

# BUDGET MONITOR

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## The FY 2005 Budget: Senate Floor Action and Conference Differences

### Overview

During two days of floor debate the Senate adopted 251 amendments, but few of them made major changes in the bottom line of the budget. This Budget Monitor will describe each of the major amendments adopted.

This Budget Monitor will also examine the areas where the House and Senate differ as the Conference process begins. In many areas the budgets are the same. They allocate the same amounts for each of the major local aid accounts, both increase funding for the special education circuit breaker program by \$80 million, both expand work requirements for parents receiving TAFDC (and allow education and training to count towards those requirements), and both reject the Governor's proposed cuts to Community Health Centers and school health services.

But they also differ in some important respects. Because new MassHealth data shows that enrollment is below expected levels and therefore FY 2005 costs will be less than expected, the Senate was able to reduce the appropriation levels

for several accounts. Having saved money in those accounts, the Senate increases funding for other healthcare programs, including the Children's Medical Security Plan and Healthy Start. Because of the new data showing lower projected baseline FY05 costs for MassHealth, the Senate essentially had extra money to use that the House did not have available. Thus the House would have the option in Conference of accepting the Senate's increased spending on children's healthcare without having to reduce spending elsewhere in their budget.

The House budget provides more funding for K-12 education than is provided by the Senate. This difference is due primarily to a \$24 million higher spending level for reimbursements to school districts that lose students to charter schools. The Senate, however, provides \$7.7 million more than the House for higher education.

There are also similarities and differences in the two branches' proposals to reform state government. The House introduced a proposal to reform the state's system of early

childhood education and to begin a process of creating universal access to these services. The Senate largely embraced this proposal and added limited funding for pilot programs in several communities. In transportation policy, the Senate built on modest reforms in the House budget by proposing major reforms including allowing the Secretary of Transportation to exercise significantly greater authority in coordinating a unified transportation policy for the Commonwealth. The Senate also proposed new “Smart Growth” housing reforms, as well as reforms to the state procurement and pension systems.

One of the amendments approved by the Senate increases a retained revenue account at the Department of Revenue to allow the department to hire additional auditors. These auditors will be able to crack down on illegal tax sheltering activities by major taxpayers. This initiative is expected to increase revenue by \$15 million in FY05 and approximately \$50 million the following year.

The Senate also proposes to consolidate funding for leasing costs for various agencies within the Executive Office of Health and Human Services. This proposal, submitted during floor debate, establishes a new line-item for this purpose and reduces corresponding appropriations to each agency impacted by this consolidation. The House budget

did not include this funding consolidation.<sup>1</sup>

The major differences are described in the pages that follow, and the chart on the final page gives overall comparisons for each area of state government.

## Healthcare

### ***MassHealth Programs***

MassHealth is the state program which provides healthcare coverage and services to low-income and disabled residents of the Commonwealth, as well as nursing home care and other health services not provided by Medicare to low-income seniors. The FY05 figure below reflects spending totals from the final Senate budget.

<b>FY 2004</b>	<b>\$6,197,025,027</b>
<b>FY 2005</b>	<b><u>\$6,626,999,924</u></b>
<b>Increase (decrease)</b>	<b>\$ 429,175,402<sup>2</sup></b>
<b>Percentage Change</b>	<b>6.9 %</b>

In its budget, the Senate calls for a lower level of Medicaid spending than the House because of revised enrollment estimates (enrollment is 50,000 individuals below expected levels). Unlike the House, the Senate fully funds MassHealth Essential – the state’s health insurance program for the long-term unemployed – at \$160 million; the House proposed \$110 million. The Senate’s

<sup>1</sup> This Budget Monitor leaves these leasing costs at the individual agencies, as moving the costs to a separate item would distort comparisons to prior years and to other budget proposals for FY05.

<sup>2</sup> While the total increase in spending called for in the Senate budget is \$392 million, \$95 million of that can be accounted for by an increase in retained revenue projected for FY05.

appropriation would support a MassHealth Essential enrollment of 36,000 individuals, whereas the House budget would only support 25,000. Unlike the House, the Senate restores benefits to 2,800 elderly and disabled immigrants whose coverage will be terminated in September unless the legislature takes action.

In an important step to restoring health coverage to uninsured children in the Commonwealth, the Senate budget fully funds both the Children's Medical Security Plan (CMSP) and the Healthy Start pre-natal program. Both of these programs have accrued substantial waitlists because of under-funding in FY04. Healthy Start would be supported at \$14.2 million, \$3.6 million more than the House. CMSP would receive \$21.4 million, \$7.5 million more than the final House proposal. The Senate also increases eligibility for the MassHealth HIV and MassHealth family planning programs to those who live at or below 200 percent of poverty. This is a reversal of policy changes adopted in FY04 that reduced eligibility to 133 percent of poverty – in the HIV/AIDS line item alone, this tightening of benefits led to a more than 50 percent reduction in use of services.

