency Aid to the Elderly, Disabled and Children when compared to current FY 2010 budget levels.

OTHER HUMAN SERVICES

"Other Human Services" includes numerous departments and services, such as the Department of Youth Services, services for veterans, the Massachusetts Commission for the Blind, the Massachusetts Rehabilitation Commission, and the Massachusetts Commission for the Deaf and Hard of Hearing.

Some funding changes proposed in the Governor's budget include:

- A 6 percent reduction in funding for the Department of Youth Services (DYS) when compared to the FY 2010 GAA. In total, the Governor's FY 2011 budget provides \$141.2 million in funding for DHS. The Governor's budget maintains \$4.4 million in FY 2010 9C cuts and proposes an additional \$4.9 million cut to DHS, representing an \$8.4 million total reduction in funding from the FY 2010 GAA. The largest cut within the DHS budget is in pre-trial detention, in which funding was reduced by 23 percent from the FY 2010 GAA. The Governor's recommendation indicates that this cut reflects a reduction in anticipated need for this program.

BUDGET MONITOR

- Consolidation of the line items funding services for Veterans' outreach centers and shelters into one line item. In total, the Governor recommends level funding for these services when compared to both current FY 2010 budget levels and the FY 2010 GAA.

INFRASTRUCTURE, HOUSING & ECONOMIC DEVELOPMENT

FY 2010 GAA	\$1,625,366,862
FY 2010 Current	\$1,658,475,716

FY 2011 Governor’s Budget	\$ 1,521,482,460
FY 2011 Governor’s Budget (Adjusted)*	\$ 1,620,471,292

Increase (decrease) from FY 2010 GAA	\$(4,895,570)
<i>Percent Change from FY 2010 GAA</i>	<i>-0.3%</i>
Increase (decrease) from FY 2010 Current	\$(38,004,424)
<i>Percent Change from FY 2010 Current</i>	<i>-2.3%</i>

** In cases where the Governor has shifted line items between categories, we have made an adjustment to reflect FY 2010 categories in order to provide an apples-to-apples comparison.*

The Governor’s Fiscal Year 2011 (FY 2011) budget proposes \$1.62 billion for infrastructure, housing and economic development programs. This is a \$4.9 million, or 0.3 percent, reduction from the FY 2010 GAA. While funding for housing programs has increased, primarily due to increased demand for Emergency Assistance Services during the economic downturn, funding for some economic development programs has been significantly reduced.

ECONOMIC DEVELOPMENT

The Governor’s budget provides \$20.4 million for economic development programs, an \$18.4 million, or 47 percent, reduction from the FY 2010 current budgeted amounts. The single largest cut occurs within the Massachusetts Office of Travel and Tourism totaling \$4.2 million, a 75 percent reduction compared to the FY 2010 GAA.

The Governor proposes to reduce funding for a number of economic development programs by over 50 percent, as compared to the FY 2010 GAA:

- Financial assistance for Local Tourist Councils is reduced by \$2.3 million, or 50 percent.
- Funding for the Massachusetts Sports and Entertainment Commission is reduced by \$650,000, or 52 percent.
- Individual Training Grants are reduced by \$400,000, or 53 percent.
- Subsidies for the Biotech Research Institute are reduced by \$160,000, or 76 percent.
- Funding for the Massachusetts International Trade Council is reduced by \$125,000, or 50 percent.

Other proposed changes within economic development include:

- Eliminating state subsidies for Regional Economic Development Grants, a competitive grant program that supports the state’s eight regional economic development corporations, councils and partnerships. The amount appropriated for these grants in FY 2010 was \$800,000, which had been already reduced to \$0 through the Governor’s 9C cuts in October.

- Merging the State Office of Minority and Women Business Assistance into a new line item for the Supplier Diversity Office, with funding reduced by almost \$8,000.

HOUSING & COMMUNITY DEVELOPMENT

The Governor recommends spending \$270,390,007 on affordable housing programs in FY 2011. This is a \$22 million, or 9 percent, increase above the FY 2010 GAA but is \$26.9 million, or 9 percent, less than the current budget. Since FY 2001, funding for housing assistance provided by the state has fallen by 14 percent in inflation-adjusted dollars.

