

# BUDGET MONITOR

## House 2: Governor’s FY 2009 Budget Proposal

### OVERVIEW

Facing a budget gap of over \$1.2 billion, the Governor’s Fiscal Year 2009 budget proposal includes \$251 million in state savings from cuts and approximately \$73 million in temporary savings. The budget counts on \$279 million in revenue from reducing tax avoidance, and \$166 million in revenue from reducing tax evasion. It also relies on \$124 million from authorizing casinos. The budget also proposes approximately \$154 million in new initiatives. After the spending cuts and revenue initiatives, the Governor’s budget still depends on \$369 million in spending from the state’s Stabilization Fund (the “rainy day fund”) and makes a change to reduce the required deposit into the Stabilization Fund by another \$100 million. These numbers show a clear picture: the state faces serious fiscal challenges, and there are no easy solutions. (Separate from this *Monitor*, MassBudget will publish a paper providing information on the FY 2008 budget balance and explain how to analyze budget balances.)

The major cuts in the budget include the elimination of earmarks, the shifting of \$51 million in health care costs on to some state employees, and close to \$105 million saved in the MassHealth program in addition to \$54 million in one-time MassHealth savings.

In education, the Governor proposes \$13 million in new funding for longer school days, \$8 million in kindergarten expansion

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grants, \$15 million for improvements in early childhood education. The Governor’s proposal also funds commitments previously made to phase in reforms of Chapter 70 education aid and the state school building assistance program.

In health care, the Governor’s budget proposes \$46 million for a new Communities First initiative in order to expand community long-term care services for elders who might otherwise have to enter nursing homes. The budget also funds the FY 2009 costs of the state’s health reform law.

In public safety, the Governor proposes to increase funding for the Shannon Grant Program, which combats gang-related crime and violence, by \$1 million, and recommends new funding to hire additional police.

To reduce tax avoidance, the Governor proposes two reforms endorsed by the Study Commission on Corporate Taxation: “Combined Reporting,” which would make it harder for multi-state companies to shift profits among subsidiaries to reduce state taxes; and “Check the Box” which requires companies to classify themselves as the same corporate form on both their state and federal taxes. Together these reforms are expected to generate \$297 million in revenue for this budget. In addition, the Department of Revenue has hired additional auditors, and is recommending changes in the way tobacco taxes are collected to reduce tax evasion. These and related reforms are expected to generate an additional \$166 million in FY 2009.

In the pages that follow, this *Budget Monitor* describes the spending changes in each area of the budget in more detail, comparing current proposals to the initial FY 2008

## WHAT IS A “MAINTENANCE” BUDGET?

Throughout this document, we refer to a FY 2009 maintenance budget. Sometimes a maintenance budget is also referred to as a “current services” budget or a “level services” budget.

In brief, a maintenance budget estimates the cost of continuing the current year’s service level into the next year. A maintenance budget assumes no programmatic expansions or contractions other than those previously committed to, and no policy changes that would affect funding levels.

There are a number of elements that are used to determine the FY 2009 maintenance budget. These include: any supplemental appropriations since the GAA that add new funding; any reserves that are transferred into a program account to pay additional personnel costs associated with collective bargaining agreements, any projected inflation costs, and any assumptions about projected caseloads for the following year.

Maintenance budgets also account for transfers from Purchase of Service (POS) reserves. For instance, the FY 2008 budget included a reserve account of \$23 million to pay for rate increases in human service programs. This money was allocated throughout the budget in a variety of human service programs.

### Allocation of the FY 2008 Human Services Rate Reserve (1599-6901)

	<i>Amount from 1599-6901</i>
Early Education and Care	262,823
Income Supports	71,796
Health Care	542,060
Elder Affairs	2,542,341
Public Health	883,878
Mental Health	3,976,838
Mental Retardation	10,826,454
Social Services	2,159,146
Other Human Services	2,386,048
<b>Total</b>	<b>23,651,385</b>

budget approved by the legislature known as the General Appropriations Act (GAA). In the beginning of each section the *Monitor* compares the Governor’s FY 2009 budget proposal with the FY 2008 GAA. It is important to note that the increase in funding in many program areas is simply the additional funds needed to maintain current services in light of inflation (see “What is a ‘Maintenance’ Budget?” elsewhere in this *Budget Monitor*.)

## LOCAL AID

The Governor’s budget recommends \$1.346 billion for unrestricted local aid to cities and towns in FY 2009. This total does not include aid for specific purposes, such as education.

<b>FY 2008 GAA</b>	<b>\$ 1,345,296,219</b>
<b>FY 2009 House 2</b>	<b>\$ 1,346,688,719</b>
<b>Increase (decrease)</b>	<b>\$ 1,392,500</b>
<b>Percentage change</b>	<b>0.1%</b>

The Governor’s proposal level funds lottery aid at \$935 million. However, this total figure is comprised of Lottery revenues of \$810.9 million and an additional \$124.2 million, which would be transferred from the Gaming Licensing Fee Trust Fund if casinos were approved. While \$935 million is being distributed in FY 2008, it appears that revenue from the Lottery will provide only \$810 million of that total, which is \$124.2 million below the estimate used in the FY 2008 GAA.

Additional Assistance remains unchanged from the FY 2008 GAA. Payments in Lieu of Taxes (PILOT) would increase by \$2 million. The local share of racing tax revenues would decrease from \$2.2 million to \$1.6 million because of a decrease in the

Racing Association’s estimated revenue of which 0.35 percent is distributed as local aid.

## K-12 EDUCATION

For FY 2009, the Governor proposes spending \$5.287 billion for K-12 education, a \$348.9 million increase over FY 2008 GAA. This total includes Chapter 70 aid, other K-12 education aid, and \$702 million for School Building Assistance, which is funded off-budget via a percentage of all sales tax revenue.

<b>FY 2008 GAA</b>	<b>\$ 4,939,039,932</b>
<b>FY 2009 House 2</b>	<b>\$ 5,287,978,322</b>
<b>Increase (decrease)</b>	<b>\$ 348,938,390</b>
<b>Percentage change</b>	<b>7.1%</b>

### *Chapter 70*

Chapter 70 Aid is provided to cities and towns for public education purposes. The Governor’s proposal would provide \$3.949 billion; an increase of \$223.2 million, or 5.9 percent, over FY 2008.

<b>FY 2008 GAA</b>	<b>\$ 3,725,671,328</b>
<b>FY 2009 House 2</b>	<b>\$ 3,948,824,061</b>
<b>Increase (decrease)</b>	<b>\$ 223,152,733</b>
<b>Percentage change</b>	<b>5.9%</b>

In FY 2007, the Legislature first implemented a new formula for funding Chapter 70 that was designed primarily to provide additional aid to communities that were paying locally for a high percentage of their foundation budget and to provide additional funding to high-growth communities.<sup>1</sup> These changes were to be

<sup>1</sup>These changes are explained more completely in the Massachusetts Budget and Policy Center

phased in over five fiscal years. FY 2009 represents year three of the phase-in. The Governor's proposed budget continues these reforms. Chapter 70 can be broken into several categories (see accompanying table.)<sup>2</sup>

The 1993 Education Reform Act provided for the use of a particular measure of inflation, the Implicit Price Deflator for Government Services (IPD), for measuring the costs of education. This measure is used in the Governor's proposal. However, due to budget decisions in prior years, the current proposal is \$422 million less in IPD-adjusted dollars than the amount of funding provided in FY 2002.

Baseline Foundation Aid

The state education funding law begins by setting what is called a foundation budget. This is the amount determined necessary by the state, based on assumptions contained in the 1993 education reform law, to educate each student. The law also sets forth a required local contribution. The gap between the foundation amount and the local contribution is Foundation Aid and is provided by the state. Each year this aid is adjusted to account for inflation, enrollment changes, and changes in local contribution requirements. The additional aid necessary in FY 2009 to meet the foundation budget is \$133.5 million, which is the largest portion of the \$223 million increase in Chapter 70 aid.

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publication available at [www.massbudget.org/SchoolFunding.pdf](http://www.massbudget.org/SchoolFunding.pdf).

<sup>2</sup> Calculating the amount of Chapter 70 Aid attributable to each component of the formula is done by starting with baseline foundation aid and then adding, one at a time, each component of the formula in the same order in which the Department of Education makes their calculations. Therefore, we attribute to each component of the formula the incremental increase in Chapter 70 aid that results when that component is added to the calculation.

Aid to Allow Local Spending Reductions ("Effort Reduction Aid")

The funding formula adopted in FY 2007 sets new targets for the amount that each municipality should spend of its own resources on education. These targets are based on local incomes and property values. The new formula provided additional Foundation Aid to allow districts that were spending more than their target amount to close the gap between their then current spending and their target share by 20 percent per year over five years. Because 20 percent of that original gap was closed in each of fiscal years 2007 and 2008, 60 percent remains. For FY 2009, the Governor proposes an additional 33 percent reduction (33 percent of the remaining 60 percent equals 20 percent of original gap). The cost of providing this level of state aid to cities and towns to offset their local reductions is \$34 million.

Down Payment Aid

The FY 2007 education funding reform also created down payment aid, which helped communities that would eventually benefit from effort reduction aid but not until later years. The Governor's proposal provides an increase of \$20.3 million in this aid.

<b>Increases in Chapter 70 Education Aid</b>	
<i>(in Millions of Dollars)</i>	
<b>Component</b>	<b>\$</b>
Baseline Foundation Aid	133.5
"Effort Reduction Aid"	34.0
Down Payment Aid	20.3
Growth Aid	34.5
Minimum Aid	1.1
<b>Total</b>	<b>223.0</b>

Growth Aid

The FY 2007 reform also created growth aid for districts that were experiencing increases in their foundation budget, mainly due to enrollment increases. The formula provides more of this aid to districts with lower incomes and property values and less to communities with greater fiscal capacity. The Governor’s proposal provides an increase of \$34.5 million in this category of aid.

Minimum Aid

Finally, all communities receive enough aid to guarantee a \$50 per pupil minimum increase in state aid. The Governor’s FY 2009 proposal provides an increase of \$1.1 million for this aid.