Both the House and the Senate would increase funding for the senior pharmacy Prescription Advantage program by \$13.7 million, which would allow it to serve more seniors by re-opening enrollment. The Senate also allocates an additional \$9 million to a separate Prescription Advantage account to reduce the co-payments of seniors living

below 188 percent of poverty. Full funding for Mass Health breast and cervical cancer coverage is maintained. Like the House, the Senate rejects the Governor's proposal to implement enrollment caps for those with HIV/AIDS, people with disabilities, and working adults.

### ***Off-Budget Healthcare Spending***

Two significant Medicaid-related items are funded such that they are not counted as traditional appropriations, the nursing home assessment and the Uncompensated Care Pool. The nursing home assessment remains unchanged in both the House and Senate budgets. The care pool, which funds the healthcare services that hospitals and community health centers provide to uninsured patients, is supported through a combination of state and federal funding and assessments on hospitals and insurance companies. The state appropriates money into the Uncompensated Care Pool and receives reimbursements from the federal government for spending by the fund. The Senate budget appropriates \$368 million into the pool this year, \$50 million of this total comes from an FY04 surplus in the MassHealth Essential account. The House provides \$235 million in funding for the pool. The Senate plan appears to generate \$30 million more federal financial participation (FFP) than the House proposal, thus reducing the net state cost.

## **Public Health**

In the Governor's FY05 budget, state support for the Department of Public Health (DPH) fell for the fourth year in a row. Between FY01 and FY04, the department's funding was reduced by over \$133 million, a 26.6 percent decrease (30.9 percent in inflation-adjusted terms). Both the House and Senate proposals, however, would halt that trend. The Senate budget calls for an increase in DPH funding of \$12.1 million in FY05, \$4.5 million more than the House final total. If approved, however, this budget still would appropriate 6.4 percent less than FY03 funding levels.

<b>FY 2004</b>	<b>\$373,796,136</b>
<b>FY 2005</b>	<b><u>\$385,863,501</u></b>
<b>Increase (decrease)</b>	<b>\$ 12,067,365</b>
<b>Percentage Change</b>	<b>3.2%</b>

Like the House budget, the Senate budget rejects the Governor's proposal to eliminate Department of Public Health funding for Community Health Centers, appropriating \$6.9 million. It also matches the final House appropriation of \$14.1 million for school health services, indicating an increase of \$1.5 million over FY04.

The Senate budget calls for a sizable increase in the immunizations line-item (from \$19.2 million to \$25 million). Of this \$5.8 million increase, \$1.6 million is necessary to cover increases in the cost of the immunizations the department offered in FY04. According to the Massachusetts Public Health

Association, the rest of the increase will be enough to restore funding for the adult Hepatitis A, Hepatitis B and Pneumococcal vaccines, which had been cut in FY04. The House did not fully fund this item, leaving the total at \$20.7 million.

The Senate also proposes the partial restoration of the Hepatitis C line-item, appropriating \$562,876. In FY04, this program had been deeply reduced and transferred to the AIDS Bureau. The House did not include this change in its budget. The division of Family Health Services would see a sizeable increase from \$4.8 million in FY04 to \$7.0 million in the Senate budget. Senate Ways and Means had proposed \$6.8 million; this amount was increased by \$250,000 during Senate floor action. The House proposed spending \$6.3 million in FY05. Even if the Senate increase were adopted, this item would still be far below its FY03 appropriation of \$11.3 million.

Similar to the final House budget, substance abuse treatment programs would experience a notable increase of \$2.4 million, or 7.2 percent, from \$33.8 million to \$36.2 million. Smoking cessation would increase from \$2.5 million in FY04 to \$3.75 million in both budgets. This amount is \$46.8 million below the \$50.5 million appropriated in FY01. At a time when illegal sales to minors have increased dramatically in communities which have cut their tobacco control and education programs, cuts could have lasting effects on our healthcare system for years to come, as

most regular smokers begin in adolescence.<sup>3</sup>

In the Senate budget, the HIV/AIDS line-item is essentially level-funded at \$31.5 million. Although this total is roughly \$500,000 less than was appropriated in FY04, this difference can be accounted for in the transfer of the Hepatitis C program to its own line-item. By contrast, the House would have cut funding for the HIV/AIDS Bureau by \$1.7 million. In both the House and Senate budgets, prostate cancer prevention and treatment remains at \$1 million. Suicide prevention funding would increase to \$250,000 from \$125,000 in FY04 (the House proposed cutting this program). The Senate budget level-funds teen pregnancy at \$990,000. The final House budget would have allocated \$825,000, although much of that money was earmarked to a handful of programs.

