

## The House Ways & Means Fiscal Year 2012 Budget

### OVERVIEW

The House Ways & Means (HWM) budget for Fiscal Year (FY) 2012, like the Governor’s proposal, relies primarily on budget cuts and savings to close a \$1.9 billion gap between the cost for maintaining current services and the revenue expected to be available in FY 2012. The HWM budget cuts somewhat more deeply than the Governor’s proposal in health care accounts, most significantly by eliminating the Commonwealth Care Bridge program that provides health insurance to close to 20,000 legal immigrants. The HWM budget also recommends larger cuts than those proposed by the Governor in the judiciary and law enforcement and in environment and recreation accounts. The HWM funding proposal for Chapter 70 – the major source of state support for local schools – is in line with the Governor’s recommendations, while some targeted programs in both K-12 and higher education receive less funding in the HWM proposal than in the Governor’s budget. The HWM budget recommends slightly higher funding levels than the Governor’s budget in disability services, and does not recommend cuts quite as deep as those proposed by the Governor in overall funding for probation and parole.

One of the reasons the HWM budget imposes somewhat larger cuts than the Governor proposed is that it does not adopt several of the Governor’s modest revenue initiatives. Most significantly, HWM rejects a proposal to expand the bottle bill to non-carbonated beverages, which the Governor projected would raise \$20.0 million, and rejects a reform to the taxation of multi-state companies that would clarify that certain sales of services to Massachusetts consumers should count as sales in Massachusetts for purposes of calculating corporate taxes owed to Massachusetts. HWM follows the Governor’s recommendation to increase federal Medicaid reimbursements (\$77.8 million), strengthen the capacity to collect taxes that are owed (\$61.5 million), and implement a variety of federal reimbursements for state programs (\$35 million). Ongoing revenue proposals in the HWM budget total \$174.3 million.

The HWM budget relies on a total of \$370.9 million in temporary or one-time resources, down from more than \$1.7 billion counted on to balance the budget in FY 2011. Like in the Governor’s budget, the most significant temporary resources include a modest \$200.0 million withdrawal from the state’s Stabilization (“Rainy Day”) Fund, and \$99.0 million from the disposition of abandoned property. In FY 2011 the state was helped by over \$1.5 billion in temporary state fiscal relief from

### TABLE OF CONTENTS

Overview	1
Education	4
Environment & Recreation	11
Health Care	13
Human Services	21
Infrastructure, Housing & Economic Development	26
Law & Public Safety	32
Local Aid	38
Other	40
Revenue	43
Appendix: Budget by Program Area	45

the federal government, but that assistance will no longer be provided in FY 2012.

This *Budget Monitor* examines the HWM proposals in each area of the budget, and compares these proposals to those of the Governor as well as current year appropriations. In addition, it provides some comparisons to funding levels from before the fiscal crisis and briefly examines reform initiatives contained in the budget.

## HOW TO READ THE TABLES

The tables included at the beginning of each section provide an overview of the funding for each category and how it compares to funding in FY 2011. Here is an explanation of each item presented in these tables.

**MassBudget Adjusted Totals:** To allow for accurate comparisons of FY 2012 budget proposals to FY 2011 budget totals, *MassBudget* “adjusts” budget totals when the FY 2012 proposal recommends departmental reorganizations or accounting changes. These adjustments allow the user to differentiate between changes in funding due to proposed cuts or expansions, rather than changes due to organizational or accounting shifts.

**FY 2012 House Ways and Means (Adjusted):** For the House Ways and Means FY 2012 budget proposal, *MassBudget* adjusts funding levels for the University of Massachusetts, state universities, and community colleges to include projected FY12 retained revenue amounts for each campus. The specific amounts are listed in the table below.

Account	Campus	Projected Retained Revenue
7100-0200	University of Massachusetts	\$11,557,889
7109-0100	Bridgewater State University	\$767,750
7110-0100	Fitchburg State University	\$836,941
7112-0100	Framingham State University	\$460,887
7114-0100	Salem State University	\$286,000
7115-0100	Westfield State University	\$257,240
7116-0100	Worcester State University	\$814,801
7502-0100	Berkshire Community College	\$86,883
7503-0100	Bristol Community College	\$58,298
7504-0100	Cape Cod Community College	\$137,687
7505-0100	Greenfield Community College	\$140,877
7506-0100	Holyoke Community College	\$67,806
7507-0100	Massachusetts Bay Community College	\$219,200
7508-0100	Massasoit Community College	\$144,927
7509-0100	Mount Wachusett Community College	\$40,480
7510-0100	Northern Essex Community College	\$196,539
7511-0100	North Shore Community College	\$107,685
7512-0100	Quinsigamond Community College	\$136,556
7514-0100	Springfield Technical Community College	\$186,167
7515-0100	Roxbury Community College	\$58,417
7516-0100	Middlesex Community College	\$163,087
7518-0100	Bunker Hill Community College	\$467,809

**FY 2011 Current:** This is the funding amount included in the current year (FY 2011) budget, which incorporates any changes to funding levels that may have occurred after the budget was enacted.

**FY 2012 Governor (Adjusted):** This is the funding amount proposed by the Governor for FY 2012, with *MassBudget* adjustments. For an explanation of the adjustments made to the FY 2012 Governor’s proposal, please see the *Budget Monitor* for the Governor’s Fiscal Year 2012 Budget, <http://massbudget.org/doc/775/1464>.