The increase in housing spending since the passage of the FY 2010 GAA is due to rising demand for Emergency Assistance (EA) services during the economic downturn. EA, which provides shelter and assistance to homeless families, would receive \$113.5 million in the Governor's FY 2011 budget recommendation. This amount is \$21.9 million more than the program received in the FY 2010 GAA but is \$20 million less than the current budget. In FY 2010, as demand for services to homeless families increased, the state made eligibility changes to the EA program in order to reduce costs. The FY 2010 GAA lowered eligibility for families receiving EA services from 130 percent of poverty to 115 percent. The Governor keeps this lower eligibility level in his FY 2011 proposal. In his budget, the Governor also recommends a number of changes to EA including: reducing the amount of time that a family has, once they begin receiving services through EA, to prove their eligibility from 30 days to 10 days; omitting the requirement that families be housed in shelters no more than 20 miles from their home community though families are able to request a transfer to a shelter closer to their community; and eliminating the requirement that the Department of Housing and Community Development (DHCD) must notify the legislature of any eligibility changes at least 60 days before those changes go into effect.

To meet increased demand for homeless services, the Governor recommends providing \$5.3 million for caseworkers who provide assistance to homeless families and individuals. This level is \$517,809, or 11 percent more than the FY 2010 GAA.

The Governor recommends providing \$32.7 million for the Massachusetts Rental Voucher Program (MRVP) which provides housing vouchers to low-income renters. This funding is a \$2.7 million increase over the FY 2010 GAA appropriation for MRVP but is almost \$200,000 less than the current budget. The increased funding for MRVP in FY 2010 came from a \$2.9 million transfer of funds from Residential Assistance for Families in Transition (RAFT) program (see below). In the Governor's proposed budget for MRVP, MassHousing has also committed to providing an additional \$2.7 million to support these vouchers. In FY 2010 Mass Housing contributed \$2.5 million to the MRVP program.

The transfer of \$2.9 million to MRVP left RAFT, which provides housing vouchers to homeless families, with \$160,000 in FY 2010. In his budget proposal for FY 2011 the Governor further cuts funding for RAFT to \$60,000. While there are some housing assistance funds similar to RAFT available through the American Recovery and Reinvestment Act these federal funds will not be available for all of the next fiscal year since they must be spent by February of 2011.

Like the FY 2010 GAA, the Governor's proposed budget does not fund the Soft-Second Loan program which helps low-income people purchase housing. Instead the Mass Housing Partnership (MHP) has agreed to provide \$2 million in contributions to support this program. This is the same amount that MHP agreed to contribute in FY 2010.

A number of affordable housing programs would receive the same level of funding in the Governor's FY 2011 proposal as they did in the FY 2010 GAA including:

- \$37.3 million for services that provide assistance to homeless individuals. This amount is level funding with last year since the Governor recommends moving \$1 million from a public hospital line item that provides funding for a homeless shelter run by the Shattuck hospital to this account;¹⁰
- \$1.2 million for the Home and Healthy for Good program;
- \$1.5 million for housing services and counseling;
- \$62.5 million for subsidies for public housing authorities;
- \$3.5 million for the alternative housing voucher program; and
- \$4 million in rental subsidies for Department of Mental Health clients.

TRANSPORTATION

The Governor proposes \$1.24 billion for transportation funding in FY 2011, representing a 1 percent reduction from the FY 2010 GAA. This amount includes \$375.1 million for the newly formed Massachusetts Transportation Trust Fund and \$767.1 million in tax revenues set aside for the Massachusetts Bay Transportation Authority (MBTA).

In the FY 2010 GAA, state transportation funding consisted of \$275 million from the Commonwealth Transportation Fund in addition to \$194.7 million in individual line items for various transportation agencies and programs. These line items were cut by \$13.6 million, or 6 percent, through the Governor's 9C reductions. The current funding amount for these line item appropriations is now at \$182 million.

In the Governor's proposal, funding for these transportation line items would total \$200 million.¹¹ Additionally, these transportation agencies and programs that were previously funded through individual line items would now be funded through a new Massachusetts Transportation Trust Fund, which totals \$375.1 million. This amount includes the \$200 million for transportation line items, \$160 million for the MBTA, and \$15 million for the Regional Transit Authorities. An additional \$100 million that had been a part of the Commonwealth Transportation Fund for contract assistance payments to the Massachusetts Turnpike Authority in FY 2010 is shifted in the Governor's proposal to a different line item administered by the Department of Administration and Finance. However, this *Budget Monitor* counts the \$100 million for the Turnpike Authority within the overall funding for transportation. This is reflected in the Governor's FY 2011 Budget Adjusted number for this section.