*Other K-12 Education Funding*

The Governor also proposes to increase funding for the Department of Education’s operations, grants and reimbursement programs by \$58.5 million, from \$578.7 million to \$637.2 million. This total does not include School Building Assistance.

<b>FY 2008 GAA</b>	<b>\$ 578,668,604</b>
<b>FY 2009 House 2</b>	<b>\$ 637,154,261</b>
<b>Increase (decrease)</b>	<b>\$ 58,485,657</b>
<b>Percentage change</b>	<b>10.1%</b>

The Governor’s proposal includes increases in areas that he has highlighted as priorities.

- Kindergarten expansion grants increase by \$8 million. These grants provide funding to convert half-day kindergarten classrooms into full-day.
- Funding for grants to extend the school day doubles, from \$13 million to \$26 million, in the Governor’s proposal.
- Increased funding by \$4.5 million, or 49.4 percent, for targeted intervention in

schools and districts at risk of being identified as under-performing.

- Funding for MCAS student support increases by \$2 million to \$15.4 million. Though this increase is significant, it is still well below the \$40 million spent in FY 2001.
- The METCO program, which seeks to address racial imbalances in the public schools, increases by \$1.5 million to \$22.1 million. This would allow the program to serve an additional 375 students.
- The Governor’s budget also includes funding of \$1.5 million for a new cabinet level secretary of education. This secretary would have oversight not only of K-12 education, but also Early Childhood Education and Higher Education.

The Governor’s proposal also includes the amount necessary to fund the Special Education Circuit Breaker. This program provides relief to cities and towns for special education residential placements. According to statute, the Commonwealth is to pay 75 percent of any district costs that are four times greater than the per pupil foundation level for that district. The Governor’s budget fully funds this requirement, resulting in an increase of \$14.3 million over the FY 2008 GAA, which provided only a 72 percent reimbursement to these districts.

Finally, the Governor’s budget includes an increase of \$7.9 million, from \$73.8 million to \$81.7 million, for Charter School Reimbursements. This reflects an addition of 2,000 students enrolled in charter schools and the funds necessary to compensate districts that lose these students.



## HIGHER EDUCATION

The Governor's FY 2009 budget proposes an increase for public higher education of \$33 million, from \$1.055 billion to \$1.088 billion.

<b>FY 2008 GAA</b>	<b>\$ 1,054,737,621</b>
<b>FY 2009 House 2</b>	<b>\$ 1,087,726,556</b>
<b>Increase (decrease)</b>	<b>\$ 32,988,935</b>
<b>Percentage change</b>	<b>3.1%</b>

Although the Governor recommends an increase from the FY 2008 GAA, this allocation represents a decrease from current FY 2008 spending for public higher education. Current spending is above the FY 2008 GAA due to two factors: finalized collective bargaining agreements and one-time expenditures. FY 2008 current spending includes \$18.6 million for recently-finalized collective bargaining costs. In addition, there are several one-time expenditures totaling \$21.3 million, including a \$4.2 million National Science Foundation Grant to UMass and \$13 million in matching grants for private fundraising for higher education. It is important to note that this matching grant program, by statute, is to continue until a fixed amount of appropriated funds are received, or by July 1, 2010, whichever is sooner. The current \$13 million was funded through a supplemental budget in FY 2008 and is thus classified by the Governor as one-time spending. However, because of the statutory language, it can be argued that this funding should be ongoing and its absence in the Governor's proposed FY 2009 budget actually represents a cut.

Netting out these one-time costs and accepting the Governor's classification of the above-mentioned grants, current ongoing spending for FY 2008 is \$1.073 billion.

Thus, the Governor's FY 2009 budget represents an increase of \$15 million over current ongoing spending.

Of this \$15 million, \$13 million is spread throughout the state's public higher education system utilizing the higher education formula. This represents 1.4 percent growth, less than inflation, over current spending. This is likely less than the amount necessary to keep pace with costs.

The Governor also proposes a new program that funds \$2 million for Dual Enrollment. This program would help 2,000 high school students to take college credits while completing their high school diploma.

## EARLY EDUCATION AND CARE

Funding for Early Education and Care in the Governor's proposal totals \$584 million, a \$47.6 million or 8.9 percent increase over the FY 2008 GAA.

<b>FY 2008 GAA</b>	<b>\$ 536,452,420</b>
<b>FY 2009 House 2</b>	<b>\$ 584,033,005</b>
<b>Increase (decrease)</b>	<b>\$ 47,580,585</b>
<b>Percentage change</b>	<b>8.9%</b>

Funding for Universal Pre-Kindergarten (UPK) would increase by \$15 million. This \$15 million increase would fund an additional 892 classrooms through the UPK Pilot Program and provides classroom quality grants to improve program outcomes and assessment planning grants to ensure program accountability through expanded evaluation, monitoring and oversight.

The state has three major child care programs: income-eligible child care, TAFDC child care and supportive child care. Under the Governor's proposal, each

of these programs would receive just enough funds to pay for projected maintenance costs. In the past, the state has funded a Child Care Rate Reserve to provide salary increases for historically low-wage early education and care workers. This reserve received \$7 million in funding in FY 2008. The Governor would not appropriate any funding for new salary increases in FY 2009.

Income-eligible child care serves lower income families with children up to 13 years of age. This program received \$209.8 million in the FY 2008 GAA. During the course of the year, \$3.1 million was transferred from the Child Care Rate Reserve to fund salary adjustments for early education and care workers. Under the Governor's proposal, income-eligible care would receive \$213.6 million, an increase of 0.3 percent over actual spending in FY 2008.

TAFDC (Transitional Aid to Families with Dependent Children) child care serves families who are currently receiving or recently received TAFDC benefits. This program received \$166.9 million in the FY 2008 GAA. During the course of the year, \$3.1 million was transferred from the Child Care Rate Reserve to fund salary increases for early education and care workers under this program. Under the Governor's proposal, this program would be funded at \$190.2 million, an increase of 12 percent over actual spending in FY 2008, because of a growing caseload.

Supportive Child Care serves families receiving services from the Department of Social Services (DSS). The program received \$67.3 million in the FY 2008 GAA. During the course of the year, \$731,000 was transferred from the Child Care Rate Reserve to fund salary increases for early

education and care workers in this category. Under the Governor's proposal, it would receive \$77 million, an increase of 13 percent over actual spending in FY 2008. Since FY 2007, the state has had a policy of providing child care for all families involved with DSS who need such care, and the FY 2009 appropriation is the amount expected to be needed to meet that need.

Under the Governor's proposal, funding for early education and care providers' professional development would increase from \$3.7 million, after accounting for \$600,000 that was shifted in to FY 2008 from FY 2007, to \$4.3 million. This funding helps early childhood education and care providers pursue professional development courses and to obtain associates and bachelors degrees.

Mass Family Networks and the Reach Out and Read Program were level funded at \$5.4 million and \$1 million respectively. Mass Family Networks provides educational services (including family literacy activities) and family supports (including home visits, developmental screenings and parent support groups) to families with infants and toddlers. Reach Out and Read trains pediatricians and nurses to advise parents about the importance of reading aloud to their children and provides books for medical professionals to distribute to children at pediatric checkups.

The Healthy Families Program (a home visiting program for teen mothers and their children) would be level funded at \$13 million.

## INCOME SUPPORTS

Funding for Income Support programs in the Governor's proposal totals \$624 million, an increase of \$25.3 million or 4.2 percent over the FY 2008 GAA.

<b>FY 2008 GAA</b>	<b>\$ 598,932,022</b>
<b>FY 2009 House 2</b>	<b>\$ 624,206,128</b>

<b>Increase (decrease)</b>	<b>\$ 25,274,106</b>
<b>Percentage change</b>	<b>4.2%</b>

Under the Governor's proposal, funding for the TAFDC (Transitional Aid to Families with Dependent Children) program would increase \$17 million or 6.2 percent because of a growing caseload.

Funding for Emergency Aid to Elders, the Disabled and Children program would drop by \$804,000 or 1.1 percent over last year's appropriation because spending in FY 2008 is lower than the original projection. This lower level of program participation is expected to continue.

Funding for the Employment Services Program, which is available to individuals receiving cash assistance grants under TAFCC, would be essentially level-funded at \$27.2 million.

In addition, \$7 million would be available in FY 2009 from federal reimbursements for specific education and job training/readiness services for food stamp recipients. The same amount was available in the FY 2008 budget.

## HEALTH CARE

The Governor's budget proposal includes \$10.282 billion in funding for health care programs. This is a 9.7 percent increase

over the FY 2008 GAA which included \$9.371 billion for health care. These totals encompass a wide variety of health care programs and services (see detailed table below).

<b>FY 2008 GAA</b>	<b>\$ 9,371,356,330</b>
<b>FY 2009 House 2</b>	<b>\$ 10,281,966,117</b>

<b>Increase (decrease)</b>	<b>\$ 910,609,787</b>
<b>Percentage change</b>	<b>9.7%</b>

In thinking about the increases in the cost of health care, it is important to keep several things in mind. First of all, private and public sector health care costs tend to increase more rapidly than the rate of inflation. Second, much of the Commonwealth's spending on health care is partially reimbursable by the federal government through the Medicaid program. Third, the state is implementing a series of reforms that are significantly reducing the number of people without health insurance in Massachusetts. Finally, Massachusetts recently reached a settlement (*Rosie D. v. Romney*) that will require the Commonwealth to expand mental health services for children funded through the Medicaid/MassHealth program.

In this *Budget Monitor*, we divide our analysis of Health Care into several sections. "Medicaid/MassHealth" includes the funding for the Medicare "Clawback" as well as administrative costs associated with the Executive Office and the Office of Medicaid. It also includes the reserve designated for funding costs associated with the *Rosie D.* settlement. The totals for "Other Health Care Programs" include the Children's Medical Security Plan program, grants to encourage primary care practice, and a new Office of Health Equity. "Health Reform/Health Care Finance" includes line item appropriations for administrative costs



associated with the implementation of health care reform, the costs of the Division of Health Care Finance and Policy, as well as the Health Care Quality and Cost Council. The FY 2008 budget funds some of health reform administration through a transfer from the off-budget Medical Security Trust Fund.

