

BUDGET MONITOR

The Governor’s FY 2006 Veto Message

Overview

On June 30th Governor Romney signed the fiscal year 2006 budget and issued his line item vetoes. The amount vetoed – \$110 million – was less than one half of one percent of the total budget. While many of the vetoes will have real effects on individual’s lives – by reducing resources to fight homelessness, denying dental benefits to women with young children, and eliminating funding for small raises for low-income human service workers – overall the Governor did not recommend deep cuts beyond those already implemented over the past five years.

This limited use of the veto pen likely reflects the austerity of the Legislature’s budget. There are very few places that could be cut without risking lasting damage to the people and the economy of Massachusetts. Adjusted for inflation, the higher education funding level in this budget is 22 percent lower than it was in 2001. Public health is 26 percent below 2001. Funding for environmental affairs is 24 percent below its level in 2001. Even though per pupil state support for K-12 education was cut more in Massachusetts than in any other state between 2002 and

2004, this budget barely begins to restore that funding.

This *Budget Monitor* describes the vetoes that the Governor did impose and explains other changes he recommended to the Legislature. In each section below, the 2006

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spending numbers provided are the spending levels after accounting for vetoes, if any.

This *Budget Monitor* focuses on vetoes; for more information about the overall budget by issue area, please refer to our *Budget Monitor* on the Conference Committee Budget, available on the MBPC homepage www.massbudget.org or by clicking on the following link: [FY 2006 Conference Budget](#).

Local Aid

The Governor approved the \$1.159 billion included in the Conference Committee's budget for unrestricted local aid.

FY 2005	\$1,131,646,098
FY 2006 Post-Vetoes	\$1,159,746,098
Increase (decrease)	\$ 28,100,000
Percentage Change	2.5%

K-12 Education

Overall, funding for K-12 education totals \$3.771 billion in FY 2006. The Governor maintained the Conference Committee's level of funding for Chapter 70 Aid, but vetoed several items funded through the Department of Education.

Total K-12 Education Spending

FY 2005	\$3,646,485,481
FY 2006 Post-Vetoes	\$3,775,789,300
Increase (decrease)	\$ 129,303,819
Percentage Change	3.5%

Note: 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, and deduct the amounts which would be transferred to the Department of Early Education and Care under the proposed budget.

Chapter 70 Aid

The Governor approved the Conference Committee's \$3.229 billion appropriation for Chapter 70 Aid.

FY 2005	\$ 3,183,282,601
FY 2006 Post-Vetoes	\$ 3,228,931,062
Increase (decrease)	\$ 105,648,461
Percentage Change	3.3%

Grants and Reimbursements

FY 2005	\$463,202,880
FY 2006 Post-Vetoes	\$481,806,729
Increase (decrease)	\$ 18,606,849
Percentage Change	4.0%

The budget signed by the Governor provides \$481.8 million for the Department of Education's grants and reimbursement programs or \$5.1 million less than the budget approved by the Legislature. The Governor's vetoes include:

- A \$4.4 million reduction in the foundation budget reserve, a pool of money used to help school districts meet their local contribution toward the foundation budget and assist with other local education needs.
- Nearly \$607,000 deducted from the budget for the Department of Education's Office of Educational Quality and Accountability.
- Removal of \$75,000 from the line item that pays the Department of Education's administrative costs.

Higher Education

The budget approved by the Governor increases overall funding for public higher education compared to FY 2005, but reduced the Conference Committee's budget by \$1.6 million.

Including one-time funding in FY 2005¹

FY 2005	\$946,058,046
FY 2006 Post-Veto	\$948,727,009
Increase (decrease)	\$ 1,582,340
Percentage Change	0.3%

Directly comparing the FY 2006 budget for higher education to FY 2005 shows a relatively small increase – \$2.7 million or 0.3 percent, as shown above. However, comparing this amount with FY 2005 after removing both supplemental funding provided in FY 2005 to pay costs in FY 2004 and other one-time funding for FY 2005 shows a \$44.5 million or 4.9 percent increase.