**Education: Chapter 70 and Grants**

In the Governor’s FY05 budget, funding for Chapter 70 Aid and the Department of Education’s grants programs increased by \$112.8 million, or 3.2 percent. The House proposal would increase this funding in these areas by \$201.3 million, or 5.7 percent. The Senate proposal calls for an increase of \$179.7 million, or 5.1 percent. However, even this level of

funding remains \$68 million (1.8 percent) below original FY03 levels.

**Total Education Spending<sup>4</sup>**

<b>FY 2004</b>	<b>\$3,501,934,249</b>
<b>FY 2005</b>	<b><u>\$3,681,575,729</u></b>

<b>Increase (decrease)</b>	<b>\$ 179,641,480</b>
<b>Percentage Change</b>	<b>5.1%</b>

***Chapter 70 Aid***

<b>FY 2004</b>	<b>\$3,111,124,259</b>
<b>FY 2005</b>	<b><u>\$3,186,162,654</u></b>

<b>Increase (decrease)</b>	<b>\$ 75,038,395</b>
<b>Percentage Change</b>	<b>2.4%</b>

Chapter 70 Aid is the unrestricted local aid that serves as the largest single transfer of revenue from the state to municipalities for the funding of public education. The Senate budget calls for an increase in Chapter 70 Aid of \$75 million – \$5.4 million more than the Governor proposed and 2.4 percent higher than in FY04. This level of support, which is the same proposed by the House, would leave Chapter 70 funding 2.2 percent below what it was in FY03.

<sup>3</sup> Tobacco Free Mass reports that since the state tobacco program was cut in 2002, communities that have experienced a large reduction in their tobacco control funding have seen an average 74 percent increase in the illegal sales of tobacco products to minors.

<sup>4</sup> The numbers in this section do not include appropriations or debt service for the School Building Assistance program. Figures for grants and reimbursements include support for the Office of Educational Quality.

## **Grants and Reimbursements**

<b>FY 2004</b>	<b>\$390,809,990</b>
<b>FY 2005</b>	<b><u>\$495,413,075</u></b>
<b>Increase (decrease)</b>	<b>\$104,603,085</b>
<b>Percentage Change</b>	<b>26.8%</b>

In the final Senate budget, state spending on Department of Education administered K-12 grants programs is \$105 million higher than in FY04. The Senate allocates \$61 million more to these items than the Governor, though their total is \$19 million below that of the House.

The final Senate budget matches the House's \$2 million increase in the METCO program, from \$13.6 million in FY04 to \$15.6 million in FY05. It also accepts an \$80 million increase in funding for the special education circuit-breaker program, from \$121 million to \$201 million. Also similar to the House, the Senate does not restore most of the cuts made in FY04 to the following:

- MCAS remediation programs (\$14 million in FY05 compared with \$50 million in FY03);
- Class size reduction for lower grades (funding was \$18 million in FY03 before the program was eliminated);
- Early literacy programs (funding fell by almost 80 percent, from \$18.3 million to \$3.9 million, in FY04 and would only increase by \$100,000 in this budget);
- Non-regional school transportation (funded at \$51.8 million in FY03, but not supported in FY04 or in this budget).

The Senate rejects the House's proposal to increase reimbursements to traditional public school districts that lose students to charter schools. This item is left at \$13 million, \$24.7 million less than the \$37.7 million proposed by the House. Although this item was unfunded in the FY03 budget, it had been \$32.8 million in FY02 and \$37.8 million in FY01; the Department of Education estimates that fully funding this program in FY05 would cost upwards of \$50 million. The Senate joined the House in passing a charter school moratorium. Like the House, the Senate would reject the Governor's proposed "Legacy of Learning" initiative, which included several targeted educational grant programs. The final Senate budget includes \$99,999 in support for gifted and talented programs, which is also in the House proposal.

The day before its budget release, the Senate announced its early childhood education and care plan. The House had also released a similar early education plan last month. The goal of this initiative is to ensure universal accessibility to pre-school for the Commonwealth's 3-5 year olds. The Senate proposal adopts many features of the House plan, while changing the number of board members and adding a pilot program initiative in the 2004-2005 school year. The pilot program initiative has a budget of \$200,000 to set up eight early education programs to test the feasibility of the new system in communities around the state. In total, the Senate proposes an appropriation of \$600,000 to support this initiative.

## Higher Education

State spending on higher education includes operations support for the University of Massachusetts and the state and community college systems. Higher education funding also includes student financial aid and scholarship programs. The budget for higher education fell by 19 percent from FY01-FY04.

<b>FY 2004</b>	<b>\$862,437,905</b>
<b>FY 2005</b>	<b><u>\$902,194,579</u></b>
<b>Increase (decrease)</b>	<b>\$ 39,756,674</b>
<b>Percentage Change</b>	<b>4.6%</b>

The Senate budget would increase higher education funding above both the Governor's proposal and the House final budget. The total funding allocated to higher education in this budget is \$902.2 million, \$7.7 million more than the final House proposal. When existing contracts with employees are included in the campus totals, the Senate plan would increase funding this year for state colleges by 3.1 percent, while support for community colleges would rise by 1.5 percent, and the budget for the University of Massachusetts would go up by 7.3 percent over FY04. The House proposal would have increased the budget for state colleges by 2.5 percent, community colleges by 1.5 percent, and UMass by 6.1 percent over FY04.