In addition to the health care costs funded through line item appropriations, a significant portion of the Commonwealth's health care – particularly the share of health care associated with the implementation of health reform – is funded through a variety of “off-budget” trust funds. These funds receive specially-designated transfers of funds from the General Fund. These transfers are explained in the section below referred to as “Health Care Transfer Spending (Health Reform).”

### *Medicaid/MassHealth*

The Governor's budget proposes \$8.613 billion for Medicaid/MassHealth programs. Although this total is \$405.2 million more than the level of funding in the FY 2008 GAA, it is actually a cut of \$235.9 million from the \$8.849 billion that would be necessary to fund current services (the FY 2009 maintenance level).

The Governor's budget funds the anticipated continued enrollment of all eligible persons in the MassHealth programs, and also the benefits such as adult dental coverage, eyeglasses and prosthetics restored with the passage of the state's health reform law. The Governor's proposal also supports making tobacco cessation services a permanent MassHealth benefit, and continues a

MassHealth wellness incentive program.

The primary new initiative in the Medicaid/MassHealth program is the Governor's “Community First” initiative. This new program, funded at \$45.6 million, is designed to expand community-based services for disabled individuals and elders who might otherwise choose institutional long-term care. It targets three particular populations: MassHealth members already in nursing homes, nursing home-eligible persons still in the community, and persons deemed soon-to-be-eligible for nursing home care. This program, operated in conjunction with the Executive Office of Elder Affairs, is linked to a pending Home and Community Based Services Medicaid waiver, currently awaiting federal approval.

The Governor's budget does target the MassHealth program for certain savings. Built into his recommendations are a total of approximately \$303 million in what the Governor refers to as savings, including purchasing and rate reforms, care management initiatives, and administrative savings. Not all of these would be actual

<b>Health Care Programs</b> <i>(in Millions of Dollars)</i>		
	<b>FY 2008</b> <b>GAA</b>	<b>FY 2009</b> <b>H.2</b>
Medicaid/MassHealth	8,207.9	8,613.1
Pharmacy Programs	60.5	57.6
Other Health Care Programs	16.9	19.2
Health Reform/Health Care Finance	15.6	20.5
<b>Sub-Total Line Item Appropriations</b>	<b>8,300.9</b>	<b>8,710.4</b>
Medical Assistance Trust*	251.0	251.0
Essential Community Provider Trust	28.0	28.0
Commonwealth Care Trust**	789.7	1,292.6
Medical Security Trust	1.8	0.0
<b>Sub-Total Transfer Appropriations</b>	<b>1,070.4</b>	<b>1,571.6</b>
<b>Total</b>	<b>9,371.4</b>	<b>10,282.0</b>

\*In FY 2008, estimated spending out of the Medical Assistance Trust Fund includes significant one-time spending, including retroactive payments to providers of approximately \$375 million. These numbers are not reflected here.

\*\*Estimated spending for FY 2008 from the Commonwealth Care Trust is \$1,073.2 million, but only \$789.7 million has been transferred from the General Fund.

savings, however, because this total includes what are in effect one-time deferrals of payment (see details below). Furthermore, because some of these reforms require initial outlays to implement them, and because decreasing MassHealth spending results in decreased federal Medicaid revenue coming to the Commonwealth, the net impact of these cost savings is \$135.3 million. These “savings” show up in the budget as reductions in funding to the Managed Care, Senior Care, and Indemnity/Third Party Liability account line items.

The Governor’s proposals focus primarily on finding savings from payments to providers and from administrative efficiencies, rather finding savings by cutting benefits to members. These strategies include:

- \$53.6 million net in savings from several pay-for-performance initiatives. These initiatives withhold certain reimbursements for health care providers pending demonstration that the providers have met specified performance benchmarks. These are likely to be one-time only savings.
- \$47.5 million in savings derived from eliminating special rates for certain health care providers and other rate changes.
- \$19.2 million for several “right care, right setting” initiatives that focus on providing care in the least restrictive environment, and for chronic care management programs.
- \$9.5 million for efficient drug utilization.

The Governor’s Medicaid/MassHealth budget also proposes the continuation of \$3.5 million in grants to community agencies that conduct outreach to help people enroll in MassHealth and in the

Commonwealth’s other health care programs.

Included as well in this Medicaid/MassHealth total is \$25 million set aside in a reserve to begin paying for the implementation of the *Rosie D. v. Romney* settlement which provides MassHealth reimbursement for mental health screenings and treatment for children. This is an increase from the \$7.8 million added to the budget during FY 2008, but only represents an estimate of what the first year costs of these new services might be.

### *Pharmacy Programs*

The Governor’s budget recommends \$57.6 million for the Prescription Advantage pharmacy program for elders. This is \$2.9 million less than the FY 2008 GAA. With the continued implementation of the Medicare Part D prescription drug coverage for elders, enrollment in the Prescription Advantage program has stabilized. Nevertheless, it still remains an important part of the medical safety net for the 68,000 people who look to the program to help pay for prescriptions.

### *Other Health Care Programs*

The Governor’s budget recommends \$16.5 million for the Children’s Medical Security Plan. This is equivalent to the FY 2009 maintenance total, meaning that the amount should be sufficient to maintain the expected caseload.

New in the Governor’s budget is the recommendation of \$1 million for an Office of Health Equity within the Executive Office of Health and Human Services. This new initiative is charged with developing protocols to eliminate disparities in health outcomes that could be the result of

environmental, economic, social or other factors.

The Governor's budget also includes \$1.7 million in grants to encourage health care professionals to choose primary care practice, the same amount that this was funded in FY 2008. One of the challenges in ensuring universal access to health care has been a chronic shortage in primary care providers. These grants will provide loan forgiveness and other incentives to encourage physicians and other clinicians to practice in community health care settings.

### *Health Reform/Health Care Finance*

The Governor's budget includes several relatively small health care finance accounts. The Division of Health Care Finance and Policy, which is responsible for administering the state's Health Safety Net (formerly the uncompensated care pool), and for rate-setting and other health care regulatory functions, receives \$17 million in the Governor's budget proposal. This is a substantial increase – 21.7 percent – over FY 2008 GAA levels, but is at the FY 2009 maintenance level.

The Governor's budget also includes a \$1 million reserve for the Hale Hospital and \$1.9 million for the Health Care Quality and Cost Council, a real increase of \$500,000 over estimated FY 2009 maintenance costs.

### *Health Care Transfer Spending (Health Reform)*

Much of the Commonwealth's health reform initiative is not paid for out of the line item appropriations listed in the budget. Most of health reform is financed through what is commonly referred to as "off-budget" spending, which is actually transfers from

the General Fund into a variety of special trust funds.

Fiscal Year 2008 saw a dramatic change in health care programming, with the implementation of the first full year of the Commonwealth's health reform legislation. As the narrative accompanying the Governor's budget proposal states, health reform "has considerable financial implications for Massachusetts."

Like the Medicaid/MassHealth program, however, there are significant federal funds that contribute to the costs of the Commonwealth's health reform. Although the exact level of available federal funding is not yet known, the federal government typically reimburses Massachusetts for half of the costs of its health care programs for low-income people.

The Commonwealth Care Trust Fund pays for the Commonwealth Care health insurance program, certain provider rates, and the costs of the Health Safety Net. The Governor proposes transferring \$1,292.6 billion into this fund from the General Fund. This is an increase of \$502.9 million from the transfer of \$789.7 million in the FY 2008 GAA. However, off-setting this increased transfer amount, the Governor's budget proposal estimates that federal revenues will also increase by \$220.3 million. Accordingly, if the federal government does reimburse the state at the levels anticipated, the net cost to the General Fund of providing more than \$500 million more in health care services would be approximately \$282.6 million.

The FY 2008 GAA projected that the Commonwealth Care health insurance program would cost \$471.9 million. Just a few months into the fiscal year, however, it became quite clear that Commonwealth

Care costs were going to be substantially higher than predicted. Instead of \$471.9 million, it was expected that FY 2008 costs will actually be closer to \$618.5 million. The Legislature has not yet increased the FY 2008 transfer into the Commonwealth Care Trust Fund to cover these new unanticipated costs of Commonwealth Care. In FY 2009, the Governor's budget estimates that the costs of Commonwealth Care will increase to \$869.4 million. This amount is expected to be sufficient to cover the 225,000 people expected to enroll be covered by the Commonwealth Care insurance program.

The Commonwealth Care Trust Fund transfer in the Governor's budget also includes \$385.2 million for payments to hospitals and physicians, as well as for specific safety net hospitals. In FY 2008, the GAA directed \$340.9 million for these payments, but over the course of the year, with the implementation of a delayed payment mechanism associated with "pay-for-performance" benchmarks, total spending on rate supplements is likely to be only \$325.9 million.

In addition to funding for the Commonwealth Care insurance program and provider reimbursements, the Commonwealth Care Trust Fund transfer includes funding for the Health Safety Net (formerly the uncompensated care pool.) The Health Safety Net is funded with state funds, federal funds, and \$160 million assessments from both hospitals and insurance providers. The FY 2008 GAA included \$33.9 million transferred from the Commonwealth Care Trust Fund to the Health Safety Net Trust, for total projected spending of \$353.9 million. Actual FY 2008 costs are expected to be closer to \$517 million. The Governor's budget includes \$63 million from state funds for the Health Safety Net, projecting total spending of

\$453 million. The hope is that demand for free care will diminish as more residents of the Commonwealth have health insurance due to the individual mandate that is part of health reform.

It is also noteworthy that the FY 2008 GAA had anticipated \$23.6 million in revenue to the fund from employers' contributions through the "fair share assessment." Actual revenues from this assessment will be closer to only \$5 million. The Governor's FY 2009 budget projection is also only \$5 million for the fair share assessment.

The Governor's FY 2009 budget proposal also includes a transfer of \$251 million from the General Fund into the Medical Assistance Trust Fund, in order to make supplemental payments to certain publicly-funded health care providers. This is the same amount as transferred in the FY 2008 GAA. During FY 2008, an additional \$30 million was transferred into this fund through a supplemental budget, and there were additional significant one-time retroactive payments made from the fund. The Governor does not anticipate significant increases in FY 2009 in the amounts paid from this fund.

The Governor's FY 2009 budget proposal also includes \$28 million transferred into the Essential Community Provider Trust which is the same as the allocation in the FY 2008 GAA. This fund provides grants to safety net providers and community health centers that provide health care to low-income persons across the Commonwealth.