Excluding one-time funding from FY 2005

FY 2005	\$904,212,307
FY 2006 Post-Veto	\$948,727,009
Increase (decrease)	\$ 44,514,702
Percentage Change	4.9%

The Governor's reductions for higher education totaled \$1.6 million and included the following vetoes: \$915,900 for a nursing degree program at Salem State College, \$250,000 for a Public Policy Institute at North Shore Community College, and

¹ To provide an "apples-to-apples" comparison, the FY 2005 total includes the appropriation for the Office of Dispute Resolution, which this budget moves to UMass Boston and funds through the operating budget for the UMass campuses.

\$250,000 for the Toxics Use Reduction Institute at UMass Lowell.

Early Education and Care

The Governor approved \$475.8 million for early education and care programs, lower than the \$481.1 million offered by the Conference Committee.

FY 2005	\$449,845,031
FY 2006 Post-Veto	\$475,815,053
Increase (decrease)	\$ 25,970,022
Percentage Change	5.8%

The Governor reduced the Conference Committee's reserve account to fund rate increases for child care providers from \$12.5 million to \$10.0 million.

The Governor also reduced appropriations for Head Start program grants and for the Parent Child Home Program. The \$9.6 million included in the Conference Committee's budget for Head Start is lowered to \$9.1 million in this budget. The \$2.0 million line item for the Parent Child Home Program is down to \$1.0 million.

Income Support Programs

The budget signed by the Governor provides \$596.7 million for income support programs.

FY 2005	\$601,481,017
FY 2006 Post-Veto	\$596,718,269
Increase (decrease)	(\$ 4,762,748)
Percentage Change	-0.8%

The Governor reduced the appropriation for the Transitional Aid to Families with Dependent Children (TAFDC) program by \$250,000. He additionally removed language included in the Conference Committee budget which would require the Department of Transitional Assistance to notify the Legislature of its intent to change eligibility or benefit levels for the TAFDC program another cash assistance program called Emergency Aid to the Elderly, Disabled, or Children (EAEDC), or emergency shelters for families if the amounts budgeted for such programs prove to be insufficient.

Medicaid and Other Health Care Programs

The Governor vetoed \$48.2 million in total funding for Medicaid/MassHealth, and also vetoed language that would affect programs and services. There were no funding vetoes in either the elder pharmacy program or the Uncompensated Care Pool, though there were several language changes in other health care programs.

FY 2005	\$ 7,235,179,344
FY 2006 Post-Vetoes	\$ 7,282,066,420
Increase (decrease)	\$ 46,887,076
Percentage change	0.6%

Importantly, the above FY 2005 total includes over-budgeting in the Medicaid program. As explained in the Medicaid section of this *Budget Monitor*, actual spending for FY 2005 was approximately \$277.7 million below the amount budgeted or \$6.957 billion. Accounting for this adjustment, the total figure for the FY 2006 budget after the Governor’s vetoes represents a 4.7 percent increase.

FY 2005 (adjusted)	\$ 6,957,491,629
FY 2006 Post-Vetoes	\$ 7,282,066,420
Increase (decrease)	\$ 324,574,791
Percentage change	4.7%

Medicaid and Other Health Care Programs			
<i>In Millions of \$</i>			
	FY 2005 Budget (Adj.)	FY 2006 Conf.	FY 2006 Post- Vetoes
Medicaid/MassHealth/Other Health Programs	6,630.5	6,912.0	6,863.8
Medicare "Clawback"	0.0	120.0	120.0
Other Pharmacy	115.0	92.2	92.2
Uncompensated Care Pool	212.0	206.0	206.0
Total Medicaid and Other Health Care Programs	6,957.5	7,330.3	7,282.1
<i>"Medicaid/MassHealth/Other Health Programs" includes Healthy Start and the Children's Medical Security Plan, and does not include the \$288.5 million Health Care Quality Improvement Trust.</i>			

The current level of funding for FY 2006 includes \$6.864 billion for the Medicaid program and \$120.0 million for the Medicare “Clawback” provision. It also includes \$92.2 million for the elder pharmacy program, and \$206.0 million for the Uncompensated Care Pool (see chart).