This budget essentially level-funds financial aid for students at the University of Massachusetts and at state and community colleges. The House would have reduced support by 4 percent, or \$3.2 million below FY04

funding levels. Funding for library reference materials, eliminated in FY04, is not restored. Tuition and fees have risen substantially over the past few years, while financial aid has remained static. This has led to an increase in the costs borne by students in the higher education system.

## Cash Assistance

The final Senate budget maintains the level of funding proposed by the Senate Ways and Means Committee for cash assistance programs. The Senate budget does, however, differ from the House budget in proposed funding for Temporary Assistance for Families with Dependent Children (TAFDC), Emergency Aid for the Elderly, Disabled, and Children (EAEDC), and Employment Services (ESP).

<b>FY 2004</b>	<b>\$595,927,196</b>
<b>FY 2005</b>	<b><u>\$601,266,193</u></b>
<b>Increase (decrease)</b>	<b>\$ 5,338,997</b>
<b>Percentage Change</b>	<b>0.9%</b>

Both the Senate and House rejected the Governor's proposal to restrict TAFDC benefits for disabled individuals who do not meet federal SSI disability criteria. These restrictions would impose time limits, work requirements, and reduce the monthly grant amount for many disabled low-income individuals. Although the Senate and House would maintain current benefits, the proposed funding levels differ by nearly \$3.0 million. The final Senate budget proposes to fund TAFDC at \$319.6

million, while the House proposed \$316.6 million.

The Senate also rejected proposals by the Governor and House to eliminate benefits for certain individuals receiving EAEDC, and proposed to maintain the current benefits level. The House proposed to eliminate automatic coverage for clients of the Massachusetts Rehabilitation Commission; the House also proposed to eliminate benefits for many disabled individuals who would not meet the disability criteria for the federal SSI standard. Due to these changes, the House budget proposed \$63.2 million for FY05, which is \$6.0 million less than the current appropriation. The Senate does not adopt these restrictions and proposes \$70.1 million, \$6.8 million more than the House.

The Employment Services Program, which provides job search assistance to current and former TAFDC recipients, is funded at \$23.2 million in the Senate budget. The House proposed to level-fund these services at roughly \$17 million.<sup>5</sup>

**Office of Child Care Services**

Overall, the Senate proposes to level-fund the Office of Child Care Services at \$366.6 million.

<b>FY 2004</b>	<b>\$365,783,476</b>
<b>FY 2005</b>	<b><u>\$366,591,594</u></b>

<b>Increase (decrease)</b>	<b>\$ 808,118</b>
<b>Percentage Change</b>	<b>0.2%</b>

The Senate budget proposes \$277.5 million for the account that funds subsidized child care for low-income families, a \$4.5 million reduction from FY04. The House budget proposed a smaller reduction (\$3.0 million) by funding subsidized child care at \$278.9 million.

The Senate proposed to level-fund Child Care Resource and Referral agencies (CCR&Rs). Under the Senate budget CCR&Rs would receive \$10.0 million. The House proposed to cut funding to \$8.5 million, which is \$1.5 million less than FY04.

Child care for working foster parents is also level-funded at \$48.3 million in the Senate budget. The House proposed to increase funding to \$49.3 million.

**Social Services**

The Senate budget proposes a small increase for social services. Funding would increase by \$20.3 million or 3.0 percent.

<b>FY 2004</b>	<b>\$685,571,761</b>
<b>FY 2005</b>	<b><u>\$705,919,088</u></b>

<b>Increase (decrease)</b>	<b>\$ 20,347,327</b>
<b>Percentage Change</b>	<b>3.0%</b>

<sup>5</sup> In FY04, funding for ESP totaled \$16.9 million dollars after accounting for federal Reed Act funding. The totals proposed for FY05 include \$3.0 million dollars in reimbursements for food stamps recipients.

Currently funded at \$249.1 million, the Senate would increase funding for group services for families and children to \$261.8 million, a \$12.6 million increase. The House proposes a smaller increase of \$9.4 million.

The House and Senate also propose to increase funding for services that assist survivors of domestic violence, though the increase proposed by the House is greater than that of the Senate. The House proposes \$20.3 million for shelters and services, which is \$1.1 million more than FY04. The Senate proposes to increase funding by nearly \$58,000.

The Senate adopted the Governor’s \$1.0 million proposal to provide cell phones to DSS social workers. This initiative was not included in the House budget.

**Department of Mental Health**

Funding for the Department of Mental Health would be reduced slightly under the Senate’s budget proposal. The FY05 budget for DMH is \$2.6 million less than FY04.