## **ELDER AFFAIRS**

The Governor's FY 2009 budget proposal includes \$236 million to pay for services to elders. This budget proposal represents a

1.6 percent increase over funding levels in the initial FY 2008 GAA. (For a discussion of the funding associated with the Prescription Advantage pharmacy program and MassHealth programs for elders such as the Senior Care Plans, nursing homes and long-term care, see the “Health Care Programs” section of this *Budget Monitor*.)

<b>FY 2008 GAA</b>	<b>\$ 232,277,232</b>
<b>FY 2009 House 2</b>	<b>\$ 235,985,517</b>
<b>Increase (decrease)</b>	<b>\$ 3,708,285</b>
<b>Percentage change</b>	<b>1.6%</b>

The Governor’s budget proposal for elder services includes \$106.7 million for elder home care purchased services, and \$40.4 million for elder home care case management and administration. It is important to realize, however, that in FY 2008, elder affairs received a transfer of more than \$2.5 million from the human services rate reserve in order to cover certain increases in costs. Once taking into account these and other costs associated with maintaining existing services provided in FY 2008, these funding levels do not represent an increase in services. In fact, the funding for elder home care purchased services includes a cut from FY 2009 maintenance of approximately \$611,000.

Compared to estimated FY 2009 maintenance levels, the Governor’s budget proposal includes slight decreases in two programs:

- \$15.1 million in funding for the elder protective services program, \$137,000 more than the FY 2008 GAA, but \$706,000 less than maintenance; and,
- \$6.4 million for the elder nutrition (lunch) program, \$39,000 more than the FY 2008 GAA, but \$590,000 less than maintenance.

Although the funding levels for the following programs do not represent an increase over actual FY 2009 maintenance levels, highlights in the elder services budget include:

- \$48 million for the enhanced community options program;
- \$4.2 million for supported housing;
- \$225,000 for a geriatric mental health program;
- \$253,000 for a family caregivers program;
- \$2.6 million for congregate housing; and
- \$7.9 million for grants for local Councils on Aging.

## **PUBLIC HEALTH**

The Governor’s FY 2009 budget proposal includes \$580.2 million for public health programming. This proposal represents a 4.6 percent increase over funding levels in the initial FY 2008 GAA.

<b>FY 2008 GAA</b>	<b>\$ 554,388,520</b>
<b>FY 2009 House 2</b>	<b>\$ 580,151,827</b>
<b>Increase (decrease)</b>	<b>\$ 25,763,307</b>
<b>Percentage change</b>	<b>4.6%</b>

The Governor’s budget proposal includes \$414.4 million for non-hospital-based programming, and \$165.7 million for hospital-based public health services. Although this funding level shows a real increase over projected spending in FY 2008, public health funding is still 9.6 percent below funding levels in FY 2001 when adjusting for inflation. In other words, the cuts to public health in the beginning of this decade were so deep, even continued annual increases have not yet been sufficient to reach our previous funding levels.



Furthermore, the Governor's public health budget only includes a \$3.1 million increase over FY 2009 maintenance levels (an increase of only 0.5 percent). Public health programming, during FY 2008, received \$884,000 from the human services rate reserve, and \$751,000 in transfers from other accounts. This \$1.6 million added to the public health budget does not represent a real increase in support for public health services.

The Governor's budget proposal includes only one initiative in public health, as well as some program consolidations. As part of his public safety initiative, the Governor's FY 2009 budget recommends coordinating support for youth violence prevention programming within the Department of Public Health. Combining two separate programs, the Governor's proposal funds youth violence prevention programming at \$9 million, an increase of \$1.2 million. In FY 2008, many community programs had funding specifically "earmarked" within these line items. Most of the funding in the Governor's proposal is not specifically designated for particular communities.

Although the funding levels for the following programs do not represent an increase over actual FY 2009 maintenance, highlights in the public health budget include:

- \$48.4 million for early intervention services. This \$5.7 million increase will cover the costs associated with an anticipated growing caseload of children with more complex needs, in particular children with diagnoses of autism spectrum disorders.
- \$51.6 million for the universal immunization program. This 5.6 percent increase over the FY 2008 GAA will

simply cover the increased cost of purchasing vaccines.

- \$16.8 million for school health services. This funding level is still 70 percent less (when adjusted for inflation) than funding in FY 2001.
- \$3.6 million for sexual assault services. Although this is an amount equal to the FY 2008 GAA, it does not include the \$204,000 added during FY 2008 by a supplemental budget, and therefore is a reduction of 5 percent.
- \$84.6 million for substance abuse services, an increase of 2.1 percent over the FY 2008 GAA. Built into the Governor's budget is funding for all of the programs earmarked in the FY 2008 GAA. The Governor's FY 2009 budget also continues \$5 million for a step-down recovery program.
- \$12.8 million for smoking prevention and treatment programs. This maintenance level of funding is still 80 percent less than funding in FY 2001 when adjusted for inflation – a time when Massachusetts was a national model for smoking prevention programming.

Also included in the Governor's FY 2009 budget proposal is an "Outside Section" that, in the event of an emergency, would allow the Governor to transfer \$25 million from the Stabilization Fund into a special emergency account for immediate use. Included among the examples of what would constitute an appropriate emergency use of such funds is a pandemic outbreak.

## **MENTAL HEALTH**

The Governor's FY 2009 budget proposal includes \$686.3 million for mental health programming. This proposal represents a

2.8 percent increase over funding levels in the initial FY 2008 GAA.

<b>FY 2008 GAA</b>	<b>\$ 667,406,853</b>
<b>FY 2009 House 2</b>	<b>\$ 686,347,445</b>
<b>Increase (decrease)</b>	<b>\$ 18,940,592</b>
<b>Percentage change</b>	<b>2.8%</b>

The funding level for mental health programming is just barely above projected FY 2009 program maintenance levels, particularly since close to \$4 million was transferred into mental health programs from the human services rate reserve. Although most mental health programs would need only small increases to maintain their current service level, the maintenance funding level for FY 2009 for adult inpatient treatment services would require at least a 4 percent increase. The intensive residential treatment programs have been having trouble retaining psychologists and other mental health clinicians due to the reimbursement rates paid by the state. The Governor’s budget proposal, although an increase of 4.6 percent, is simply sufficient to allow the programs to keep up with costs. The Governor’s budget proposal includes:

- \$76 million for child and adolescent services;
- \$332.5 million for adult services;
- \$22.6 million for services for homeless persons;
- \$36.2 million for emergency services; and
- \$868.2 million in total for state psychiatric hospitals.

During FY 2008, the Commonwealth began implementation of expanded mental health screening under the MassHealth program, associated with what is known as the “Rosie D.” settlement. This program will ultimately result in a significant expansion

of mental health services for children, beginning with universal mental health screenings. Description of the funding for this program is included in the “Health Care Programs” section of this *Budget Monitor*.

## **MENTAL RETARDATION**

Under the Governor’s proposal, funding for the Department of Mental Retardation (DMR) would increase by \$40.9 million or 3.3 percent over the FY 2008 GAA. This is less than the amount needed to cover current services.

<b>FY 2008 GAA</b>	<b>\$ 1,226,416,406</b>
<b>FY 2009 House 2</b>	<b>\$ 1,267,350,402</b>
<b>Increase (decrease)</b>	<b>\$ 40,933,996</b>
<b>Percentage change</b>	<b>3.3%</b>

DMR programs provide services to developmentally disabled adults including community-based and state-operated residential facilities and day programs. The funding recommended for FY 2009 is likely less than the amount needed to continue providing current services.

- The FY 2008 budget achieved temporary savings in the Turning 22 program by changing the process of enrolling individuals for services in a manner that delayed when people would begin receiving services. As these people will now be eligible for a full year of services, total costs will rise. Because this strategy temporarily reduced costs in FY 2008, it makes the percentage increase this year at DMR appear larger than it would be if the state had paid the full year costs of Turning 22 services in FY 2008.
- In FY 2009 the Turning 22 program is reduced from \$7.7 million to \$6.1

million, a reduction of \$1.6 million, or 20.8 percent from the FY 2008 funding level. This reduction appears to reflect both a continuation of the strategy of generating temporary savings by not providing a full year of services and assuming a reduction in the number of people receiving services.

- The community residential program line item received \$547.8 million in the FY 2008 GAA. In addition, this item received \$8.6 million from the human services rate reserve, bringing the FY 2008 total to \$556.4 million. The Governor’s recommendation of \$569 million is an increase of percent 2.3 percent, which appears to be slightly less than the amount needed to provide current services.
- State facilities received \$182.8 million in the FY 2008 GAA. In addition, two transfers were made to this account, including \$2.7 million from collective bargaining and \$1.8 million from DMR’s administrative account, which received \$3 million in supplemental funds in FY 2008. Combining the FY 2008 GAA and these transfers, total spending in FY 2008 is projected to be \$187.3 million. The Governor’s proposal provides \$188.2 million for this program, which is likely to be slightly less than the amount needed to provide current services.
- Work programs received \$122.7 million in the FY 2008 GAA. In addition, this item received \$1.8 million from the human services rate reserve, for a total of \$124.5 million. The Governor’s recommendation of \$129 million is an increase of 3.6 percent, which is likely to be just enough to cover the amount needed to provide current services.
- In FY 2009, DMR will also receive an allocation from the human services rate

reserve to provide modest pay raises for low-wage workers.

## **SOCIAL SERVICES**

The Governor’s budget for the Department of Social Services totals \$838 million in FY 2009, a \$37.9 million or 4.7 percent increase over the FY 2008 budget.

<b>FY 2008 GAA</b>	<b>\$ 800,095,093</b>
<b>FY 2009 House 2</b>	<b>\$ 837,971,012</b>
<b>Increase (decrease)</b>	<b>\$ 37,875,919</b>
<b>Percentage change</b>	<b>4.7%</b>

Funding for social workers for case management is proposed to increase \$13.8 million or 9.4 percent. The purpose of the additional funding would be to hire at least 70 new social workers, which would reduce the caseload per social worker. The current state average of eighteen cases per social worker still exceeds the Child Welfare League’s recommendation of an average fifteen cases per social worker. The proposed funding level would be a 3.5 percent increase above projected maintenance costs.