## EDUCATION

<b>FY 2012 House Ways and Means (Adjusted)*</b>	<b>\$6,624,850,623</b>
<b>FY 2011 Current</b>	<b>\$6,664,644,226</b>
<i>Change from FY 2011 Current</i>	<i>-\$39,793,602</i>
<i>Percent Change</i>	<i>-0.6%</i>
<b>FY 2012 Governor (Adjusted)*</b>	<b>\$6,639,109,325</b>

\* In cases where House Ways and Means has shifted line items between categories, we have made an adjustment to reflect FY 2011 categories in order to provide an apples-to-apples comparison. See "How to Read the Tables."

The Fiscal Year (FY) 2012 House Ways and Means (HWM) budget proposes **\$6.62 billion** for programs within the *MassBudget* category of education, which includes early education and care, elementary and secondary education, and the state's public institutions of higher education. This proposal represents a decrease of \$39.8 million, or 0.6 percent, from the current FY 2011 budget, and it is \$14.3 million lower than the Governor's FY 2012 proposal.

It is important to note that in FY 2011, \$296.5 million in temporary federal recovery money is being used to help fund K-12 education and the state's public institutions of higher education. Since there are no new sources of federal recovery dollars available for FY 2012, an increase in the state's own contribution to education spending is proposed for FY 2012 in order to fend off deeper cuts.

Education has been cut moderately over the course of the ongoing Great Recession, with the HWM education proposal representing a cut of \$579.7 million, or 8.0 percent, when compared to FY 2009 inflation-adjusted funding levels.<sup>1</sup>

**EARLY EDUCATION & CARE**

The FY 2012 HWM budget proposes to fund programs within the *MassBudget* category of Early Education and Care at **\$512.6 million**, an increase of \$2.3 million, or 0.5 percent, from the current FY 2011 budget. The Governor proposed very close to level funding from the current FY 2011 budget.

This HWM proposal represents a cut of \$99.0 million, or 16.2 percent, when compared to FY 2009 inflation-adjusted funding levels.

The FY 2012 HWM budget maintains three dedicated line items for child care subsidies for different types of children: 1) children of low-income families; 2) children of families served by, or transitioning from, Transitional Aid for Families with Dependent Children (TAFDC); and 3) children under Department of Children and Families (DCF) custody.<sup>2</sup> The Governor's proposal, by contrast, consolidates all three of these programs into the Low-Income Child Care line item without earmarks.

<sup>1</sup> Since Chapter 70 education aid is funded through a formula designed to ensure adequate resources for every district, fully funding the formula often requires greater resources than simply inflating nominal dollar amounts from prior years. For more information on cuts to Chapter 70 since the onset of the Great Recession in the fall of 2008, please see the MassBudget paper *Fiscal Fallout* available online at: <http://massbudget.org/doc/781>

<sup>2</sup> For more information comparing child care rates paid by the state and rates paid by private payers, please see the Early Education and Care section in *MassBudget's* recent paper *Quality, Cost, and Purpose: Comparisons of Government and Private Sector Payments for Similar Services*, available online at: <http://massbudget.org/doc/773>

Taken together, HWM proposes to fund these child care subsidies at \$448.2 million, \$2.1 million higher than the Governor’s proposal. For these three child care support subsidies, the FY 2012 HWM budget proposes:

- \$237.4 million for **Low-Income Child Care**, an increase of \$3.9 million, or 1.7 percent, from the current FY 2011 budget.
- \$133.4 million for **TANF Related Child Care**, an increase of \$6.0 million, or 4.7 percent, from the current FY 2011 budget.
- \$77.4 million for **Supportive Child Care** (children of DCF custody), a decrease of \$8.3 million, or 9.6 percent, from the current FY 2011 budget.

Also within Early Education & Care, the FY 2012 HWM budget proposes:

- \$19.0 million for **Family Support and Engagement**, which is the result of rolling **Quality Program Supports** into the **Family Support and Engagement** line item. The Governor’s FY 2012 budget does not propose this consolidation. Taken together, this funding level represents a decrease of \$25,000 from the current FY 2011 budget, essentially level funding. The Governor’s budget proposes level funding.
- \$10.5 million for the **Healthy Families Home Visiting Program**, a decrease of \$75,000, or 0.7 percent, from the current FY 2011 budget. The Governor’s FY 2012 budget proposes level funding.
- \$7.5 million for **Head Start**, level funding from the current FY 2011 budget. This proposal is identical to the Governor’s FY 2012 proposal.
- \$7.5 million for **Universal Pre-Kindergarten**, level funding from the current FY 2011 budget. This proposal is identical to the Governor’s FY 2012 proposal.
- \$500,000 for the creation of a new line item, **Reach Out and Read**, for early literacy education.

**TOTAL STATE FUNDING FOR K-12 EDUCATION**

The following three *MassBudget* subcategories – Chapter 70 Aid, Non-Chapter 70 Aid, and School Building – together represent the state’s contribution to K-12 education.

**Total State Funding for K-12 Education**

Subcategory	FY 2011 Current	FY 2012 Governor	FY 2012 HWM
Chapter 70 Aid	\$4,072,341,440	\$3,990,519,337	\$3,990,812,681
Non-Chapter 70 Aid	\$425,501,546	\$506,949,036	\$499,684,737
School Building	\$644,348,851	\$678,100,000	\$678,124,324
<b>TOTAL</b>	<b>\$5,142,191,837</b>	<b>\$5,175,568,373</b>	<b>\$5,168,621,742</b>

The FY 2012 HWM budget proposes to fund K-12 education at **\$5.17 billion**, an increase of \$26.4 million, or 0.5 percent, from the current FY 2011 budget. This proposal is \$6.9 million below the Governor’s FY 2012 budget.