<b>FY 2004</b>	<b>\$592,826,152</b>
<b>FY 2005</b>	<b><u>\$590,179,441</u></b>
<b>Increase (decrease)</b>	<b>(\$ 2,646,711)</b>
<b>Percentage Change</b>	<b>-0.4%</b>

The House and Senate propose to reduce funding for adult inpatient facilities for mentally ill individuals, but the Senate’s proposed reduction is greater than the House’s. The Senate’s \$7.4 million

reduction would cut funding from \$156.8 million to \$149.3 million. The House proposed to reduce funding to \$151.9 million, \$4.8 million less than current appropriations.

The Senate also proposes to reduce funding for emergency and acute mental health services. Currently funded at \$31.1 million, the Senate proposed to reduce funding to about \$30.0 million. The House proposed to increase funding to \$31.5 million.

Funding for adult mental health support services totals \$273.7 million in the Senate’s proposal, a \$2.1 million increase compared to FY04. The House proposes to fund these services at \$272.1 million, which is \$1.6 million less than the Senate proposal.

The Senate also proposes to increase funding for children and adolescent services by \$2.5 million. The Senate budget proposes \$68.3 million compared to the current appropriation of \$65.7 million. The House budget would essentially level-fund this account at \$66.1 million.

**Department of Mental Retardation**

During floor debate, the Senate adopted an amendment which would level-fund operating costs for inpatient facilities for mentally retarded individuals. Overall, funding for the Department of Mental Retardation would increase by \$48.3 million or 4.8 percent.

<b>FY 2004</b>	<b>\$1,014,330,235</b>
<b>FY 2005</b>	<b><u>\$1,062,647,473</u></b>
<b>Increase (decrease)</b>	<b>\$ 48,317,238</b>
<b>Percentage Change</b>	<b>4.8%</b>

The Senate budget proposes to increase funding for respite services for mentally retarded individuals and their families. Under this budget, funding would rise from \$46.8 million to \$48.8 million. The House budget proposed to level-fund these services.

The Boulet Settlement, which requires the Department of Mental Retardation to provide interim services for individuals on the waitlist for residential placements, is funded at \$70.0 million in the Senate budget. This amount meets the funding requirement for FY05. The House proposed to fund these services at \$60.0 million.

### **Elder Affairs**

Funding for Elder Affairs is held constant in the Senate budget. The Senate and House differ in the amounts appropriated to elder protective services and to a homelessness prevention program for elders.

<b>FY 2004</b>	<b>\$191,182,677</b>
<b>FY 2005</b>	<b><u>\$194,639,194</u></b>
<b>Increase (decrease)</b>	<b>\$ 3,456,517</b>
<b>Percentage Change</b>	<b>1.8%</b>

The Senate proposes to level-fund elder protective services at \$9.6 million. These services enable the state to investigate and to intervene on behalf of

elders being neglected, abused, or financially exploited. The House proposed to increase funding by \$900,000.

### **Other Human Services**

Under the Senate budget, funding for other human services **would increase by \$42.8 million or 9.0 percent.**

<b>FY 2004</b>	<b>\$476,664,379</b>
<b>FY 2005</b>	<b><u>\$519,460,817</u></b>
<b>Increase (decrease)</b>	<b>\$ 42,796,438</b>
<b>Percentage Change</b>	<b>9.0%</b>

The Senate increased funding for the Targeted Cities Program. This program, which aims to reduce high juvenile delinquency, teen pregnancy, and high school dropout rates, was eliminated from the FY04 budget. The Senate Ways and Means budget proposed \$1.1 million for FY05, and the final Senate budget proposes \$1.6 million. This amount is slightly lower than the House's proposal of \$1.7 million.

The Senate adopts the House's proposal to provide financial assistance to families at risk of homelessness. The new program, Rental Assistance for Families in Transition (RAFT), would provide up to \$3,000 to help families pay for utilities, security deposits, rent, or moving expenses. The House proposed \$2.0 million for this program to be administered by the Department of Housing and Community Development. The Senate, on the other hand, proposes \$4.0 million and also stipulates that the

program be administered by the Department of Housing and Community Development, yet the funding is earmarked in Department of Transitional Assistance's family shelter account.

**Environmental Affairs**

During floor debate, the Senate voted to add \$1.4 million in funding to the Department of Conservation and Recreation. Overall, funding for the Executive Office of Environmental Affairs is stable.

<b>FY 2004</b>	<b>\$183,319,839</b>
<b>FY 2005</b>	<b><u>\$186,752,332</u></b>
<b>Increase (decrease)</b>	<b>\$ 3,432,493</b>
<b>Percentage Change</b>	<b>1.9%</b>

The Senate proposes to level-fund recycling grants to municipalities at \$3.5 million. The House proposed to cut this funding by nearly \$1.0 million. The Senate budget also level-funds enforcement of the Clean Air Act. The Senate proposes to appropriate \$2.9 million. The House proposes \$2.6 million, roughly \$290,000 less than FY04.