The Governor's proposal also reflects structural changes brought about by legislation that was signed by the Governor in June 2009 to establish a new agency, the Massachusetts Department of Transportation (MassDOT). MassDOT would encompass: the Executive Office of Transportation and Public Works, Massachusetts Turnpike Authority, the Massachusetts Highway Department, the Registry of Motor Vehicles, the Massachusetts Aeronautics Commission, and the Tobin Bridge. It would be responsible for administering the funds allocated to the Massachusetts Transportation Fund.

¹⁰ MassBudget does not include this proposed \$1 million transfer of funding from the public hospital line item to this account but rather keeps it in the public health subcategory. This provides readers with a meaningful comparison between the FY 2010 budget and the Governor's FY 2011 proposed funding for both the public health and housing subcategories.

¹¹ This \$200 million cannot be compared directly to the \$194 million for line items because the new authority, MassDOT, will be required to pay assessments that the individual programs and agencies were not required to pay prior to this consolidation.

This means that the individual line items for each transportation agency and program would not be included in the state budget; rather, MassDOT would develop and release a separate budget outlining how funding is allocated to the state's various transportation programs.

WORKFORCE & LABOR

The Governor's FY 2011 budget recommends providing \$39 million for workforce development programs. This represents a \$9.5 million, or 19 percent, reduction from FY 2010 current budgeted amounts; however, it only represents a 2 percent decline (\$965,000) from FY 2010 GAA amounts.

The Workforce Training Program is level funded from the FY 2010 GAA at \$10 million. However last year, as in years past, this program also received supplemental funds year in the middle of the year that increased the funding level to \$21 million. This supplemental increase, in the form of a PAC ("prior appropriation continued," or carrying over a balance of unspent funds into the next fiscal year), has occurred every year and has been used to fund ongoing obligations, such as multi-year contracts that are approved in one year but are paid out over two or three years.

The Governor proposes a significant reduction to the Apprentice Training program, which had already been reduced by almost \$87,000 through the Governor's 9C cuts in October. In FY 2011, the Governor proposes a further reduction of \$14,847, or 5 percent. In sum, this would result in a cut of \$101,508, or 27 percent, from the FY 2010 GAA. Another significant reduction is a 17 percent reduction (totaling almost \$500,000) in funding for One-Stop Career Centers, which provide job search and training programs for unemployed workers.

LAW & PUBLIC SAFETY

FY 2010 GAA	\$2,141,956,951
FY 2010 Current	\$ 2,352,515,080

FY 2011 Governor’s Budget	\$2,272,096,079
FY 2011 Governor’s Budget (Adjusted)*	\$2,299,096,079

Increase (decrease) from FY 2010 GAA	\$157,139,128
<i>Percent Change from FY 2010 GAA</i>	7.3 %
Increase (decrease) from FY 2010 Current	\$(53,419,001)
<i>Percent Change from FY 2010 Current</i>	2.3%

** In cases where the Governor has shifted line items between categories, we have made an adjustment to reflect FY 2010 categories in order to provide an apples-to-apples comparison.*

After adjusting for significant line item consolidations and reorganizations, the Governor’s Fiscal Year 2011 (FY 2011) budget provides \$2.35 billion in funding for law and public safety. This total is \$6.3 million less than the current FY 2010 budget levels for law and public safety programs.

The Governor proposes significant reorganization of the budget in several areas of law and public safety. Some notable changes include:

- Reorganization of line items relating to county sheriffs. Many line items pertaining to county sheriffs were not included in the FY 2010 GAA, but introduced mid-year, through FY 2010 supplemental budgets. The Governor maintains this shift, including funding for all county sheriffs in his budget proposal.
- Significant change to the structure of probation and parole funding, moving associated line items into a new Department of Community Supervision.
- Consolidation of line items relating to the administration of trial courts into one line item.

Law and public safety includes funding for an array of departments and programs, including courts, legal assistance for indigent persons, district attorneys, the Attorney General, public defenders, the Department of Public Safety, law enforcement, prisons, probation, parole and the state’s military division.

COURTS & LEGAL ASSISTANCE

In total, the Governor’s budget recommends \$600.1 million in funding for Courts and Legal Assistance, representing a reduction of \$10.3 million, or 2 percent, from current FY 2010 budget levels.