## K-12: CHAPTER 70 AID

The FY 2012 HWM budget proposes to fund **Chapter 70 education aid** to local and regional school districts at **\$3.99 billion**, a decrease of \$81.5 million, or 2.0 percent, from current FY 2011 funding levels (which include \$221.1 million in federal recovery money that was available to districts in FY 2011). This proposal is virtually the same as the Governor's proposal, except that HWM used updated district enrollment estimates that changed slightly Chapter 70 allocations for eight districts. Chapter 70 aid has seen less severe cuts over the last several years than many other state programs, with the HWM proposal representing a somewhat modest 2.5 percent decrease from FY 2009 inflation-adjusted levels.

Not counting federal recovery money, state funding for Chapter 70 was \$3.85 billion in FY 2011. Therefore, while the HWM proposal is \$81.5 million *below* the total amount available in FY 2011, it is \$139.6 million *above* the state's FY 2011 appropriation, narrowly defined, which is how the House 1 budget describes this proposal.

The total \$4.07 billion in revenue allocated to Chapter 70 aid in FY 2011 comes from:

- \$3.85 billion state contribution.
- \$20.7 million federal State Fiscal Stabilization Fund (SFSF) contribution.
- \$200.5 million federal Education Jobs Fund contribution.

This FY 2011 revenue picture is complicated by the fact that federal dollars distributed locally are not actually required to be spent fully during the fiscal year in which they are allocated. While essentially all of the \$20.7 million in SFSF money allocated to school districts will be spent during the current fiscal year, districts have until September 30, 2012 (the first quarter of FY 2013) to spend their Education Jobs Fund allocation. As of April 2011, only \$92.2 million of the \$200.5 million in Education Jobs Fund money intended for use in FY 2011 has actually been claimed by local districts for this fiscal year; some districts have partially claimed their allocation for FY 2011, whereas 45 districts have chosen to defer their entire allocation to FY 2012 and/or the first quarter of FY 2013. Therefore, the \$4.07 billion budgeted amount for Chapter 70 aid in FY 2011 somewhat overstates resources actually being spent on education this year and, conversely, the HWM's \$3.99 billion proposed state contribution for FY 2012 somewhat understates the resources likely to be available next year.

Under the HWM proposal, 73.3 percent of districts would receive a cut in their Chapter 70 aid of between 5 and 7.5 percent, with no district being cut so much that their net school spending falls below their foundation budget. The effect of these cuts would be mitigated for districts that do not spend their entire Education Jobs Fund allocation in FY 2011.

Through the FY 2007 budget process a set of reforms to the Chapter 70 formula was planned to be phased in over five years, finishing in FY 2011.<sup>3</sup> Since these reforms require additional state funding, the Legislature chose to slow this phase in during FY 2010 and FY 2011 as the financial crisis strained state resources. Similar to the past two fiscal years, the HWM proposal for FY 2012 continues a freeze on phasing some reform provisions, and it partially phases in another: an additional reduction of

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<sup>3</sup> For more information on the 2007 reform plan, please see the November 2006 *MassBudget* paper *Public School Funding in Massachusetts: Where We Are, What Has Changed, and Options Ahead*, available here: [http://www.massbudget.org/file\\_storage/documents/Public\\_School\\_Funding-Where\\_We\\_Are\\_What\\_Has\\_Changed\\_-\\_FINAL.pdf](http://www.massbudget.org/file_storage/documents/Public_School_Funding-Where_We_Are_What_Has_Changed_-_FINAL.pdf)

required local contributions for districts above their target local contributions. Qualifying districts would have their local contribution reduced by 20 percent of the gap between their preliminary contribution and their target contribution, resulting in \$11.7 million more Chapter 70 aid for these districts.

### ***K-12: NON-CHAPTER 70 AID***

The FY 2012 HWM budget proposes to fund elementary and secondary education programs (not including Chapter 70 aid) at **\$500.0 million**, an increase of \$74.2 million, or 17.4 percent, from the current FY 2011 budget. Most of the programs within the *MassBudget* category of K-12: Non-Chapter 70 Aid are grant programs distributed to individual schools and/or school districts to advance specific priority initiatives. This funding level is \$7.3 million less than the Governor's FY 2012 proposal and represents a cut of 21.9 percent from FY 2009 inflation-adjusted levels.

Programs proposed for increases by HWM include:

- \$213.1 million for the **Special Education Circuit Breaker** program, reflecting an increase of \$80.0 million from current FY 2011 levels, accounting for much of the total proposed increase to non-Chapter 70 K-12 funding. The HWM proposal is identical to the Governor's FY 2012 proposal and restores the circuit breaker program closer to the original FY 2009 GAA funding level of \$230.0 million, not adjusted for inflation, prior to a series of cuts made during the Great Recession. While the circuit breaker was reduced to \$140.1 million in the FY 2010 GAA and to \$133.1 million in the FY 2011 GAA, there was a separate infusion of additional temporary federal recovery money available in these years through the Individuals with Disabilities Education Act (IDEA), which also funds special education services and helped mitigate the effect of these cuts.
- \$73.2 million for **Charter School Reimbursement**, an increase of \$1.7 million, or 2.3 percent, from current FY 2011 levels. This appropriation is based upon projected full-funding of the reimbursement formula, so while the HWM proposal is somewhat higher than the Governor's proposal of level funding, the difference is due only to revised projections since the Governor's budget was released in January 2011.