Both the Senate and House budgets propose to reduce funding for the Department of Environmental Protection's operations. The Senate proposes to cut funding for DEP's operations from \$28.1 million to \$25.6 million, a \$2.5 million reduction. The House proposed to cut funding to \$26.6 million, which is a smaller reduction

(\$1.6 million) than that proposed by the Senate.

**Transportation**

The Senate budget proposes to restructure transportation agencies within a newly formed Executive Office Transportation. The budget assumes that these changes will lead to administrative efficiencies.

<b>FY 2004</b>	<b>\$139,892,844</b>
<b>FY 2005</b>	<b><u>\$ 92,454,228</u></b>
<b>Increase (decrease)</b>	<b>(\$47,438,616)</b>
<b>Percentage Change</b>	<b>-33.9%</b>

The Senate's proposal to restructure transportation agencies is not included in the House budget. This major difference will be resolved by the Conference Committee.

The Senate budget also appears to underfund snow and ice removal appropriating just \$15.0 million. Fiscal year 2004 appropriations total \$50.0 million, which includes \$35.0 million in supplemental funding. The amount appropriated by the House (\$20.0 million) also would likely underfund snow and ice removal.

**Housing**

Including a transfer of \$2.0 million from the General Fund to the Affordable Housing Trust Fund, the Senate budget for the Department of Housing and

Community Development would increase by \$9.3 million or 14 percent.

<b>FY 2004</b>	<b>\$66,660,641</b>
<b>FY 2005</b>	<b><u>\$76,003,352</u></b>
<b>Increase (decrease)</b>	<b>\$ 9,342,711</b>
<b>Percentage Change</b>	<b>14.0%</b>

Both the Senate and the House would increase funding for community-based housing services, which are currently funded at \$421,925. The House proposed to increase funding to \$952,925; the Senate proposes a smaller increase, which would provide \$821,925 for these services.

### **Public Safety**

The Senate proposes to increase funding for public safety by \$24.0 million or approximately 2 percent.

<b>FY 2004</b>	<b>\$1,263,636,855</b>
<b>FY 2005</b>	<b><u>\$1,286,470,387</u></b>
<b>Increase (decrease)</b>	<b>\$ 24,033,170</b>
<b>Percentage Change</b>	<b>1.9%</b>

During debate, the Senate increased funding for a few corrections' facilities and for the Criminal Justice Training Council, which provides training and technical assistance to police personnel. Overall, the Senate added \$1.2 million to the budget for public safety.

The Senate adopted the Governor's proposal to fund two new State Police classes. This \$11.0 million initiative was not included in the House budget. The

Senate is also aligned with the Governor in increasing funding for the Chief Medical Examiner. Currently funded at \$3.7 million, both budgets propose to increase funding to \$5.8 million. The House enacted a smaller increase in funding; that budget appropriated \$4.6 million.

The Senate demonstrates an increased commitment to forensic services by establishing an Undersecretary of Public Safety and Forensic Services as well as a Forensic Sciences Advisory Board. The Senate budget further appropriates \$2.6 million for mental health forensic services. The House budget does not include these proposals.

### **Judiciary**

The Senate proposes to fund the Judiciary at \$574.8 million, \$21.7 million or 3.6 percent less than FY04.

<b>FY 2004</b>	<b>\$596,510,619</b>
<b>FY 2005</b>	<b><u>\$574,775,313</u></b>
<b>Increase (decrease)</b>	<b>(\$21,735,306)</b>
<b>Percentage Change</b>	<b>-3.6%</b>

The Senate and House budgets appear to underfund counsel pay, which compensates private attorneys assigned to criminal and civil cases. The current appropriation is \$82.5 million, which includes \$16.0 million in supplemental funding passed earlier this year. The Senate budget proposes to appropriate \$67.4 million, and the House budget proposed \$72.1 million.

The Senate also proposes to consolidate funding for court operations. Proposed consolidations involve merging operations funding for: Superior, District, Family, Probate, and Juvenile courts. The House budget did not include these funding consolidations, which will have to be resolved by the Conference Committee.

### **Revenue Proposals**

With regard to revenue, the similarities between the final House and Senate budgets are far greater than their differences. In particular, both budgets draw significant amounts of revenue from sources that are either impermanent or were once slated for other uses, although as noted below, the Senate goes slightly beyond the House in this respect. More specifically, both transfer \$340 million from the Commonwealth Stabilization Fund and \$270 million from the Federal Medicaid Assistance Percentage (FMAP) Escrow Fund into the General Fund. They also transfer, into the General Fund, \$24 million in balances currently held in the Debt Defeasance and Renewable Energy Trust Funds, as well as \$4 million from the Massachusetts Housing Finance Agency. Likewise both budgets use approximately \$168 million in funds the Commonwealth is scheduled to receive as part of the master tobacco settlement agreement to support spending in FY 2005; under current law, that sum would have been deposited in the Health Care Security Trust Fund.