Medicaid/MassHealth Vetoes

The Governor vetoed \$48.2 million in the Medicaid/MassHealth line items. These vetoes included:

- \$45.0 million in the Senior Care Plan line item; this veto eliminated specific provisions related to nursing home rate increases.
- \$2.0 million in the Managed Care line item targeted to funding for pediatric hospitals that provide care to a disproportionate share of low-income residents.

- \$1.2 million in the MassHealth Essential program which would have provided coverage for certain low-income elderly and disabled immigrants; this veto also eliminated the prohibition on “deeming” an immigrant sponsor’s income.

To compare the FY 2006 budget with FY 2005, it is important to adjust for over-budgeting in the Medicaid program during FY 2005. The FY 2005 Medicaid budget figure of \$6.908 billion is \$277.7 million more than actual estimated FY 2005 Medicaid spending. This adjusted FY 2005 Medicaid budget includes the expected use of \$251.8 million of FY 2004 appropriations carried over into the FY 2005 year, and excludes \$529.5 million budgeted but not expected to be used in FY 2005.

The budget negotiations had included disagreements over various Medicaid accounting techniques. The Governor’s ultimately allowed the Conference Committee version of the line item language that made no explicit changes to existing accounting techniques to stand.

The Governor vetoed language in the Conference Committee budget that has a direct impact on the services available to persons receiving Medicaid/MassHealth coverage. The Governor vetoed:

- Coverage of dental benefits for mothers whose youngest child is under age three. The Governor let stand coverage of dental benefits for pregnant women.
- Coverage of smoking cessation and prevention services for mothers whose youngest child is under age three. The Governor let stand coverage of smoking cessation services for pregnant women.

- A requirement that restrictions in eligibility and covered services be subject to public hearing prior to implementation.

Pharmacy Programs Vetoes

The Governor did not veto funding or language in the elder pharmacy program.

Uncompensated Care Pool Vetoes

The Governor did not veto funding or language in the Uncompensated Care Pool.

Other Health Care Program Vetoes

There are two health care programs – Healthy Start and the Children’s Medical Security Plan – that are administered under the umbrella of the Office of Medicaid but that are technically programs for people who do not qualify for MassHealth coverage. The Governor vetoed language in the Children’s Medical Security Plan that would have eliminated premiums for families under 200 percent of the federal poverty level, and restructured premiums for people with incomes between 200 and 300 percent of the federal poverty level.

Public Health

The Governor vetoed \$4.7 million in funding for public health programs in FY 2006, bringing the total funding for this area to \$426.1 million. Although this level represents a \$17.5 million increase over FY 2005 funding levels, it is still 26.3 percent below public health funding in FY 2001, when adjusted for inflation.

FY 2005	\$408,567,303
FY 2006 Post-Veto	\$426,089,437

funding for these services currently stands at \$14.6 million.

Increase (decrease)	\$ 17,522,134
Percentage change	4.3%

The Governor vetoed \$907,357 within the teenage pregnancy prevention programs, leaving \$1.1 million. This amount is 10.4 percent greater than the funding in FY 2005, but 82.1 percent less than FY 2001 inflation-adjusted funding. The Governor also vetoed \$250,000 for recruitment incentives for certified nurses' aides, completely eliminating funding for this line item.

The Governor reduced funding for a pilot program to recruit and to retain direct care staff in public health hospitals by \$1.1 million. The Governor vetoed language that would have allowed for funding more than the first year of a three-year pilot program.

A \$1.0 million veto in the early intervention program reduced the total amount of funding to \$29.8 million.