Programs proposed for level funding by HWM include:

- \$40.5 million for the **Transportation of Pupils in Regional School Districts**. This proposal is identical to the Governor's FY 2012 proposal.
- \$27.7 million for **Adult Basic Education**. This proposal is identical to the Governor's FY 2012 proposal.
- \$22.9 million for **Kindergarten Expansion Grants**. This proposal is identical to the Governor's FY 2012 proposal.
- \$13.9 million for **Extended Learning Time Grants**. This proposal is identical to the Governor's FY 2012 proposal.
- \$9.1 million for **MCAS Low-Scoring Student Support**. The Governor, by contrast, proposes an increase of \$561,000 over current FY 2011 funding levels.

- \$6.7 million for **Targeted Intervention in Underperforming Schools**. The Governor, by contrast, proposes an increase of \$951,000.
- \$4.1 million for the **School Breakfast Program**. The Governor, by contrast, proposes an increase of \$290,000.
- \$3.9 million combined for three separate literacy-related line items – **Bay State Reading Institute, Targeted Tutorial Literacy Programs, and Literacy Programs** – that are proposed to be consolidated into the Literacy Programs line item in the Governor’s FY 2012 proposal. In total, both the Governor and HWM propose level funding from the current FY 2011 budget.
- \$1.5 million for **After-School** programs. This proposal is identical to the Governor’s FY 2012 proposal.

Programs proposed for decreases by HWM include:

- \$16.1 million for the **METCO** program to reduce racial segregation across school districts, a decrease of \$1.5 million, or 8.5 percent, from the current FY 2011 budget. The Governor proposes level funding.
- Elimination of **Youth-Build Grants**, which had been funded at \$1.3 million in the current FY 2011 budget. The Governor proposes level funding.

Additionally, HWM does not follow the Governor in proposing the creation of a new \$3 million fund within the Executive Office of Education to support the state’s **achievement gap-related programs**.

**Connecting Activities**, which provides work opportunities for high school students, particularly in the summer, is one area where a comparison to FY 2011 is somewhat complicated. HWM proposes no new funding in the FY 2012 budget for Connecting Activities, which was funded at \$2.0 million in both the FY 2010 and FY 2011 GAA budgets. However, an additional \$2.0 million was added in an April 2011 supplemental budget, increasing the FY 2011 current appropriation to \$4.0 million. While HWM did not appropriate any new money for Connecting Activities in its FY 2012 budget, accompanying documents listed \$2.0 million from this line item under “FY11 Investments for FY12.” This language suggests that the additional \$2.0 million appropriated in April 2011 is intended by HWM to be used in part for summer jobs starting in July 2011 (the beginning of FY 2012). The Governor, by contrast, proposes \$2.0 million for Connecting Activities in his FY 2012 budget in addition to funds that would be available from the FY 2011 supplemental budget.

## **SCHOOL BUILDING**

FY 2012 HWM budget projects a contribution to the **School Modernization and Reconstruction Trust (SMART)** of **\$678.1 million**, an increase of \$33.8 million, or 5.2 percent, from current FY 2011 levels. Each year the Commonwealth is required to contribute to this trust an amount equal to one penny of the state sales tax. The HWM proposal reflects anticipated increases in the sales tax due to continued economic recovery, not due to policy changes involving the sales tax. This projection is almost exactly the same as the Governor’s FY 2012 projection.

## HIGHER EDUCATION

The FY 2012 HWM budget proposes to fund the full *MassBudget* category of Higher Education at **\$943.6 million**, a decrease of \$69.0 million, or 6.8 percent, from current FY 2011 levels, which include \$75.3 million in federal State Fiscal Stabilization Fund (SFSF) money that will no longer be available in FY 2012. This proposal is \$9.7 million less than the Governor's FY 2012 proposal.

Higher education has been cut severely during the last several years of the Great Recession, with the HWM FY 2012 proposal representing a cut of \$190.1 million, or 16.8 percent, when compared to FY 2009 inflation-adjusted funding levels.

The HWM budget for higher education reflects two changes recently adopted by the Legislature: schools formerly known as "State Colleges" became known as "State Universities" as of October 2010 and all campuses of public higher education will retain tuition payments from out-of-state students starting in FY 2012, rather than remitting that revenue back to the state. *MassBudget* adjusts upwards the Governor's and HWM's allocations by these projected amounts so that one can compare reasonably the levels or resources available at an individual campus to previous years when tuition had to be remitted to the state.

New out-of-state tuition retention estimates became available for four campuses (Bridgewater State University, Westfield State University, Massachusetts Bay Community College, and Northern Essex Community College) between the release of the Governor's budget and the HWM budget. In order to meet the same projected total resources (campus appropriation + tuition retention) as the Governor's proposal, HWM adjusted upwards the campus appropriations to these four campuses by the same amount as the decrease of these new tuition retention estimates. Technically speaking, the release of new, lower tuition retention estimates means that the Governor's proposal now reflects lower total resources for higher education campuses than he had intended. *MassBudget* is using the older estimates for adjusting the Governor's budget in order to reflect total projected resources at the time that budget was released.