Both budgets do, however, rely on at least one significant source of recurring revenue: legislation introduced by Governor Romney in January to close roughly \$70 million worth of tax loopholes. The House approved that legislation on May 18 and the Senate is expected to act on it shortly.

There are differences, of course. Of note, the Senate budget appears to generate approximately \$130 million more in revenue in FY05 than the House version. That sum is attributable to four key disparities:

- The Senate budget uses, in FY05, the \$50 million surplus that currently exists in MassHealth Essential accounts.
- The Senate budget generates, through higher Uncompensated Care Pool spending, \$30 million more in federal financial participation than the House version.
- The Senate Ways and Means budget assumed that the continuation of enhanced auditing efforts at the Department of Revenue, initiated last year, would bring in an additional \$50.5 million in FY05. The same assumption was not found in the final House budget, as that budget reduced funding for the Department of Revenue's administrative accounts by roughly \$3 million. The final version of the budget adopted by the Senate would add an additional \$5 million for these purposes and, thus, would likely yield another \$15 million in FY05.

- The Senate version of the FY 2005 budget would create two new tax breaks and expand an existing one. No corresponding changes are included in the version of the budget passed by the House. First, the Senate budget would permit taxpayers to deduct any commuting expenses in excess of \$150 (up to a maximum deduction of \$750) from their incomes in determining the taxes they owe; commuting expenses would include all MBTA bus, subway, and commuter rail passes as well as tolls paid for through a FastLane account. This deduction would only be available in 2004 and is expected to reduce revenue in FY05 by \$6.5 million. Second, the Senate budget would allow all vendors collecting sales taxes to retain 2 percent of those taxes or \$750 (whichever is lower). Thus, any vendor making taxable sales in excess of \$750,000 per year would receive the maximum rebate of \$750. It is expected that this provision would result in a FY05 revenue loss of \$7.5 million. Third, the Senate budget, as adopted, would double – from \$500 to \$1,000 – a property tax exemption available to low-income seniors; this change would not reduce the amount of tax revenue the state would collect, but would obligate the Commonwealth to compensate cities and towns for their additional revenue losses, which, reportedly, could reach a total of \$1 million.

Among the remaining difference, the Senate budget would change current law so that annual tobacco settlements could

be used, in their entirety, to support current spending each and every year into the future; while the House budget would use the full tobacco settlement payment in FY05, and larger than currently permitted portions of it in FY 2006 and FY 2007, it would return to current law concerning its use in FY 2008. On the other hand, the House, for FY05 through FY07, would use a larger portion of the annual investment earnings of the Health Care Security Trust Fund for current expenditures than is presently the case; the Senate budget would not make any change to current law regarding those investment earnings.

Finally, the Senate budget would begin to phase-out the existing cap on the distribution of lottery revenue to cities and towns in FY 2006, completing that process by FY 2011. In contrast, the House would initiate a similar phase-out, but not until FY 2008 and would not finish the task until FY 2012.