The Governor also vetoed earmarks within several line items, and then reduced the funding by the amount of those earmarks. The Governor vetoed:

- \$264,800 in environmental health services; funding for these services currently stands at \$3.2 million;
- \$973,000 in substance abuse services; funding for these services currently stands at \$46.7 million;
- \$107,500 for early breast cancer detection funding; funding for these services currently stands at \$3.3 million;
- \$100,000 for the Governor's Commission on Gay and Lesbian Youth, reducing the total of that earmark within school health services to \$250,000;

Mental Health

The Governor maintained the \$626.1 million included in the Conference Committee's budget for the Department of Mental Health.

FY 2005	\$597,245,276
FY 2006 Post-Veto	\$626,092,016

Increase (decrease)	\$ 28,846,740
Percentage Change	4.8%

Mental Retardation

The Governor approved the \$1.123 billion appropriated to the Department of Mental Retardation by the Conference Committee.

FY 2005	\$1,063,894,604
FY 2006 Post-Veto	\$1,123,878,995

Increase (decrease)	\$ 58,984,391
Percentage Change	5.6%

Social Services

The Governor approved the Conference Committee's budget for the Department of Social Services.

FY 2005	\$708,999,852
FY 2006 Post-Veto	\$744,191,750

Increase (decrease)	\$ 35,191,898
Percentage Change	5.0%

Elder Affairs

The Governor approved the Conference Committee's budget for the Department of Elder Affairs.

FY 2005	\$196,676,585
FY 2006 Post-Veto	\$214,531,327
Increase (decrease)	\$ 17,854,742
Percentage Change	9.1%

Other Human Services

The Governor vetoed \$14.6 million from the portion of the Conference Committee's budget that covers other human services.

FY 2005	\$555,672,842
FY 2006 Post-Veto	\$572,823,539
Increase (decrease)	\$ 17,150,697
Percentage Change	3.1%

The Governor reduced the line item which funds salary increases to employees of privately-contracted human service providers from \$20.0 million to \$10.0 million. The Governor also lowered the Conference Committee's \$3.6 million in funding for grants to youth development organizations to \$2.0 million. In addition to removing language which would require the Department of Transitional Assistance to notify the Legislature of its intent to change eligibility criteria for emergency family shelters if the budgeted amount proves to be insufficient (as mentioned in the section on Income Supports), the Governor also reduced the appropriation from \$73.6 million to \$70.6 million.

Environmental Affairs

The Governor authorized \$202.8 million for environmental affairs, \$455,000 less than the Conference Committee budget.

Including one-time funding in FY 2005:

FY 2005	\$258,667,184
FY 2006 Post-Veto	\$202,818,100
Increase (decrease)	(\$ 55,849,084)
Percentage Change	-21.6%

The table below compares the budget for environmental affairs to the FY 2005 level after adjusting for one-time funding in that year, showing an increase in FY 2006.

Excluding one-time funding from FY 2005:

FY 2005	\$185,756,791
FY 2006 Post-Veto	\$203,273,100
Increase (decrease)	\$ 17,061,309
Percentage Change	9.2%

The Governor reduced appropriations for the budget accounts that fund administrative costs for the Executive Office of Environmental Affairs (a \$315,000 reduction), the Department of Conservation and Recreation (down by \$100,000), and the Division of Urban Parks and Recreation (a \$40,000 decrease).

Housing

The Governor reduced the budget for housing from \$91.6 million to \$86.9 million, a difference of \$4.7 million.

FY 2005	\$ 95,522,284
FY 2006 Post-Vetoes	\$ 86,903,356

Increase (decrease)	(\$ 8,618,928)
Percentage Change	-9.0%

The Governor's vetoes included reductions in funding for the Massachusetts Rental Voucher Program (MRVP) and for Rental Assistance for Families in Transition (RAFT). The Governor lowered the appropriation for MRVP from \$26.3 million to \$24.2 million, eliminated language which sets rent levels under this program at no more than 40 percent of a tenant's income, and filed companion legislation (H. 4622) which would implement time limits and work requirements for individuals receiving assistance through this program. The Governor also removed \$2.0 million from the Conference Committee's \$5.0 million appropriation for RAFT.