The vast majority of funding for Higher Education, almost 90 percent, goes directly to the state's campuses of public higher education, with most of the balance going to the state scholarship program (see below). In total, HWM proposes to fund community colleges, state universities, and UMass campuses at \$839.7 million, a decrease of \$59.4 million, or 6.6 percent, from the current FY 2011 budget. HWM proposes the following funding levels for each of the state's campus categories. These appropriations are essentially the same as the Governor's FY 2012 proposal.

- \$434.3 million for **UMass** campuses, a decrease of \$30.3 million, or 6.5 percent, from current FY 2011 levels.
- \$195.0 million for **state universities**, a decrease of \$12.1 million, or 5.8 percent, from current FY 2011 levels. This proposal is slightly higher (\$258,000) than the Governor's proposal because the HWM budget factors in the effect of a new contract at Fitchburg State University that was signed after the release of the Governor's proposal in January 2011.
- \$210.4 million for **community colleges**, a decrease of \$17.1 million, or 7.5 percent, from current FY 2011 levels.

HWM proposes \$86.5 million for the **State Scholarship Program**, a cut of \$3.0 million from the current FY 2011 budget. The FY 2011 budget does include, however, \$3.0 million in federal recovery money that is not available for FY 2012, so the HWM proposal of \$86.5 million represents level funding of the state's appropriation, narrowly defined, which is how the HWM budget describes this proposal. The HWM proposal is \$1.8 million below the Governor's FY 2012 proposal.

Additionally, HWM does not follow the Governor in proposing the creation of a new **Performance Incentive Fund** of \$7.5 million, to be distributed through a competitive process to the state's higher education campuses for advancing goals articulated by the Commonwealth's Vision Process.

## ENVIRONMENT &amp; RECREATION

<b>FY 2012 House Ways and Means (Adjusted)*</b>	<b>\$154,386,158</b>
<b>FY 2011 Current</b>	<b>\$165,057,138</b>
<i>Change from FY 2011 Current</i>	<i>-\$10,670,980</i>
<i>Percent Change</i>	<i>-6.5%</i>
<b>FY 2012 Governor (Adjusted)*</b>	<b>\$166,117,850</b>

\* In cases where House Ways and Means has shifted line items between categories, we have made an adjustment to reflect FY 2011 categories in order to provide an apples-to-apples comparison. See "How to Read the Tables."

The House Ways and Means Committee (HWM) recommends spending **\$154.4 million** on Environment and Recreation programs in Fiscal Year (FY) 2012. This level is \$10.7 million, or 6.5 percent, below current spending in FY 2011 and is \$11.7 million, or 7.1 percent, less than the amount the Governor recommended in his FY 2012 budget proposal.

**ENVIRONMENT**

The majority of cuts in the HWM budget for environment and recreation programs come from the environment budget, which is used help keep the state's air, water and land clean. The HWM FY 2012 budget recommends spending \$67.7 million on these efforts, which is \$8 million below the current budget for FY 2011 and \$10.4 million below the amount recommended in the Governor's FY 2012 budget. Since the FY 2009 GAA, funding for environment programs has fallen by 28.3 percent in inflation-adjusted dollars.

Some of the key cuts below FY 2011 current spending in the HMW budget for environment programs include:

- Eliminating funding that supports **recycling and redemption centers**. The FY 2011 General Appropriations Act (GAA) provided \$275,000 to support these centers. In his FY 2012 proposal the Governor recommended expanding the bottle bill to include water, juice and coffee drinks and using \$6 million raised through this expansion to improve recycling and bottle redemption efforts throughout Massachusetts.
- \$4.2 million from the **Department of Environmental Protection (DEP)**, to \$21.5 million. This is \$2.8 million less than the Governor's FY 2012 recommendation.
- \$1.9 million from the **hazardous waste cleanup program**, to \$12 million. This is slightly below the Governor's FY 2012 proposal.
- \$728,000 from the **Environmental Police**, to \$8.0 million. This is slightly less than the Governor's recommendation.

### *FISH AND GAME*

The HWM budget recommends spending **\$17.9 million** on fish and game programs in FY 2012. This is \$517,000 more than FY 2011 current spending and \$251,000 more than the amount recommended by the Governor. While the HWM budget recommends a slight increase in funding for fish and game programs in FY 2012, funding for these programs has fallen 18.6 percent in inflation-adjusted dollars since the FY 2009 GAA.

### *PARKS AND RECREATION*

In its FY 2012 budget, HWM recommends spending **\$69.8 million** on parks and recreation programs. This proposal is \$3.2 million below current spending in FY 2011 and \$1.6 million less than the amount the Governor recommended in his FY 2012 budget.

The highlights of the FY 2012 HWM parks and recreation budget include:

- \$40.9 million for **state parks and parkways**, a decrease of \$1.5 million below the FY 2011 current budget and \$1.3 million less than the Governor's FY 2012 proposal.
- \$11.6 million for **state beaches and pools** and for seasonal employees hired by DCR to work at all of its state recreational facilities. This level is \$748,000 below the amount the state expects to spend in FY 2011 and is \$436,000 more than the Governor's request.