## **OTHER HUMAN SERVICES**

The Governor’s budget proposes a total of \$624.7 million for all other human services programs, a \$22.1 million or 3.7 percent increase over the FY 2008 GAA.

<b>FY 2008 GAA</b>	<b>\$ 602,668,347</b>
<b>FY 2009 House 2</b>	<b>\$ 624,736,874</b>
<b>Increase (decrease)</b>	<b>\$ 22,068,527</b>
<b>Percentage change</b>	<b>3.7%</b>

The category in this *Budget Monitor* called “Other Human Services” includes numerous departments, including Veterans Affairs, Mass. Commission for the Blind, Mass. Rehabilitation Commission, Mass. Commission for the Deaf and Hard of Hearing, the Soldiers' Homes, the Dept. of Youth Services, administrative costs for the Department of Transitional Assistance, and certain programs within the Executive Office of Health and Human Services.

The Family Shelters account, which provides funding for non-profit homeless shelters, is \$86.3 million, an increase of \$3.2 million over the FY 2008 GAA but a reduction of slightly more than \$600,000 over current spending. During FY 2008, as part of an effort to reduce homelessness, the legislature added \$2.8 to the family shelters account in a FY 2008 supplemental appropriations bill. This new funding provides “tool box” funds, such as first and last months’ rent, to help families move out of shelters and into permanent housing. The Governor’s FY 2009 budget includes this “tool box” funding, but also reduces funding that is provided to shelters through state contracts by \$1.2 million in the hopes that as more families move into permanent housing through the “tool box” program there will be less demand for family shelters. The program that provides assistance to homeless individuals is increased by just under \$400,000 and the pilot program to help the chronically homeless move into housing is level-funded. (For a discussion of the Governor’s new initiative on homelessness, see the section on “Housing” in this *Budget Monitor*.)

The Governor’s proposed budget for the Massachusetts Commission for the Blind would fund current services. Funding for the Massachusetts Rehabilitation Commission increased \$80,000 or 13.7

percent to fund increased personnel costs under collective bargaining agreements.

Funding for the Department of Youth Services (DYS) appears to increase from \$160.4 million to \$163 million, a 2 percent increase. However, in FY 2008, DYS received \$849,000 from the Human Services Reserve. Once taking into account this transfer and others associated with maintaining existing services provided in FY 2008, the Governor’s proposal represents an \$816,000, or 1 percent, increase in funding over spending in FY 2008.

Residential service funding for the detained youth population increases from \$25 million to 25.6 million, or 2.6 percent. Residential and non-residential services for committed youth are level funded at \$105.5 million and \$22.8 million, respectively.

Funding for the Citizenship for New Americans Program would increase \$750,000 or 150 percent. This program assists legally permanent residents of Massachusetts to become citizens of the United States.

## ENVIRONMENTAL AFFAIRS

The Governor’s budget eliminates \$6.1 million in earmarks and provides \$13.7 million in additional funding for environmental programs which is a net increase of \$7.6 million.

<b>FY 2008 GAA</b>	<b>\$ 216,723,269</b>
<b>FY 2009 House 2</b>	<b>\$ 224,320,196</b>
<b>Increase (decrease)</b>	<b>\$ 7,596,927</b>
<b>Percentage change</b>	<b>3.5%</b>

In the Governor's FY 2009 proposed budget, the Department of Environmental Protection budget increases by \$700,000, which covers annualized costs and compliance with the Regional Greenhouse Gas Initiative (RGGI). After a reduction of \$425,000 in earmarks, the Executive Office of Environmental Affairs receives a modest increase to cover higher costs in FY 2009.

The proposed budget reorganizes the Department of Conservation and Recreation (DCR)

- The budget for Urban Parks and Recreation increases funding by \$2 million and reduces earmarks by \$1.1 million resulting in a net increase of \$890,000. The budget also recommends merging the \$1.3 million allocated to Central Artery Parks into the Urban Parks account.
- \$550,000 in earmarks are cut from the State Parks and Recreation Account and a \$2 million expansion is recommended providing a net increase of \$1.5 million.
- The maintenance of state beaches and pools are merged into one account. The combined budget is cut by \$1.8 million including a \$1.1 million reduction in earmarks and an additional \$750,000 in cuts due to lower projected maintenance costs.
- The budget merges all of DCR's seasonal hiring for parks, beaches and pools into a single account to gain efficiencies.
- Snow removal and lighting for DCR parkways are merged into a single account. Funding is cut by \$800,000 to reflect lower projected maintenance costs of the parkways.
- The budget merges seven retained revenue accounts into a single account and raises the ceiling by \$2.3 million in anticipation of additional revenue from

leases and user fees. By merging its revenue into single account worth approximately \$10 million, the DCR will be given the discretion to spend the money where it may be most needed within the agency's programs.

The Governor also proposes a new funding mechanism for the Low Income Housing Assistance Program (LIHEAP). In FY 2008, LIHEAP was funded at \$15 million in a fall supplemental budget rather than in the FY 2008 GAA. The Governor proposes that \$15 million of from the Bay State Competitiveness Investment Fund (BSCIF), be set aside for LIHEAP. The Governor's budget also recommends that another \$20 million of the BSCIF be set aside to stimulate a "green economy" by funding for research in biofuels and helping communities maximize energy efficiency and adopt renewable technologies. These expenditures will only occur if there is enough of a surplus in FY 2008 to fund the BSCIF as explained in the "Economic Development" section of this *Budget Monitor*.

## ECONOMIC DEVELOPMENT

The Governor's proposed budget would decrease total funding for Economic Development programs by \$14.3 million, from \$190.1 million to \$175.7 million. This funding includes both line-item appropriations as well as off-budget items.

<b>FY 2008 GAA</b>	<b>\$ 190,088,069</b>
<b>FY 2009 House 2</b>	<b>\$ 175,734,171</b>
<b>Increase (decrease)</b>	<b>(\$14,353,898)</b>
<b>Percentage change</b>	<b>-7.6%</b>

The Governor's proposes eliminating \$14.5 million in earmarks within the Office for



Travel and Tourism. In its place, the Governor proposes a new matching grant program for regional tourism of \$5 million. The Governor also proposes to expand grants to community development organizations that support small business by \$1.5 million. The Governor's budget also includes the elimination \$8.6 million in earmarks within Workforce Development grants. Finally, the Governor proposes a \$2.5 million increase in the summer jobs program administered by the Department of Labor.

***Bay State Competitiveness Investment Fund (BSCIF)***

In FY 2008, the Legislature created the Bay State Competitiveness Investment Fund (BSCIF) which was funded with \$100 million from the state's FY 2007 surplus. This money was then distributed among several other funds in order to finance programs and projects in areas of the life sciences industry, affordable housing, clean energy, cultural facilities, and other areas.

The Governor proposes to continue this initiative in his FY 2009 budget and would again use \$100 million from the state's potential FY 2008 surplus to recapitalize the fund. The Governor also proposes amending the General Laws to change how the state handles its surplus and how the BSCIF allocates these funds. (Please see chart describing the allocation of the End-of-Year Surplus at the end of this *Budget Monitor*.)

Under the Governor's proposal, after setting aside statutorily-required deposits into the General Fund and the Stabilization Fund, the next \$100 million in FY 2008 surplus would be transferred to the BSCIF. It is important to note that because the Commonwealth must end FY 2008 with a surplus of \$100 million above its required deposits the

BSCIF funds are not confirmed appropriations. (Please see the end of the document for an explanation of the Stabilization Fund.)

Of the \$100 million allocated to the BSCIF, the first \$25 million would be transferred to the Life Sciences Investment Fund. The remaining \$75 million would be divided among the following funds: Alternative and Clean Energy (\$20 million); Workforce Competitiveness (\$15 million); Affordable Housing (\$15 million); Heating Assistance (\$15 million); Cultural Facilities (\$7 million); and, Regional Efficiency Grants (\$3 million). If, after the initial transfer to the Life Sciences Investment Fund, there remained less than \$75 million, the other transfers would be reduced proportionately.

**HOUSING**

The Governor's FY 2009 budget proposes the elimination of \$2.2 million in earmarks and increases funding by \$23.9 million, resulting in a net increase of \$21.7 million for the Department of Housing and Community Development (DHCD).

<b>FY 2008 GAA</b>	<b>\$ 128,066,159</b>
<b>FY 2009 House 2</b>	<b>\$ 149,794,050</b>
<b>Increase (decrease)</b>	<b>\$ 21,727,891</b>
<b>Percentage change</b>	<b>17.0%</b>

The housing budget includes an additional \$13 million in subsidies for public housing authorities. Approximately \$6 million will cover anticipated increases in expenses, such as higher fuel costs. The other \$7 million will be used to address the backlog in maintenance for many state public housing projects.

The housing budget also includes \$8.25 million for a new homelessness prevention program that is being developed by the Interagency Council on Homelessness. Mass Housing will provide a \$1.75 million match which gives the state \$10 million to begin efforts to move away from emergency shelters and towards permanent housing. The funds will be used for rental and emergency assistance as well as to develop programs that identify and provide assistance to those who are at risk of losing their homes. These funds will be held in reserve until a plan submitted by the Homelessness Commission and DHCD is approved by the Secretary of Administration and Finance. (Please see section “Other Human Services” for discussion of other homelessness prevention programs.)

Of the remaining housing programs within DCHD, the Massachusetts Rental Voucher Program and the Alternative Housing Voucher Program receive modest increases of about \$2 million and \$500,000 respectively. These additional funds reflect projected increases in FY 2009 to maintain the same level of services provided in FY 2008. The remaining housing programs are level-funded. This includes the Residential Assistance for Families in Transition which often runs out of funds mid-way through the fiscal year.

Finally, the Governor proposes that \$15 million of the \$100 million in surplus allocated to the Bay State Competitiveness Investment Fund be set aside for the Affordable Housing Trust Fund. This trust fund is used to build and preserve affordable housing in the state.

## **PUBLIC SAFETY AND CORRECTIONS**

Funding for public safety and corrections in the Governor’s FY 2009 budget totals \$1.701 billion, a \$237.6 million or 16.2 percent increase over the FY 2008 GAA.