Public Safety

The Governor vetoed \$2.8 million from the Conference Committee's budget for public safety.

FY 2005	\$1,289,222,803
FY 2006 Post-Vetoes	\$1,303,394,698

Increase (decrease)	\$ 14,171,895
Percentage Change	1.1%

The Governor vetoed the \$750,000 retained revenue account for sex offender registry fees and filed companion legislation which repeals the law which established this fee. The Governor also reduced funding for a number of other administrative line items, including the Department of State Police, the Department of Fire Services, and the Department of Correctional Facilities.

Judiciary

The Governor approved the Conference Committee's budget for the Judiciary, providing \$645.1 million for FY 2006.

FY 2005	\$615,206,661
FY 2006 Post-Vetoes	\$645,143,755

Increase (decrease)	\$ 17,886,318
Percentage Change	2.9%

Group Insurance Commission

The Governor vetoed \$15.0 million in funding for the Group Insurance Commission, and vetoed language affecting the share of premiums paid by active and retired state employees.

FY 2005	\$ 852,285,587
FY 2006 Post-Vetoes	\$ 1,008,190,489

Increase (decrease)	\$ 155,904,902
Percentage change	18.3%

The Governor vetoed \$15.0 million in the line item covering funding for the Group Insurance Premiums and Plans, bringing the total FY 2006 funding to \$934.0 million.

Currently, active employees pay 20 percent of the cost of health insurance premiums, unless they fall in to one of two groups. If they make less than \$35,000 per year, then they pay 15 percent of the cost. If they were hired after June 30, 2005, they pay 25 percent of the cost. The Governor vetoed language that would have allowed the rates for employees earning \$35,000 or more and the rates for employees hired after June 30, 2003 to be reduced by five percentage points each after December 31, 2005. The vetoed funding is equal to the estimated cost of these rate changes.

Revenue

Although Governor Romney did not veto any of the principal sections of the FY 2006 budget pertaining to revenue, he did recommend amending Section 30 of the Conference budget to reduce the amount of money withdrawn from the Stabilization Fund to support expenditures in the coming fiscal year. As adopted by the House of Representatives and the Senate, the Conference Committee's FY 2006 budget, in Section 30, calls for a \$600 million transfer from the Stabilization Fund to the General Fund in FY 2006; Governor Romney has suggested shrinking that withdrawal to \$114 million.

The Governor's proposed smaller withdrawal from the Stabilization Fund primarily reflects a more realistic projection of FY 2006 tax revenue. All told, the Governor's vetoes reduced FY 2006 spending by \$110 million; consequently, any withdrawal from the Stabilization Fund could safely be reduced by that amount (provided, of course, that none of the vetoes are overridden).

The remaining difference between the original transfer and the smaller one proposed by the Governor – \$376 million – is more than covered by the difference between the Romney Administration's projection for baseline tax revenue for FY 2006 and that used by the Legislature in formulating the budget. As of April 5, the Romney Administration projects that FY 2006 tax revenue will total \$17.5 billion – or \$400 million more than the \$17.1 billion figure on which the Legislature based its budget. The Department of Revenue recently announced that preliminary FY 2005 tax collections amount to \$17.057 billion. Thus, to reach the \$17.1 billion figure used by the Legislature, tax revenue

must grow by just 0.25 percent between FY 2005 and FY 2006; to reach the \$17.5 billion figure expected by the Romney Administration, it must grow by 2.6 percent, and; to reach \$17.7 billion, the amount necessary to cover the Legislature's entire \$600 million withdrawal from the Stabilization Fund, it must grow by just 3.8 percent, significantly below the growth levels of the past two years.