## HEALTH CARE

<b>FY 2012 House Ways and Means (Adjusted)*</b>	<b>\$14,223,728,461</b>
<b>FY 2011 Current</b>	<b>\$14,770,639,662</b>
<i>Change from FY 2011 Current</i>	<i>-\$546,911,201</i>
<i>Percent Change</i>	<i>-3.7%</i>
<b>FY 2012 Governor (Adjusted)*</b>	<b>\$14,293,291,376</b>

\* In cases where House Ways and Means has shifted line items between categories, we have made an adjustment to reflect FY 2011 categories in order to provide an apples-to-apples comparison. See "How to Read the Tables."

The Fiscal Year (FY) 2012 House Ways and Means (HWM) budget includes **\$14.22 billion** for health care. This is \$69.6 million less than recommended by the Governor. This total includes \$11.76 billion in funding for MassHealth (Medicaid) and other programs that support health care for the state's low- and moderate-income residents, \$612.7 million for mental health services, \$464.3 million for public health, and \$1.39 billion for state employee health insurance. This budget includes substantial funding constraints in the MassHealth program, and deep cuts in public health. In particular, given expected caseload growth and expected increases in health care costs, the MassHealth program will need to undergo significant program cuts and aggressive savings measures over the course of the year to keep within the proposed budget levels.

**MASSHEALTH (MEDICAID) & HEALTH REFORM**

The HWM budget includes **\$11.76 billion** for MassHealth (Medicaid) and Health Reform programs, for the most part following the Governor's budget recommendations. This represents more than \$800 million less than what it would cost to maintain the MassHealth program in its current form, given expected caseload, utilization and enrollment growth. The HWM budget differs from the Governor's budget in two significant ways: first, the HWM budget eliminates funding for the Commonwealth Care Bridge program, and increases funding for the Health Safety Net (in large part to accommodate increased demands on emergency rooms with the loss of Commonwealth Care Bridge); and second, the HWM budget constrains both programmatic and administrative funding even more than the Governor's budget did (see details below). The budget proposals from both the Governor and HWM also reflect an expected reduction in an operating transfer to the Medical Assistance Trust Fund. Excluding the reduction in that fund (because none of its funding comes from the state's own resources – see explanation below), total MassHealth and Health Reform funding in the HWM budget is almost level with FY 2011 current funding. But in order to reach that budget target, the Commonwealth will need to find substantial "savings" in the MassHealth program and in other health care programs. Currently, the state's MassHealth program provides health care coverage for nearly 1.3 million residents of the Commonwealth, including more than 535,000 children. Commonwealth Care covers approximately 161,000. In addition to these programs, Massachusetts also currently provides coverage for close to 20,000 legal immigrants in a separate program referred to as the Commonwealth Care Bridge program, which HWM proposes eliminating. These programs continue to play an essential role in providing health care coverage for the Commonwealth's residents. Close to 19,000 low-income legal immigrants are still currently ineligible for MassHealth, Commonwealth Care or the Commonwealth Care Bridge program.

## MASSHEALTH (MEDICAID) & HEALTH REFORM

### MassHealth (Medicaid) & Health Reform Funding Breakdown (in millions)

	FY 2011 GAA with all Recovery Funds	FY 2011 Current	FY 2012 Governor (adj.)	FY 2012 HWM (adj.)
<b>MassHealth (Medicaid)</b>				
MassHealth	10,009.3	10,267.3	10,338.3	10,305.9
MassHealth Administration	171.8	171.8	168.9	167.8
<b>Sub-Total</b>	<b>10,181.1</b>	<b>10,439.1</b>	<b>10,507.2</b>	<b>10,473.7</b>
<b>Health Reform &amp; Health Safety Net</b>				
Prescription Advantage Pharmacy Program	31.5	31.5	21.7	21.6
Health Care Finance & Other Initiatives	22.2	24.1	22.4	26.4
<i>Commonwealth Care Trust*</i>	<i>807.0</i>	<i>842.0</i>	<i>879.5</i>	<i>842.0</i>
<i>Health Insurance Technology Trust</i>	<i>0.0</i>	<i>0.0</i>	<i>0.5</i>	<i>0.5</i>
<i>Medical Assistance Trust</i>	<i>686.7</i>	<i>886.1</i>	<i>394.0</i>	<i>394.0</i>
<b>Sub-Total</b>	<b>1,547.4</b>	<b>1,783.7</b>	<b>1,318.1</b>	<b>1,284.5</b>
<b>Total</b>	<b>11,728.6</b>	<b>12,222.8</b>	<b>11,825.3</b>	<b>11,758.2</b>
<b>Total (excluding Medical Assistance Trust)**</b>	<b>11,041.8</b>	<b>11,336.7</b>	<b>11,431.3</b>	<b>11,364.2</b>

\*This total includes a transfer of funding from the General Fund, as well as an estimated \$120 million from a dedicated cigarette tax in FY 2011 and FY 2012.

\*\*This total also excludes the totals from Medical Assistance Trust Fund, as this Trust is funded only with provider assessments and federal revenues, and the timing of transfers into this Trust can make totals appear misleading.

### MassHealth

The HWM budget includes **\$10.47 billion** for MassHealth programs, an increase of \$63.1 million compared to estimated spending in FY 2011. This is \$33.5 million less than proposed by the Governor. Because the Administration is allowed to shift funding from one account to another, it is not possible to determine where the HWM budget for MassHealth would cut deeper than the Governor's. One important difference, however, is that the HWM budget includes additional cuts to MassHealth administration.