Additionally, the Governor recommends a significant consolidation of line items pertaining to trial courts, proposing a line item dedicated to the central administration of the trial courts, to include the operation of the Superior Court, District Court, Probate and Family Court, Land Court, Boston Municipal Court, Housing Court, and Juvenile Court. In total, the Governor’s recommendation falls \$10 million below currently budgeted amounts for all affected line items.

Other notable aspects of the Governor’s budget include:

- A \$34.3 million shift in funding from the line item that compensates private counsel assigned to criminal and civil cases to the Committee for Public Counsel Services, which includes funding for public defenders.
- A \$406,000, or 3 percent, reduction in the amount allocated to cover court fees and costs of indigent persons from the FY 2010 GAA.
- Level funding for mental health legal services for indigent persons suffering from mental illness when compared to the FY 2010 GAA.

LAW ENFORCEMENT

In total, the Governor's budget includes \$336.3 million in funding for law enforcement. This represents an increase of \$10.7 million, or 3 percent, over current FY 2010 budget levels.

The Governor's FY 2011 budget proposes to fund police training through an automobile insurance surcharge. The Governor's administration estimates that this surcharge will provide \$3.1 million for the Municipal Police Training Committee (MPTC), which will provide training to municipal officers and support police recruitment, and \$3.2 million for an annual state police class, which will provide classes for new troopers and stabilize state police staffing.

Despite an overall increase in funding for law enforcement, the Governor recommends cuts to several programs:

- The Governor's budget proposes to maintain cuts to youth violence prevention grants, or Shannon Grants, implemented in the FY 2010 9C cut process. This would represent a \$2 million, or 30 percent, cut to this program when compared to the FY 2010 GAA. The Shannon Grant Program distributes grants to communities to reduce gang and youth violence through prevention and intervention, providing programs such as job skills workshops, outreach to at-risk youth, and prisoner reentry programs.
- The Governor proposes to decrease funding for education incentives for municipal police officers, also known as the Quinn Bill, by \$5 million, or 50 percent, from the \$10 million included in the current FY 2010 budget.

PRISONS, PROBATION & PAROLE

The Governor's FY 2011 budget recommends \$1.19 billion for prison, probation and parole programs.¹² This is an increase of \$205.8 million over the FY 2010 GAA but is \$6.5 million, or 1 percent, less than the current budget for FY 2010.

The variations in funding for prison, probation and parole programs is due largely to the fact that the FY 2010 GAA did not include full funding for seven county sheriffs' departments. After enactment of the FY 2010 GAA, legislation was passed that moved these sheriffs (Barnstable, Bristol, Dukes, Nantucket, Norfolk, Plymouth and Suffolk) from their county governments to the state government. The legislation provided \$217.3 million in supplemental funding (the FY 2010 GAA appropriated \$72.6

¹² In order to provide an apples-to-apples comparison of spending for FY 2010, *MassBudget* has included the \$27 million in health costs transferred to the GIC, \$42 million in pension costs and \$5.2 million in debt restructuring in the Governor's proposal in the Law and Public Safety Category. We make this adjustment because in FY 2010 these costs were paid for through accounts within the Law and Public Safety category. This allows the reader to make a meaningful comparison in spending for this category between FY 2010 and FY 2011.

million for these sheriffs) to cover the costs of running the individual offices for the last six months of FY 2010 as well as pay for employee benefit costs previously paid for by the county governments. FY 2011 will be first year that the sheriffs' offices will be fully-funded by the state budget and the Governor makes a number of recommendations in his FY 2011 proposal including:

- Providing \$182.2 million in combined funding to the seven sheriffs' offices. This represents a 2 percent cut in funding from FY 2010.
- Eliminating a Shattuck Hospital line item that provides prison health services to four sheriffs' departments (Barnstable, Norfolk, Plymouth and Suffolk) and distributes those \$2 million directly into the sheriffs' accounts. (These distributions are included in his total for the sheriffs mentioned above.).
- Transferring health, retirement and debt service costs from the counties to the state. This transfer includes \$27 million to the Group Insurance Commission to cover employee-benefit costs for these sheriffs' departments; about \$42 million to the state retirement fund; and a \$5.2 million in debt service payments.

In his FY 2011 budget, the Governor also proposes moving community correction programs from the Judiciary to the Executive Branch. His FY 2011 budget proposes consolidating the services currently provided by the Commissioner of Probation and the Office of Community Corrections into a newly-created Department of Community Supervision. This new Department receives \$146.1 million in the Governor's proposal, which is \$528,235 more than appropriations for these programs in the FY 2010 GAA and current spending.