<b>FY 2008 GAA</b>	<b>\$ 1,463,358,402</b>
<b>FY 2009 House 2</b>	<b>\$ 1,700,927,131</b>
<b>Increase (decrease)</b>	<b>\$ 237,568,729</b>
<b>Percentage change</b>	<b>16.2%</b>

The Governor’s proposed public safety budget would increase funding in several areas. The Governor’s budget increases funding for the Shannon Grant Program by \$4 million, an increase of 36.4 percent. Shannon Grants are distributed to communities to address gang-related crime; they are used for outreach programs for at-risk youth, gang and graffiti awareness trainings and reentry programs.

The Governor proposes increasing police grants to municipalities with high crime rates by \$1 million over what was spent in FY 2008. The FY 2008 GAA appropriated \$11 million. An additional \$3 million was spent in FY 2008 that had been appropriated in FY 2007. According to the Governor, the FY 2009 appropriation would allow cities and towns to hire at least 100 new police officers. Funding for the community policing grant program, however, is cut by \$2.1 million or 10.2 percent. The net appropriation would therefore be a reduction in funding of \$1.1 million.

The Governor’s proposal increases funding for state correctional facility operations by \$60.5 million over the FY 2008 GAA. However, the proposed funding level reflects a \$1.2 million reduction in funding over FY 2008 current spending. Current

spending is relatively high in FY 2008 because a collective bargaining supplemental budget passed that year. This collective bargaining supplemental included both pay raises and roughly \$13 million for retroactive payments for correctional officers, who had not received raises since 2004.

Under the Governor’s proposal, County Sheriffs’ departments would be shifted to the state system. The Governor says his goal in aligning the State and County Sheriffs’ offices is to promote consistency, transparency and efficiency in budgeting.

## TRANSPORTATION

The Governor’s proposed budget would increase funding for transportation \$14.1 million, from \$907.1 million to \$921.2 million. This total includes \$152.2 million in funding for transportation line items, and funding for the MBTA in the amount of \$768 million.

<b>FY 2008 GAA</b>	<b>\$ 907,055,572</b>
<b>FY 2009 House 2</b>	<b>\$ 921,151,178</b>
<b>Increase (decrease)</b>	<b>\$ 14,095,606</b>
<b>Percentage change</b>	<b>1.6%</b>

Funding for the MBTA is considered off-budget because it has a dedicated revenue stream of 20 percent of sales tax revenue. The Governor’s budget projects that this funding will increase in FY 2009 by \$12 million, from \$756 million to \$768 million.

Funding for regional transit authorities is via the budget, and the Governor proposes an increase of \$4.4 million, from \$52.3 million to \$56.6, which reflects the amount needed to maintain current services in FY 2009.

In addition, the Governor proposes allocating \$1 million to implement reforms to make the public transportation system more efficient and to coordinate investments in the state’s aging transportation infrastructure. Also, in an outside section, the Governor proposes creating the Transportation Fund. The budget proposes that all transportation-related revenue (gas tax, registry fees, etc.) collected by the state would be directed to this new fund.

## JUDICIARY

The Governor’s proposed budget would increase spending on the judiciary by \$45.4 million, from \$770.3 million to \$815.4 million.

<b>FY 2008 GAA</b>	<b>\$ 770,296,012</b>
<b>FY 2009 House 2</b>	<b>\$ 815,718,011</b>
<b>Increase (decrease)</b>	<b>\$ 45,421,999</b>
<b>Percentage change</b>	<b>5.9%</b>

The Governor’s proposed budget generally represents maintenance funding with respect to current FY 2008 spending levels. The only real increase is for Massachusetts Legal Assistance, which increases by \$2.4 million, from \$9.7 million to \$12.1 million. However, two other programs that received significant increases in Supplemental Appropriations during FY 2008 remain above FY 2008 GAA levels in the Governor’s proposal. They are:

- Private Counsel Compensation, which would increase \$24.8 million from FY 2008 GAA to the FY 2009 budget; and,
- Indigent Persons Court Costs/Fees, which would increase \$3.3 million from FY 2008 GAA to the FY 2009 budget.

These items have historically been under-funded resulting in backlogs of payments to attorneys providing counsel services to poor defendants that would then be addressed in the following fiscal year. In FY 2008 the administration has paid off the backlog from FY 2007. Because these backlog payments are one-time in nature the Governor's proposed budget for these items is less than was spent in FY 2008. However, the Governor's proposal does adequately fund these line items in FY 2009 so that future backlogs should be averted.

In addition, the Governor again proposes to reform the judiciary's funding system by consolidating line items and providing the Office of the Chief Justice for Administration and Management with the ability distribute that funding among the trial courts.

### **DISTRICT ATTORNEYS**

The Governor's proposal would increase state funding for District Attorneys from \$96.1 million to \$101.3 million, which allows the DAs to continue to provide current services.

<b>FY 2008 GAA</b>	<b>\$ 96,146,577</b>
<b>FY 2009 House 2</b>	<b>\$ 101,287,804</b>
<b>Increase (decrease)</b>	<b>\$ 5,141,227</b>
<b>Percentage change</b>	<b>5.3%</b>

### **ATTORNEY GENERAL**

The Governor's proposal would increase funding for the Attorney General's Office by \$2 million, from \$41.2 million to \$43.3 million.

<b>FY 2008 GAA</b>	<b>\$ 41,228,214</b>
<b>FY 2009 House 2</b>	<b>\$ 43,251,914</b>
<b>Increase (decrease)</b>	<b>\$ 2,023,700</b>
<b>Percentage change</b>	<b>4.9%</b>

The Governor's proposed budget, in general, provides maintenance funding for the Attorney General. The proposed budget does include an increase of \$720,000 for the Public Utilities Proceedings Unit, from \$1.6 million to \$2.4 million. This higher funding allows the Unit to hire more staff so that it can increase its advocacy on behalf of consumers during utility rate hearings in the Commonwealth.

### **LIBRARIES**

The Governor proposes increasing state funding for libraries from \$32.5 million to \$33.4 million.

<b>FY 2008 GAA</b>	<b>\$ 32,468,202</b>
<b>FY 2009 House 2</b>	<b>\$ 33,390,828</b>
<b>Increase (decrease)</b>	<b>\$ 922,626</b>
<b>Percentage change</b>	<b>2.8%</b>

The Governor's proposed FY 2009 budget includes increases for the Talking Book programs in Worcester (\$25,000) and Watertown (\$50,000). It also includes an increase of \$250,000 for the Public Library Matching Incentive Grant program.

## GROUP INSURANCE

The budget for the Group Insurance Commission (GIC) appears to increase by \$67.7 million, or 5.8 percent, under the Governor's proposal. For technical reasons (discussed below) this is an overstatement of the actual increase in spending.

<b>FY 2008 GAA</b>	<b>\$ 1,174,689,284</b>
<b>FY 2009 House 2</b>	<b>\$ 1,242,393,388</b>
<b>Increase (decrease)</b>	<b>\$ 67,704,104</b>
<b>Percentage change</b>	<b>5.8%</b>

Several municipalities and other public employers<sup>3</sup> have joined the GIC since July, when legislation was enacted that allowed them to join the state's health insurance plan. The GIC expects to spend \$25.1 million in FY 2009 up front for the additional health insurance premiums for the new participants. The state will be reimbursed over the course of the year by these public employers. Therefore, while this spending shows up in the Governor's budget, it has no effect on the bottom line. The increase in spending after we net out the \$25.1 million would be 3.6 percent.

The Governor's budget for GIC shifts \$51 million of the costs of state employees' health insurance on to those employees. The Governor proposes that employees' contributions to health insurance be based on their salary levels. The details of the proposal are presented in the chart below.

### Shifting Health Benefit Costs to State Employees

<u>Current Employee Share</u>		<u>Governor's Proposal (FY 2009 H.2)</u>	
<b>Retirees</b>	<b>Share</b>	<b>Retirees</b>	<b>Share</b>
<i>Retirement Date</i>		<i>Retirement Date</i>	
Before July 1, 1994	10%	Before July 1, 1994	10%
On or after July 1, 1994	15%	On or after July 1, 1994	15%
<b>Current State Employees</b>	<b>Share</b>	<b>Current State Employees</b>	<b>Share</b>
<i>Date of Hire</i>		<i>Salary Level</i>	
Before June 30, 2003	15%	< \$35,000	15%
After June 30, 2003	20%	\$35,000 - \$49,999	20%
		\$50,000+	25%

The bulk of GIC appropriations are spent on two accounts. The first covers the costs of providing benefits to current employees and some retirees. This account was projected to increase from \$736.9 million in FY 2008 to \$807.8 million. Of this \$807.8 million, \$25.1 million is actually the costs of employees of other public employers who have joined the GIC since July. Therefore, to make a meaningful comparison to FY 2008, we have to subtract this \$25.1 million in FY 2009, leaving \$782.7 million. This would be an increase of 6.2 percent over the FY 2008 GAA.

However, because the Governor's FY 2009 budget shifts \$51 million in health care costs to state employees, the cost to the GIC for this line item drops to \$731.7 million – an actual decline in spending below the FY 2008 level.

The second largest account within the GIC is for the State Retiree Trust Fund. This account, which was created to set aside funds for the retirees' future health care costs, will increase from \$343.2 million in FY 2008 to \$382.9 million in FY 2009.

<sup>3</sup> Eligible local governmental employers are cities, towns, districts, counties, regional councils of government (RCGs) and regional planning agencies (RPAs), educational collaboratives and charter schools.



## DEBT SERVICE

The Governor's proposed FY 2009 budget reflects increased costs for debt service, which would grow from \$1.952 billion to \$1.983 billion.

<b>FY 2008 GAA</b>	<b>\$ 1,952,103,701</b>
<b>FY 2009 House 2</b>	<b>\$ 1,983,197,023</b>

<b>Increase (decrease)</b>	<b>\$ 31,093,322</b>
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<b>Percentage change</b>	<b>1.6%</b>
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The Governor's proposed budget represents a normal increase in long-term debt service costs. However, it also includes an increase in short-term debt service costs. This increase is driven by the current year's increased use of short-term debt instruments necessitated by cash flow issues. The FY 2009 proposal assumes this higher level. In addition, the Governor's proposal represents decreases in both the Central Artery debt service and Grant Anticipation Notes compared to their levels in the FY 2008 GAA.