The HWM and Governor's budget proposals are built upon the assumption that the MassHealth caseload will grow by approximately 4.6 percent over the course of the year, adding 19,000 children and 41,000 adults. The Administration estimates that MassHealth caseload will total 1.36 million people in FY 2012. In order to constrain MassHealth program costs (given expected caseload growth and anticipated health care cost inflation), HWM follows the Governor's recommendations for a range of cuts and savings to be implemented over the course of FY 2012. It is important to remember, however, that the federal government typically reimburses Massachusetts for approximately half of the costs of the MassHealth program. This means that cuts in MassHealth spending will result in reductions in federal revenues coming in to the state.

Highlights from the HWM MassHealth budget proposals include:

- **Adult Dental Benefits.** The HWM proposal does not restore the adult dental benefits that had been eliminated in July 2010. Restorative services (such as fillings) were eliminated from MassHealth coverage for adults (with the exception of those adults who are clients of the Dept.

of Developmental Services), requiring people to use hospital emergency rooms or the limited number of dental clinics at community health centers for care.

- ***Adult Day Health Services for the Elderly and Disabled.*** The HWM proposal includes \$55 million in cuts to the adult day health program. The budget proposal estimates that by cutting benefits for 80 percent of the 7,000 very frail elders and disabled adults who receive these supports, the state will save approximately \$27 million. Only the most fragile persons with complex medical needs will be able to continue receiving adult day health services. The adult day health program was designed to provide nursing care in community settings to people with significant medical needs so that they could avoid hospitalization or nursing home placement.
- ***Co-payments.*** The HWM budget estimates that the state will save approximately \$5 million by charging \$2 co-payments for non-emergency transportation and increasing co-payments for medications. For most people, the drug co-payment would rise from \$3 to \$4, but for brand name drugs for people over 150 percent of the federal poverty level the co-payment would increase to \$5.
- ***Provider Payments.*** The HWM proposal will cut \$319 million in rates or payments to health care providers, for a net savings to the Commonwealth of approximately \$159 million. These cuts include: not paying hospitals for what are considered “preventable” readmissions that occur within 30 days; reducing the payment rates for acute care for certain hospitals; reducing payments for certain specific services; eliminating rate increases for managed care.
- ***Provider Contracts and Coordinated Care.*** HWM follows the Governor’s estimates that with aggressive contract negotiations with health care providers emphasizing new models for care management, service delivery and payment, the program will be able to cut up to an additional \$351 million in payment for care, netting the state \$175 million in savings. Similar re-contracting in the Commonwealth Care program and the state’s Group Insurance program (see below) has already netted the state substantial savings.
- ***Program Integration with Medicare.*** The HWM budget proposal estimates that the state will be able to net \$25 million in savings by better integrating health care for young disabled adults who are eligible for both Medicare and Medicaid. With approval from the federal government, the program will be designed to improve access to primary care and ensure better coordinated and integrated health care services.
- ***MassHealth Funding of Early Intervention Transportation.*** There is language in the HWM budget directing the Department of Public Health to seek full reimbursement from MassHealth for transportation of MassHealth members who participate in the early intervention program; this language is likely to impose a new cost of somewhere between \$1 million and \$2 million on the program.

## Health Reform and the Health Safety Net

HWM proposes transferring \$842.0 million into the **Commonwealth Care Trust Fund**, including \$722.0 million directly transferred from the General Fund, and \$120.0 million transferred into the Trust Fund from the cigarette excise tax. These funds go to support the Commonwealth Care health insurance program, a publicly subsidized health insurance program for low-income people not eligible for Medicaid. The Trust Fund also supports the Health Safety Net, a program that partially reimburses hospitals and community health centers for health care provided to people without insurance. The Governor's budget included \$50.0 million for the **Commonwealth Care Bridge** program, which provides limited health care coverage to immigrants known as "aliens with special status," or AWSS, since they were first excluded from eligibility for Commonwealth Care in August 2009. These are primarily legal immigrants with green cards who have been in the country for fewer than five years. Enrollment in Bridge has been closed to new members since August 2009. Federal government subsidies for these immigrants' coverage will begin in 2014 under the new federal health care law. The HWM budget proposal does not include language re-authorizing the program through FY 2012, and eliminates funding for Bridge. In order to support the increased demands on the **Health Safety Net** that will come from persons losing Commonwealth Care Bridge coverage, HWM transfers \$50.0 million to the Health Safety Net, compared to the \$30.0 million transferred by the Governor.<sup>4</sup> HWM directs the Commonwealth Health Insurance Connector to provide \$2.5 million to small businesses that offer wellness incentive programs for their employees, the Governor's proposal included an additional \$7.5 million for those incentives from the Commonwealth Care Trust Fund. In addition to these appropriated funds, the Commonwealth Care Trust Fund will receive \$14.9 million in what are referred to as the "fair share assessments" on certain employers who do not provide health care coverage for their employees, and \$15.0 million in tax penalties from persons not adhering to the individual mandate for health care coverage.