PROSECUTORS

The Governor's 2011 budget includes \$132.3 million in funding for prosecutorial services including administration of the Attorney General, District Attorneys, fraud investigation and prosecution, and victim and witness protection. This represents a slight decrease (\$307,000) from current FY 2010 budget levels.

Notable aspects of the Governor's budget include:

- Level funding of compensation for victims of violent crimes, when compared to both FY 2010 budget levels and the FY 2010 GAA.
- Level funding of district attorneys, when compared to both FY 2010 budget levels and the FY 2010 GAA.
- 7 percent more funding for line items dedicated to fraud investigation and prosecution.

OTHER LAW & PUBLIC SAFETY

The Governor's FY 2011 budget includes \$44.9 million in funding for other law and public safety programs, which include the Massachusetts Emergency Management Agency, the state's military division, the Department of Fire Services Administration, the Department of Public Safety and other emergency relief. The Governor recommends a slight increase (less than 1 percent) in funding for these services when compared to current FY 2010 budget levels, although his proposal is 1 percent, or \$566,000, below the FY 2010 GAA.

Notable aspects of the Governor's budget include:

- A 9 percent, or \$135,000, reduction in the funding of the Massachusetts Emergency Management Agency when compared to the FY 2010 GAA.
- A consolidation of the line item for the Division of Inspectors into the Department of Public Safety.

LOCAL AID

FY 2010 GAA	\$964,825,140
FY 2010 Current	\$964,886,803

FY 2011 Governor's Budget **\$964,669,803**

Increase (decrease) from FY 2010 GAA	\$(155,337)
<i>Percent Change from FY 2010 GAA</i>	<i>-0.02%</i>
Increase (decrease) from FY 2010 Current	\$(217,000)
<i>Percent Change from FY 2010 Current</i>	<i>-0.02%</i>

The Governor recommends essentially level funding for local aid at \$964.7 million for Fiscal Year 2011 (FY 2011). This category includes the unrestricted aid provided to cities and towns to fund their municipal budgets, not including Chapter 70 and other local education aid. In FY 2010, the two major categories of Local Aid, lottery aid (the revenue generated by the state lottery that is distributed to cities and towns) and additional assistance, were combined into a new category called Unrestricted Government Aid. This consolidation continues for FY 2011.

The Governor's budget includes a small reduction in local aid of \$217,000 in payments to cities and towns for the local share of racing tax revenues; however, this represents only 0.02 percent of total local aid. Although the Governor's recommendation does not represent a decrease from FY 2010, funding for Local Aid has significantly decreased over time. Since FY 2001, Local Aid to cities and towns has dropped by 40 percent, after adjusting for inflation.

OTHER

FY 2010 GAA	\$4,029,673,779
FY 2010 Current	\$ 3,997,658,939

FY 2011 Governor’s Budget	\$4,092,395,099
FY 2011 Governor’s Budget (Adjusted)*	\$3,992,395,099

Increase (decrease) from FY 2010 GAA	\$(37,278,680)
<i>Percent Change from FY 2010 GAA</i>	<i>-0.9%</i>
Increase (decrease) from FY 2010 Current	\$(5,263,840)
<i>Percent Change from FY 2010 Current</i>	<i>0.1%</i>

** In cases where the Governor has shifted line items between categories, we have made an adjustment to reflect FY 2010 categories in order to provide an apples-to-apples comparison.*

Other costs within the state budget total \$4.09 billion in the Governor’s Fiscal Year 2011 (FY 2011) proposal. This includes \$75.4 million for the offices and programs of the constitutional officers, \$1.96 billion for debt service, \$58.5 million for the executive office of the Governor and the Legislature, \$21.1 million for libraries, \$1.44 billion for pensions, the \$439.5 million for other smaller or administrative offices (such as the Department of Revenue, the Executive Office of Administration and Finance, various commissions, the Mass. Cultural Council, and more.)