## SPENDING BY PROGRAM AREA

PROGRAM	FY04 - Current	House 1	House	SWM	Senate	Senate vs. SWM	Senate vs. House	Senate vs. H1
Debt Service	1,609,915,318	1,785,535,468	1,753,766,468	1,753,766,468	1,753,766,468	0	0	-31,769,000
Pensions <sup>1</sup>	704,625,766	1,234,226,766	1,217,436,000	1,217,436,000	1,217,436,000	0	0	-16,790,766
MassHealth/Medicaid <sup>2</sup>	6,427,625,027	6,860,407,167	6,885,030,872	6,952,399,052	6,956,999,052	4,600,000	71,968,180	96,591,885
Cash Asst.	595,927,196	584,007,566	591,474,385	601,266,193	601,266,193	0	9,791,808	17,258,627
Group Insurance	811,131,373	839,159,672	830,745,587	830,885,587	830,885,587	0	140,000	-8,274,085
K-12 Educ (non Ch 70)	390,809,990	434,031,829	514,469,020	495,443,076	495,413,075	-30,001	-19,055,945	61,381,246
School Building Debt Asst <sup>3</sup>	405,150,327	251,019,076	418,019,076	418,019,076	418,019,076	0	0	167,000,000
Local Education Aid (Ch. 70)	3,111,124,259	3,180,748,022	3,186,162,654	3,186,162,654	3,186,162,654	0	0	5,414,632
Unrestricted Local Aid	390,267,936	390,267,936	392,267,936	394,767,936	394,767,936	0	2,500,000	4,500,000
Lottery Aid	661,378,162	661,378,162	661,378,162	661,378,162	661,378,162	0	0	0
Higher Education <sup>4</sup>	862,437,905	893,434,007	894,534,961	902,018,621	902,194,579	175,958	7,659,618	8,760,572
Child Care Services	365,783,476	357,999,293	367,233,518	366,591,594	366,591,594	0	-641,924	8,592,301
Public Health (DPH)	373,796,136	337,881,129	381,402,905	385,613,501	385,863,501	250,000	4,460,596	47,982,372
Social Services (DSS)	685,571,761	702,397,410	700,043,189	704,119,088	705,919,088	1,800,000	5,875,899	3,521,678
Mental Health (DMH)	592,826,152	587,653,558	587,123,295	590,179,441	590,179,441	0	3,056,146	2,525,883
Mental Retardation (DMR)	1,014,330,235	1,044,318,458	1,051,473,604	1,062,647,473	1,062,647,473	0	11,173,869	18,329,015
Elder Affairs	191,182,677	191,250,572	195,406,671	194,639,194	194,639,194	0	-767,477	3,388,622
Senior Pharmacy Program	96,372,765	96,372,765	110,000,000	119,000,000	119,000,000	0	9,000,000	22,627,235
Other Health & Human Services	476,664,379	497,884,299	507,117,273	518,985,817	519,460,817	475,000	12,343,544	21,576,518
Environmental Affairs <sup>5</sup>	183,319,839	190,617,196	182,972,244	185,347,571	186,752,332	1,404,761	3,780,088	-3,864,864
Transportation <sup>6</sup>	139,892,844	128,180,676	98,454,228	92,454,228	92,454,228	0	-6,000,000	-35,726,448
Housing & Community Dev. <sup>7</sup>	66,660,641	69,951,248	76,183,151	76,003,352	76,003,352	0	-179,799	6,052,104
Judiciary	596,510,619	585,552,589	580,925,500	574,775,313	574,775,313	0	-6,150,187	-10,777,276
Exec. Office of Public Safety	1,263,636,855	1,251,139,203	1,258,595,175	1,286,470,387	1,287,640,025	1,169,638	29,044,850	36,500,822
Economic Dev	106,003,767	112,441,198	115,103,983	117,233,776	119,989,641	2,755,865	4,885,658	7,548,443
District Attorneys	76,857,589	76,777,126	76,073,470	78,984,558	78,984,558	0	2,911,088	2,207,432
Attorney General	33,478,910	36,091,482	35,933,616	35,852,310	35,852,310	0	-81,306	-239,172
Libraries	25,500,525	25,158,714	27,020,644	25,750,525	25,750,525	0	-1,270,119	591,811
Other administrative	699,388,540	701,996,567	668,354,882	674,366,653	679,833,289	5,466,636	11,478,407	-22,163,278
<b>Total</b>	<b>22,958,170,969</b>	<b>24,107,879,154</b>	<b>24,364,702,469</b>	<b>24,502,557,606</b>	<b>24,520,625,463</b>	<b>18,067,857<sup>8</sup></b>	<b>155,922,994</b>	<b>412,746,309</b>

**Notes:**

- (1) Off-budget pension funding in FY04 is \$687.3 million; the House 1, House, and Senate budgets propose \$1.216 billion.
- (2) While Senate appropriations are \$73.0 million higher than the House, this budget uses \$80.0 million in revenue not used by the House for FY05 expenditures. This includes \$30.0 million in additional federal reimbursement and a \$50.0 million surplus in the FY04 MassHealth Essential account. The House 1, House, and Senate MassHealth/Medicaid numbers include Uncompensated Care Pool allocations of \$156.0 million, \$235.0 million, and \$368.0 million respectively. The Governor proposed to transfer \$9.24 million from Medicaid to Elder Affairs. These figures do not include this transfer to facilitate year to year comparisons. The FY04 MassHealth/Medicaid total includes \$160.0 million in additional retained revenue as well as \$230.0 million for the Uncompensated Care Pool.
- (3) The House and Senate budgets propose to reduce available revenue by \$418 million to cover the costs of School Building Assistance.
- (4) The higher education totals include \$30.6 million tuition revenue retained by the campuses.
- (5) The Senate proposes to transfer \$8.2 million off-budget, which is included in this total to enable comparisons to FY04 as well as to FY05 budget proposals.
- (6) Transportation figures for House 1 do not include the \$274.9 million that would be brought on budget as a result of the proposed Turnpike merger.
- (7) The Senate proposes to transfer \$2.0 million from the General Fund to the Affordable Housing Trust Fund. This amount is included in the total above.
- (8) Of this total, \$5 million is for a retained revenue account to hire additional auditors for the Department of Revenue. This initiative would curb illegal tax sheltering, and would likely yield \$15 million in additional revenue for FY05.

*To facilitate comparisons to prior years and other budget proposals for FY05, this analysis does not deduct leasing costs for each affected EOHHS agency as is included in the Senate's proposal to consolidate funding for these purposes.*

*Comparisons to Fiscal Year 2004 can be found in previous Budget Monitors*