## BUDGET TRANSPARENCY

This year it is easier than it has ever been for an average citizen to examine and understand our state budget. In the years before the Internet, to look at the budget someone would have to go to the State House and find a copy of it. Over the past several years, budget documents have begun to be available on the Internet. In the last twelve months an on-line interface has been developed that takes real advantage of the ability of the Internet to provide clear, searchable, and comprehensive information to anyone with a computer and Internet connection (and libraries have been enlisted to encourage the use of their computers for people who need them to access this information).

The Governor's budget and extensive information to help people to understand it is available on the state website at [www.mass.gov/budget/governor](http://www.mass.gov/budget/governor). At this site you can find all of the information the state began to make available last year, such as

- A "Budget Navigation Guide" that provides information on spending and revenues and how to understand and navigate budget documents;
- Information on the state's fiscal outlook, the Governor's budget priorities and brief summaries of key budget recommendations;
- Information on the history of budget spending within agencies as well as links to information on the agency, employment levels, related legislation and organizational charts; and,
- A budget tracking tool that updates spending levels provided by the Governor, the House and the Senate. This information is updated throughout the budget process.

In addition there has been significant progress in this year's presentation:

- A much clearer overview of all spending and all revenue sources, and how they balance. In addition to clear information on tax revenue and federal revenue, the budget now presents information on fees and on transfers among funds;
- A detailed description of the fiscal and economic conditions in the state, entitled "Fiscal Year 2009 Budget Challenge" and how these conditions are affecting the current budget and revenue levels.;
- Brief summaries in the Governor's FY 2008 budget homepage have been expanded to "Issues in Brief," in the FY 2009 budget. These are short documents

written in plain English that provide clear descriptions of budget initiatives including education, economic development, health reform, and tax policy;

- Inclusion of the tax expenditure budget, listing each tax credit, deduction and other tax break in a format that is easy to search;
- Listing of each outside section with an explanation, written in plain English, of what the outside section would do; and,
- Easier access to Local Aid numbers and a clear link to these numbers on the navigation bar.

These improvements provide a greater level of detail on the sources of state revenue and how the annual budget is developed. In addition to the changes made last year (described in detail in “A More Transparent Budget: Continuing the Progress”<sup>4</sup>), the administration has taken more steps in implementing the recommendations made in “Creating a Transparent Budget for Massachusetts”<sup>5</sup>, a report from the Massachusetts Budget Transparency Project.

One further step that would improve upon current reforms would be for the budget to present clear information about when increases or decreases in spending are due to policy choices, and when those changes are just the result of changes in caseloads or in the costs of goods or services that the government purchases.

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<sup>4</sup> Available at <http://massbudget.org/MoreTransparentBudget.pdf>.

<sup>5</sup> Available at <http://www.massbudget.org/Creating a Transparent Budget.pdf>.

## REVENUE

On January 8, 2008, the Secretary of Administration and Finance and the Chairpersons of the House and Senate Ways and Means Committees announced the official tax revenue estimate for FY 2009. They project that tax revenue will total \$20.987 billion in FY 2009; this is an increase of \$762 million, or 3.8 percent, over the revised FY 2008 projection (of \$20.225 billion) provided by the Secretary of Administration and Finance in October 2007.

As the economy has been slowing, two taxes in particular are expected to show trends that will lead to weakened overall tax revenue growth. Corporate and business taxes are expected to decline by 3.2 percent in FY 2009 and capital gains tax collections are expected to be flat.

The Governor’s FY 2009 budget proposes several policy changes that relate to revenue: enhanced tax collections; closing of corporate tax loopholes; and, casino gambling.

### *Enhanced Tax Collections*

The Governor proposes several initiatives to enhance tax collections that will increase revenue by \$166 million in FY 2009. Among these proposals are a continuation of funding for additional auditors at the Department of Revenue (DOR), tobacco tax reforms, wage enforcement efforts, increased lien filings, increased penalties for tax evasion, and a repeal of two specific tax exemptions.

### *Additional Tax Auditors Initiative*

The FY 2008 budget included funding to hire 87 additional auditors at the Department of Revenue. Funding for these auditors

would continue in FY 2009 and their efforts are projected to result in an estimated \$60 million in additional revenue.

#### Tobacco Tax Reforms

The Governor proposes using encrypted tax stamps to address the problem of counterfeiting. This new technology would allow the state to track packs of cigarettes throughout their distribution and sale in order to ensure proper tax collection. This change is projected to result in an additional \$12 million in FY 2009.

The Governor also proposes to tax cigars and smoking tobacco in the same fashion as cigarettes and smokeless tobacco, at the wholesale level. Currently, cigars and smoking tobacco are taxed at the retail level, where current law does not require licensing. By modifying the law to tax these products at the wholesale level it is projected to result in an additional \$11 million in FY 2009.

Finally, the Governor's proposal includes a requirement that wholesalers charge and collect a prepaid sales tax from cigarette retailers. This change would address the problem of cigarette retailers not collecting the sales tax. This change is projected to result in an additional \$10 million in FY 2009.

#### Wage Enforcement Efforts

Misclassification of employees costs the Commonwealth millions of dollars in lost revenue each year. For example, when employees are improperly classified as independent contractors, their employers do not withhold taxes and sometimes those taxes are not paid. This initiative would bring together the Attorney General, Department of Industrial Accidents, and the Division of Unemployment Assistance in a statewide effort to address this problem. The

visibility of the program is expected to increase voluntary compliance and is projected to result in an additional \$30 million in FY 2009.

#### Lien Filings

There are over 20,000 people with taxes due to the Commonwealth, for a total of over \$63 million. However, the filing of liens is a labor-intensive and costly process. The Governor proposes that the DOR reallocate its resources so that more liens will be recorded. This increased enforcement is projected to bring the Commonwealth an additional \$6 million in FY 2009.

#### Increased Penalties for Tax Evasion

The Governor proposes increasing two fees imposed by DOR on delinquent taxpayers. First, the Department would increase its late pay penalty (over 30 days) from 0.5 percent to 1 percent, which would bring the state an additional \$12 million in FY 2009. Second, the DOR would increase its one-time fee for late payments from \$5 to \$30, which is projected to result in an additional \$4 million in FY 2009.

The Governor also proposes allowing the DOR to collect an estimated payment of taxes incurred by out of state sellers of Massachusetts real estate. Out of state sellers are subject to capital gains taxes for real estate sold in Massachusetts. Allowing the Department to collect an estimated payment of taxes promotes compliance by providing out of state sellers with incentive to file the proper income tax return in the state. This is projected to result in an additional \$2 million in FY 2009.

Finally, the Governor proposes revoking driver's licenses for nonpayment of taxes. The threat of revocation and the enforcement is projected to result in a \$7 million increase in revenue for FY 2009.

### Reduction of Tax Exemptions

The Governor proposes repealing the sales tax exemption for aircraft and replacement parts for aircraft enacted in 2001, which is projected to result in an additional \$9 million in FY 2009. The Governor also proposes eliminating the sales tax exemption for household insect sprays and lawn chemicals except when purchased by farmers and licensed applicators, which is projected to result in an additional \$3 million in FY 2009.

### Reducing Corporate Tax Avoidance

Along with his FY 2009 budget, the Governor filed legislation to reduce corporate tax avoidance and to reduce payments of the state Earned Income Tax Credit (EITC) to non-residents. These changes are expected to generate \$297 million in FY 2009.

The Governor's proposals echo the recommendations of Study Commission on Corporate Taxation appointed last spring by the Governor, House Speaker and Senate President. This commission also recommended a reduction in the corporate tax rate, but split on how large such a corporate tax cut should be. The Governor's budget recommends that the state:

- Implement combined reporting to make it harder for companies to shift income between subsidiaries to reduce their state taxes.<sup>6</sup> This is expected to save the state \$188 million in revenue that would

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<sup>6</sup> For a more complete explanation of combined reporting, see "Combined Reporting: What it Is and How it Works" available at <http://www.massbudget.org/CombinedReportingFeb07.pdf>.

otherwise be lost to tax avoidance in FY 2009.

- Conform to federal rules so that companies cannot avoid taxes by being classified as partnerships in one state and corporations in another state or at the federal level. This is expected to save the state \$101 million in revenue that would otherwise be lost to tax avoidance in FY 2009.
- Require internet retail agents to collect the hotel tax on the full retail price charged for hotel rooms. This would be worth \$5.6 million in FY 2009.
- Not allow non-residents to claim the EITC on income not earned in Massachusetts. This would reduce EITC payments by \$2 million.

In addition, the governor recommends reducing the corporate tax rate by 13 percent: from 9.5 percent to 8.3 percent. This rate cut would begin in 2010 and be phased in over three years. The full annual cost of the rate cut would be about \$200 million (assuming current corporate profit levels) and the full annual savings to the state from closing loopholes would be about \$500 million (the FY 2009 estimates are lower because the change would take effect in the middle of the fiscal year). Combining the revenue from closing loopholes with the cost of the rate cut, the Governor's overall plan would save the state approximately \$300 million that is currently being lost as a result of corporate tax avoidance.

### Casino Gambling

The Governor proposes the inclusion of gaming licensing fees in his budget. Specifically, the Governor proposes using \$124 million of these fees to support level funding of Lottery Aid to the Commonwealth's municipalities for FY 2009.

## *Stabilization Fund*

The Governor proposes the transfer of \$369 million from the Stabilization Fund to the General Fund in order to balance the budget, and recommends a change in the state's annual deposit to the Stabilization Fund.