DEBT SERVICE

The Governor’s FY 2011 budget recommendations include \$1.96 billion in debt service, a 5.3 percent reduction from the FY 2010 current debt service amount. However, the difference will actually be lower because the estimated spending for FY 2010 is approximately \$11 million less than what is currently indicated in the budget. Due to a one-time spike in some debt service accounts in FY 2011, it is estimated that debt service for these accounts (those that are not contract assistance obligations) would increase from \$1.96 billion (the FY 2010 current cost) to \$2.16 billion in FY 2011, an increase of \$200 million. To make up this difference, the Governor proposes to refinance \$200 million of the debt service for these accounts to level debt service costs. The Governor also recommends refinancing of an additional \$100 million, which would generate savings by lowering the debt service for these accounts down to \$1.86 billion. In sum, the proposed debt service would be \$299.4 million less than the projected cost of debt service for FY 2011. The refinancing strategy would reduce debt service for these accounts by \$97.8 million, or 5 percent, compared to current budgeted amounts, and lead to an overall reduction of debt service (for all counts) by 4.8 percent. The cost of the refinancing, however, would be shifted to future years.

LIBRARIES

The Governor’s budget recommends spending \$21.1 million on libraries and library programs around the state. This budget recommendation is \$3.8 million, or 15 percent, less than the FY 2010 GAA and is \$3.5 million, or 14 percent, lower than the current budget. The most significant cut comes from the aid that the state provides to local libraries. The FY 2010 current budget provides \$12.3 million in aid to libraries around the state; the Governor recommends reducing funding to \$8.8 million in FY 2011. This amounts to a reduction of \$3.5 million, or 29 percent, of local library aid. If the Governor’s FY 2011

budget request is adopted, funding for libraries will have been cut by \$22.4 million or 51 percent in inflation-adjusted dollars since FY 2001.

PENSIONS

The Governor's budget includes a transfer of \$1.44 billion into the trust fund that supports the state's pension system. Separate from this budget document, the Governor has proposed significant pension reforms that he anticipates would reduce pension costs over the long term. The FY 2011 pension total does not include projected pension costs (approximately \$40 million) associated with employees from the seven county sheriff departments now included in the budget.

REVENUE

The Governor's budget assumes – following the estimate adopted by the House, Senate, and Executive branch in January – that baseline tax revenue for Fiscal Year 2011 (FY 2011) will be approximately \$19.05 billion, 3.2 percent above the January 2010 estimated FY 2010 tax revenue total of \$18.46 billion.

This is a fairly conservative estimate as actual tax revenues have exceeded the estimated benchmarks each of the last four months. This trend could change if the economic recovery falters or if results are disappointing when people file their 2009 taxes in March and April. If, however, current trends continue, the FY 2010 estimate could be exceeded by a significant amount. If revenue grows 3.2 percent above that higher base, there would be more tax revenue available in FY 2011 than the Governor's budget anticipates. While there is a good chance that tax revenue in FY2011 will exceed the estimate, there is also some risk that the national economic recovery will slow, or even dip back into recession, in which case state revenue would grow only very modestly or could decline.

The Governor's budget also assumes \$2.99 billion in departmental revenue and \$8.77 billion in federal revenue.

The remainder of this section describes policy proposals relating to revenue and significant assumptions about new revenue made in the Governor's budget proposal.

Revenue from the stimulus law (American Recovery and Reinvestment Act, ARRA) and pending jobs creation legislation: \$1.42 Billion

As part of ARRA, the federal government provided aid to state governments. The two largest elements of this aid that the state will be using in FY 2011 are increased reimbursements for the state Medicaid program (FMAP) and Education and Flexible Block Grants. These revenues can be broken down as follows:

- Authorized increased Medicaid reimbursement: \$690 million. Generally the federal government reimburses Massachusetts for 50 percent of Medicaid spending. ARRA increased that rate to approximately 62 percent. In FY 2010 this increase is expected to be worth about \$1.3 billion to Massachusetts. ARRA only authorized this increased reimbursement rate through December of 2010 – the midpoint of state fiscal year FY 2011. As a result, states could receive only half a year enhanced Medicaid reimbursements in FY 2011. In Massachusetts that is estimated to be \$690 million.
- Additional increased Medicaid reimbursements: \$608 million. The U.S. House of Representatives has passed jobs creation legislation that includes provisions extending the enhanced Medicaid reimbursements through the end of FY 2011. The President also included this funding in his budget proposals. The Governor's budget assumes that this extension will become law and will be worth an additional \$608 million to Massachusetts (the budget assumes that the enhanced rate will be a little lower than the 62 percent the state is now receiving). If the reimbursement rate remains at 62 percent, the additional federal reimbursement will be closer to \$690 million [updated March 24, 2010.]
- Education and Flexible Block Grants: \$96 million. ARRA included \$994 million in these grants for Massachusetts. Most of that money was used to prevent deep budget cuts to local schools and higher education funding in FY 2009 and FY 2010. The amount remaining for use in FY 2011 is \$96 million.