Spending by Program Area

(in Millions of \$)

Program	FY06		FY06 Post-Vetoes	
	Conference	Post-Vetoes	vs. Conference	vs. FY05
Local Aid - Lottery	761.4	761.4	0.0	25.0
Local Aid - Additional Assistance and PILOT	398.4	398.4	0.0	3.1
Local Education Aid (Ch. 70) ¹	3,288.9	3,288.9	0.0	105.6
K-12 Educ (non Ch. 70) ²	486.9	481.8	(5.1)	18.6
School Building Debt Assistance ³	488.7	488.7	0.0	93.0
Higher Education ⁴	950.3	948.7	(1.6)	2.7
Early Education and Care ⁵	481.1	475.8	(5.3)	26.0
Income Support Programs	596.9	596.7	(0.2)	(4.8)
Medicaid and Other Health Care Programs ⁶	7,330.3	7,282.1	(48.2)	46.9
Public Health	430.8	426.1	(4.7)	17.5
Mental Health	626.1	626.1	0.0	28.8
Mental Retardation	1,123.9	1,123.9	0.0	60.0
Social Services	744.2	744.2	0.0	35.2
Elder Affairs	214.6	214.6	0.0	17.9
Other Health & Human Services	587.4	572.8	(14.6)	17.2
Environmental Affairs ⁷	203.3	202.8	(0.5)	(55.8)
Transportation	150.2	150.2	0.0	(69.0)
Housing & Community Development ⁸	91.6	86.9	(4.7)	(8.6)
Economic Development	141.6	134.7	(6.9)	1.0
Public Safety	1,306.2	1,303.4	(2.8)	14.2
Judiciary	645.1	645.1	0.0	17.9
District Attorneys	84.9	84.7	(0.1)	5.5
Attorney General	37.5	37.5	0.0	1.3
Libraries	29.6	29.6	0.0	2.5
Debt Service	1,793.2	1,793.2	0.0	39.4
Pensions ⁹	1,275.2	1,275.2	0.0	57.7
Group Insurance	1,023.2	1,008.2	(15.0)	155.9
Other Administrative	661.3	661.2	(0.1)	(13.2)
Total	25,953	25,843	(110)	641

Notes:

(1) The Senate figure for Local Education Aid includes \$55 million set aside in a reserve account. The House 1, House, and Conference budgets do not include funding for this purpose.

(2) The FY 2006 budget proposals would consolidate functions that are currently funded separately by the Department of Education and Office of Child Care Services. To enable a year-to-year comparison, the FY 2005 total adjusts for these transfers by subtracting \$81.8 million from the K-12 Education total, and adds the appropriate amount to the FY 2006 total for Early Education and Care.

(3) The FY 2005 budget reduces available revenue by \$395.7 million to cover the costs of School Building Assistance. In FY 2006, revenue would be reduced by \$488.7 million. The table includes these amounts as appropriations.

(4) The higher education totals include \$30.6 million in tuition revenue retained by the campuses. The total for FY 2005 also includes supplemental funding to pay costs for FY 2004.

(5) The FY 2006 budget moves most of the appropriations for the former Office of Child Care Services to the Department of Early Education and Care, and also includes \$6.0 million from a reserve account created to comply with changes to federal welfare regulations.

(6) The FY 2005 budget was significantly higher than actual FY 2005 spending, so this chart understates the true change from FY 2005 by \$283.7 million. Totals include "on-budget" and "off-budget" Medicaid, senior pharmacy, other state health care programs, and off-budget state payments into the Uncompensated Care Pool. Totals do not include \$288.5 million off-budget funding for the Health Care Quality Improvement Trust.

(7) The FY 2005 total includes all FY 2005 appropriations, including one-time funding. While all categories in this chart use that same methodology, there were an unusually large number of one-time appropriations in environmental affairs, which is why it appears that funding is cut substantially in the FY 2006 budget.

(8) The FY 2005 budget transfers \$2.0 million from the General Fund to the Affordable Housing Trust Fund, which is included in the total for this area.

(9) Off-budget pension funding in FY 2005 totals \$1.216 billion; the FY 2006 budgets include \$1.275 billion for this purpose. These amounts are treated as appropriations for these years.

*The totals for FY 2005 reflect total amounts appropriated to date, including one-time supplemental funding and prior appropriations that are continued for this year. The totals also incorporate off-budget spending for certain areas as noted above.