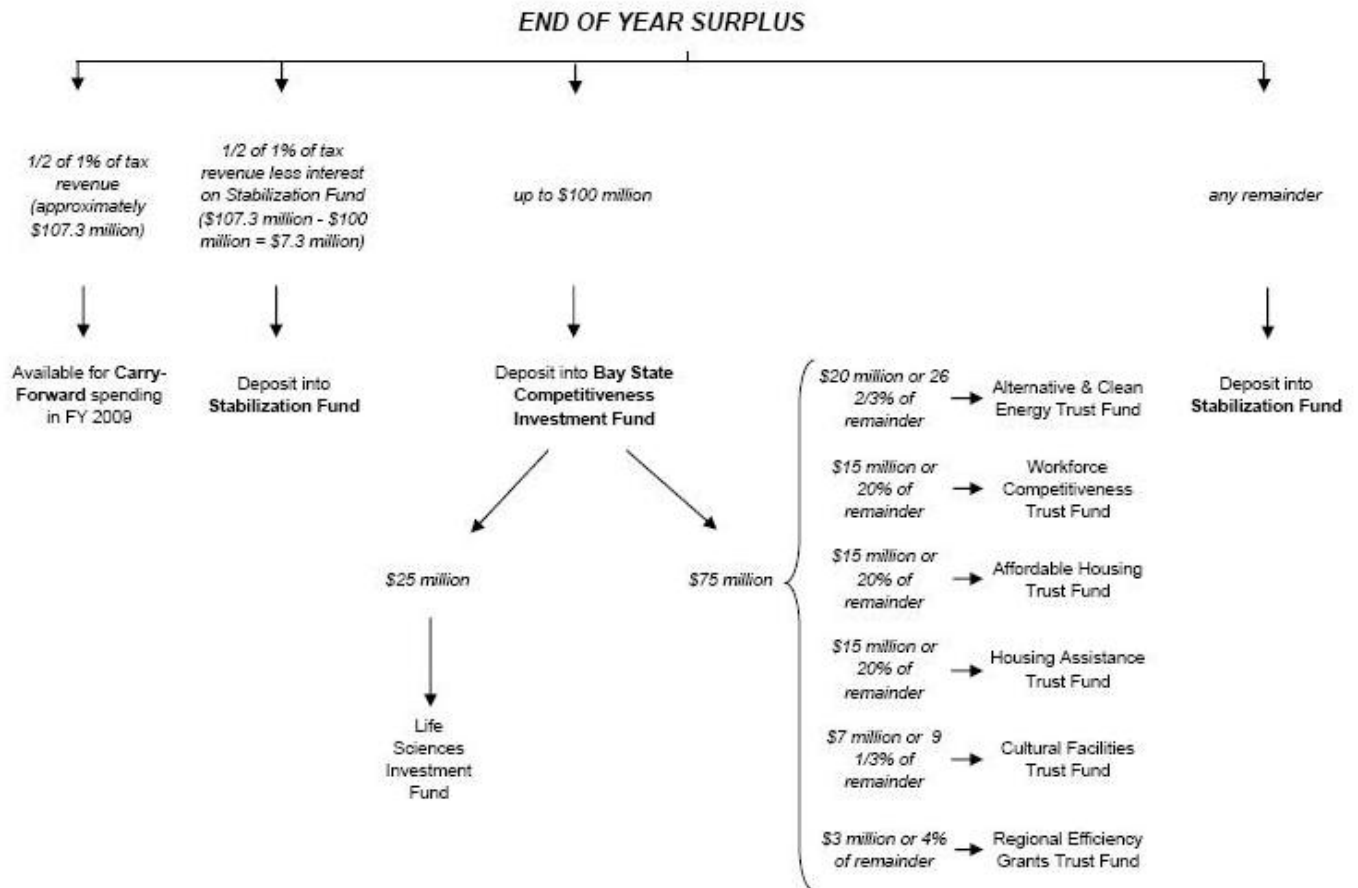
Currently, the Commonwealth is statutorily obligated make  $\frac{1}{2}$  of 1 percent of each year's total tax revenue a "Carry Forward" to be available for spending in the next fiscal year, and to deposit an additional  $\frac{1}{2}$  of 1 percent of each fiscal year's total tax revenue into the Stabilization Fund.

The Governor's budget includes an outside section that would change the allocation of any state surplus. The Governor proposes crediting the interest earned from the Stabilization Fund towards the statutory transfer into that Fund. For example, the scheduled deposit in FY 2009 is \$107.3 million. The interest earned on the Stabilization Fund in FY 2008 is projected to be \$100 million. Thus, the Governor proposes that the FY 2009 transfer to the Stabilization Fund be reduced by this \$100 million in interest and require a new deposit of only \$7.3 million transfer from the General Fund.

Up to \$100 million of any remaining end of year surplus would be then be deposited in the Bay State Competitiveness Investment Fund (as described in the "Economic Development" section of this *Budget Monitor*). Any remaining surplus would then also be deposited in the Stabilization Fund.



**END OF YEAR SURPLUS:  
Carry-Forward; Stabilization Fund; Bay State Competitiveness Investment Fund**



## Budget by Program Area

(in Millions of Dollars)

Program Area <sup>1</sup>	FY 2008		FY 2009	H.2 vs. FY08 GAA		H.2 vs. FY08 Current	
	GAA	Current	H.2 (Gov.)				
<b>Budgeted Appropriations</b>	<b>28,234.6</b>	<b>28,641.9</b>	<b>30,119.2</b>	<b>1,884.6</b>	<b>6.7%</b>	<b>1,477.3</b>	<b>5.2%</b>
<i>Line-Item Appropriations</i>	26,808.2	27,185.5	28,164.7	1,356.5	5.1%	979.2	3.6%
<i>Outside Section Appropriations</i>	1,426.4	1,456.4	1,954.5	528.1	37.0%	498.1	34.2%
Local Aid - Lottery	935.0	935.0	935.0	0.0	0.0%	0.0	0.0%
Local Aid - Additional Assistance & PILOT	410.3	410.3	411.7	1.4	0.3%	1.4	0.3%
K-12 Education (Chapter 70)	3,725.7	3,725.7	3,948.8	223.2	6.0%	223.2	6.0%
K-12 Education (non-Chapter 70)	578.7	581.0	637.2	58.5	10.1%	56.1	9.7%
Higher Education	1,054.7	1,091.1	1,087.7	33.0	3.1%	(3.3)	-0.3%
Early Education and Care	536.5	537.1	584.0	47.6	8.9%	47.0	8.7%
Income Supports	598.9	603.6	624.2	25.3	4.2%	20.6	3.4%
Health Care <sup>2</sup>	9,371.4	9,430.7	10,282.0	910.6	9.7%	851.2	9.0%
<i>Line-Item Appropriations</i>	8,300.9	8,330.3	8,710.4	409.5	4.9%	380.1	4.6%
<i>Outside Section Appropriations</i>	1,070.4	1,100.4	1,571.6	501.1	46.8%	471.1	42.8%
Elder Affairs	232.3	232.9	236.0	3.7	1.6%	3.0	1.3%
Public Health	554.4	556.2	580.2	25.8	4.6%	24.0	4.3%
Mental Health	667.4	667.4	686.3	18.9	2.8%	18.9	2.8%
Mental Retardation	1,226.4	1,229.4	1,267.4	40.9	3.3%	37.9	3.1%
Social Services	800.1	800.7	838.0	37.9	4.7%	37.3	4.7%
Other Human Services <sup>3</sup>	602.7	610.9	624.7	22.1	3.7%	13.8	2.3%
Environmental Affairs	216.7	223.1	224.3	7.6	3.5%	1.2	0.5%
Economic Development	190.1	223.5	175.7	(14.4)	-7.6%	(47.7)	-21.4%
<i>Line-Item Appropriations</i>	177.3	210.7	175.7	(1.6)	-0.9%	(35.0)	-16.6%
<i>Outside Section Appropriations</i>	12.8	12.8	0.0	(12.8)		(12.8)	
Housing	128.1	149.6	149.8	21.7	17.0%	0.2	0.1%
Transportation	151.1	159.1	152.2	1.1	0.7%	(7.0)	-4.4%
Public Safety & Corrections	1,463.4	1,570.1	1,700.9	237.6	16.2%	130.8	8.3%
Judiciary	770.3	791.8	815.7	45.4	5.9%	23.9	3.0%
District Attorneys	96.1	101.7	101.3	5.1	5.3%	(0.4)	-0.4%
Attorney General	41.2	41.2	43.3	2.0	4.9%	2.0	4.9%
Libraries	32.5	32.9	33.4	0.9	2.8%	0.5	1.6%
Group Insurance	1,174.7	1,176.1	1,242.4	67.7	5.8%	66.2	5.6%
<i>Line-Item Appropriations</i>	831.4	832.9	859.5	28.0	3.4%	26.5	3.2%
<i>Outside Section Appropriations</i>	343.2	343.2	382.9	39.7	11.6%	39.7	11.6%
Other Administrative	724.0	808.6	753.9	29.9	4.1%	(54.7)	-6.8%
Debt Service	1,952.1	1,952.1	1,983.2	31.1	1.6%	31.1	1.6%
<b>Pre-Budget Transfers from General Fund<sup>4</sup></b>	<b>2,789.3</b>	<b>2,789.3</b>	<b>2,935.0</b>	<b>145.7</b>	<b>5.2%</b>	<b>145.7</b>	<b>5.2%</b>
School Building Assistance	634.7	634.7	702.0	67.3	10.6%	67.3	10.6%
Pensions	1,398.6	1,398.6	1,465.0	66.4	4.7%	66.4	4.7%
MBTA	756.0	756.0	768.0	12.0	1.6%	12.0	1.6%
<b>Total Appropriations and Other Uses</b>	<b>31,023.9</b>	<b>31,431.2</b>	<b>33,054.2</b>	<b>2,030.3</b>	<b>6.5%</b>	<b>1,623.0</b>	<b>5.2%</b>

1. In some areas, the Governor has recommended consolidating or moving items from one department to another. The year-to-year comparisons adjust for these changes.

2. Health Care includes Medicaid/MassHealth, other state health programs, the elder pharmacy program, health care finance, the Health Safety Net and other costs associated with health reform.

3. Other Human Services includes numerous departments, including Veterans Affairs, Mass. Commission for the Blind, Mass. Rehabilitation Commission, Mass. Commission for the Deaf and Hard of Hearing, the Soldiers' Homes, the Dept. of Youth Services, administrative costs for the Department of Transitional Assistance, and certain programs directly within the Executive Office of Health and Human Services.

4. By law, prior to the appropriations process, the state allocates certain shares of revenue to the state pension fund, the school building assistance fund, and the Massachusetts Bay Transit Authority.