- \$25.5 million for Temporary Assistance for Needy Families (TANF) Emergency Funds and adoption assistance funding

New Revenue Initiatives: \$230 million

The Governor's budget includes some tax changes, administrative changes relating to tax collections, and departmental revenue increases. The major changes are as follows:

- \$75 million in savings from capping total cost of the film tax credit at \$50 million a year. This cap would just be in place for FY 2011 and FY 2012.
- \$5 million in savings from reducing FY 2011 life science credit awards.
- \$5 million in savings from repealing the aircraft sales tax exemption.
- \$61.6 million in new revenue from repealing the sales tax exemption for candy and soda. Most of this revenue would be used to help pay for the state's public health programs, and about \$10 million would support the state's school building program.
- \$15 million from increasing the tax on smokeless tobacco and cigars which were not subject to the 2008 cigarette tax increase. The revenue from this would be dedicated to the Commonwealth Care Trust Fund to help pay for the state's health reform initiatives.
- \$31 million anticipated from improvements in tax collection and child support collection at the Department of Revenue.
- \$38 million in new departmental revenue, which includes \$20 million from extending the bottle bill to juices, water and sports drinks, and \$15 million from anti-fraud efforts.

In addition to funding associated with ARRA and pending jobs creation legislation, the Governor's budget counts on several other temporary revenue sources (and some debt refinancing): \$460 million [revised March 5, 2010]

- The Governor initially recommended a \$175 million withdrawal from the Commonwealth's Stabilization Fund (the "rainy day" fund), but then revised his recommendation by \$29 million to a withdrawal of \$146 million. With the March 5 revisions, there would be an estimated \$550 million left in the Fund.
- A \$160 million reimbursement from the federal government for payments to recipients of Social Security Disability Insurance (SSDI), who had been paid for by the Massachusetts Medicaid program over the years, rather than the federal Medicare program. There is a significant likelihood that these payments will not be made by the federal government this year.
- Another \$154 million from other initiatives, such as selling certain state lands (\$19 million), restructuring the state's debt (\$100 million - which is in addition to a \$200 million savings from refinancing debt to smooth out a temporary spike in debt costs), and transferring funds into the General Fund that are currently sitting in off-budget trust funds (\$35 million).

BUDGET BY CATEGORY AND SUBCATEGORY

BUDGET BY CATEGORY - SUMMARY (Numbers in Millions)	FY 2010		FY 2011 ²		FY 2010 Current Compared to FY 2011 Governor (Adjusted)	
	GAA	Current ¹	Governor (Revised)	Governor (Adjusted)		
Budgeted Appropriations	28,545.1	28,854.6	30,007.4	29,914.1	1,059.5	4%
<i>Line-Item Appropriations</i>	27,386.2	27,613.6	28,279.7	28,086.4	472.7	2%
<i>Transfers and Adjustments*</i>	1,158.9	1,240.9	1,727.8	1,827.8	586.8	47%
Pre-Budget Transfers	3,148.1	3,103.8	2,983.9	2,983.9	(119.9)	-4%
Total Appropriations and Transfers	31,693.2	31,958.4	32,991.3	32,898.0	939.6	3%
BUDGET BY CATEGORY - DETAIL (Numbers in Millions)	FY 2010		FY 2011 ²		FY 2010 Current Compared to FY 2011 Governor (adj.)	
	GAA	Current ¹	Governor (Revised)	Governor (Adjusted)		
Education	6,711.4	6,654.7	6,731.2	6,732.8	78.1	1%
Chapter 70	4,042.0	4,042.0	4,048.3	4,048.3	6.3	0%
Early Education and Care	537.3	520.8	520.8	520.8	0.0	0%
Elementary and Secondary Education	447.8	436.1	436.9	436.9	0.8	0%
Higher Education	1,077.2	1,075.6	1,070.2	1,071.8	(3.8)	0%
School Building	607.1	580.1	655.0	655.0	74.9	13%
Environment and Recreation	199.7	202.5	187.4	185.7	(16.8)	-8%
Agriculture	16.0	16.1	16.1	16.1	(0.0)	0%
Environmental Administration	17.5	16.5	20.6	20.6	4.1	25%
Environmental Protection	65.8	62.7	61.1	59.4	(3.3)	-5%
Fish and Game	17.8	17.4	17.5	17.5	0.1	0%
Parks and Recreation	82.7	89.8	72.2	72.2	(17.7)	-20%
Health Care*	12,658.7	12,772.3	13,875.0	13,755.7	983.4	8%
MassHealth (Medicaid) and Health Reform ³	10,262.7	10,388.3	11,330.9	11,330.9	942.6	9%
Mental Health	644.1	634.0	621.7	621.7	(12.3)	-2%
Public Health	506.1	504.9	491.3	492.3	(12.6)	-2%
State Employee Health Insurance*	1,245.9	1,245.1	1,431.1	1,310.8	65.8	5%
Human Services	3,361.5	3,331.4	3,347.1	3,347.1	15.7	0%
Children and Families	783.8	775.7	760.0	760.0	(15.7)	-2%
Developmental Services	1,260.4	1,252.6	1,268.4	1,268.4	15.8	1%
Elder Services	221.1	219.6	219.5	219.5	(0.0)	0%
Transitional Assistance	767.1	759.4	773.4	773.4	14.1	2%
Other Human Services ⁷	329.2	324.2	325.8	325.8	1.6	0%
Infrastructure, Housing & Economic Development	1,625.4	1,658.5	1,521.5	1,620.5	(38.0)	-2%
Economic Development	32.3	38.7	20.4	20.4	(18.4)	-47%
Housing and Community Development	248.4	297.3	271.4	270.4	(26.9)	-9%
Regulatory Entities	50.6	50.2	48.5	48.5	(1.7)	-3%
Transportation	1,254.0	1,224.1	1,142.2	1,242.2	18.1	1%
Workforce and Labor	40.0	48.2	39.0	39.0	(9.2)	-19%
Law and Public Safety	2,142.0	2,376.5	2,272.1	2,299.1	(77.4)	-3%
Courts and Legal Assistance	607.0	610.4	600.1	600.1	(10.3)	-2%
Law Enforcement	330.1	328.6	336.3	336.3	7.7	2%
Prisons, Probation and Parole	1,026.8	1,239.2	1,158.5	1,185.5	(53.7)	-4%
Prosecutors	132.5	132.6	132.2	132.2	(0.3)	0%
Other Law and Public Safety	45.6	65.8	45.0	45.0	(20.8)	-32%
Local Aid	964.8	964.9	964.7	964.7	(0.2)	0%
General Local Aid	936.4	936.4	936.4	936.4	0.0	0%
Other Local Aid	28.4	28.4	28.2	28.2	(0.2)	-1%
Other	4,029.7	3,997.7	4,092.4	3,992.4	(5.3)	0%
Constitutional Officers	71.4	77.0	75.4	75.4	(1.6)	-2%
Debt Service	2,088.4	2,064.8	2,056.0	1,956.0	(108.8)	-5%
Executive and Legislative	58.9	58.5	58.5	58.5	0.0	0%
Libraries	25.0	24.7	21.1	21.1	(3.5)	-14%
Pensions	1,376.6	1,376.6	1,441.8	1,441.8	65.2	5%
Other Administrative	409.4	396.0	439.5	439.5	43.5	11%
Total Appropriations and Transfers*	31,693.2	31,958.4	32,991.3	32,898.0	939.6	3%

* In order to make an accurate comparison across fiscal years, this total includes an adjustment to account for the increased use of the Group Insurance Commission by municipalities for their employee health benefits.

(Please see footnotes on following page)

BUDGET MONITOR

* In order to make an accurate comparison across fiscal years, this total includes an adjustment to account for the increased use of the Group Insurance Commission by municipalities for their employee health benefits.

NOTES:

1. *The FY 2010 Current total includes funding in the GAA plus any supplementals passed during the year, less October cuts, and funding associated with the American Recovery and Reinvestment Act (ARRA).*
2. *The FY 2011 Governor's budget includes funding associated with the American Recovery and Reinvestment Act (ARRA). The FY 2011 Governor's (adjusted) budget includes adjustments in Education, Environment, Health Care, Infrastructure, and Law and Public Safety and Other to allow for year-to-year comparisons associated with the Governor's proposed reorganizations.*
3. *Includes a variety of state health programs including the elder pharmacy program, costs associated with health care finance, the Health Safety Net, and other costs associated with health reform.*
4. *Includes Veterans Affairs, Commission for the Blind, Mass. Rehabilitation Commission, Commission for the Deaf and Hard of Hearing, Soldiers' Homes, Dept. of Youth Services, and certain programs within the office of the Executive Office of Health and Human Services.*