The HWM budget assumes that the Commonwealth Care caseload will grow by approximately 8 percent over the course of the year, from about 160,800 members to an estimated 174,000. This increase is in part due to unemployment insurance running out, and people losing coverage under the Medical Security Plan. The Commonwealth Care program provides subsidized health care coverage for low- and moderate-income people not eligible for MassHealth. Like in the MassHealth program, the HWM FY 2012 budget proposal expects that with aggressive cost controls and provider re-contracting, the program will be able to maintain current spending levels in spite of caseload growth and health care cost inflation. Already, re-contracting by the Commonwealth Health Insurance Connector for the Commonwealth Care program suggests that the state is on target for these cost controls for FY 2012. HWM also proposes language regulating the Health Safety Net. HWM proposes funding for the first half of the state fiscal year until December 31, 2011, but then makes further reimbursement contingent upon the implementation of what is known as a "claims adjudication system" to ensure that payments are made to providers only for legitimate claims.

Other highlights in the HWM budget include:

- **Pharmacy Coverage for Elders.** The Prescription Advantage pharmacy program, which provides elders with "wrap-around" pharmacy coverage for prescriptions not covered by Part D of the federal Medicare program, receives \$21.6 million in the HWM budget proposal.

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<sup>4</sup> It is worth noting that state spending for legal immigrants in the Commonwealth Care Bridge program would not receive federal Medicaid reimbursement, but spending for these same people through the Health Safety Net could be partially reimbursed with federal Medicaid funds.

Although this is \$9.9 million less than current funding in FY 2011, it is possible that this FY 2012 funding level would be sufficient to cover the needs of the program. With the implementation of federal health reform (the Affordable Care Act), part of the gap in prescription drug coverage in the Medicare program known as the “doughnut hole” is now covered by Medicare.

- **Electronic Medical Records.** HWM follows the Governor’s recommendation to create a special trust fund, the Health Insurance Technology Trust, to allow the state to apply for federal reimbursement for the development of electronic health records within the MassHealth program. Using \$500,000 of state “seed” money, Massachusetts could get full reimbursement for the costs of developing such a system. The HWM budget proposal states that up to \$50 million could be available for providers to implement electronic health record systems in FY 2012.
- **Outreach.** In previous years, MassHealth, the Commonwealth Health Insurance Connector Authority or the Massachusetts Health and Educational Facilities Authority, have provided anywhere from \$2.5 million to \$3.5 million in grants to community organizations to assist with enrollment and maintaining coverage for persons eligible for publicly subsidized health programs. Neither the HWM nor the Governor’s FY 2012 budget proposals include funding for these outreach grants.
- **Medical Assistance Trust Fund.** The HWM budget transfers \$394.0 million into the Medical Assistance Trust Fund. Through this Trust, the state matches assessments received from specific health care providers with federal revenues in order to make payments to providers that care for a large share of low-income patients. In FY 2011, \$886.1 million has been transferred into this trust to support these hospitals, \$686.7 million at the start of the year, and then \$199.4 million added recently. It is important to realize, however, that the Medical Assistance Trust Fund is fully-funded by these assessments on providers and matching federal revenue. The transfers require federal approval, and as of now, the federal government has approved transfer of only \$394 million for FY 2012. If the federal government gives approval, there will be additional funds transferred to this trust in FY 2012, bringing the Trust Fund’s FY 2012 total closer to the FY 2011 current total. The reduction in funding between FY 2011 and FY 2012 does not “show up” in the state’s estimate of health care cuts for FY 2012 (because it reflects a change in assessments from providers and federal dollars, rather than a change in the use of the state’s own resources), but it does reflect a decrease in funding for the affected health care providers.
- **All Payer Claims Database.** The HWM budget includes a new line item appropriating \$4 million within the Division of Health Care Finance and Policy for the state’s All Payer Claims Database, designed to provide detailed information to the public on health care spending.

## **MENTAL HEALTH**

The FY 2012 HWM budget includes **\$612.7 million** for mental health programs, a \$15.6 million cut from FY 2011 current budget totals, and \$5.7 million more than proposed by the Governor. Compared to the

beginning of fiscal year FY 2009 however, and adjusted for inflation, the FY 2012 HWM budget proposal for mental health is close to \$90 million less than pre-recession funding. The HWM mental health budget includes:

- \$71.8 million for **children’s mental health** services, level with current FY 2011 funding. The Governor had proposed \$2.0 million less for these services, which would have reduced flexible family supports that prevent out-of-home placements for close to 175 children and families.
- \$385.7 million for **adult mental health** services, level with current FY 2011 funding, and \$2.4 million more than recommended by the Governor. Whereas under the Governor’s funding proposal eight of the Commonwealth’s 32 adult clubhouses would be affected by these funding cuts, under the HWM proposal it is likely that four of the clubhouses would be cut.
- \$128.5 million for **mental health facilities**, a \$15.4 million cut from FY 2011 current budgeted totals, and \$1.0 million more than recommended by the Governor. There are estimates that this proposal might cut 145 of the state’s current hospital capacity of 658 beds, and there is no comparable increase in community-based services to off-set the impact on services for people with mental illness who might lose facility-based services.

## **PUBLIC HEALTH**

The HWM budget includes **\$464.3 million** for public health programs. This total is a 6.5 percent cut from FY 2011 budgeted totals and \$8.1 million less than recommended by the Governor. Since pre-recession funding levels in FY 2009, public health services have been cut by more than 20 percent, adjusted for inflation. As in the Governor’s budget proposal, the HWM proposal deeply cuts public health prevention, education and screening programs. Like the Governor, HWM also imposes deep cuts on the central administrative department, cutting funding by more than \$3.7 million compared to FY 2011 current budget levels. With these cuts, the Commonwealth runs the risk of significantly constraining the ability of the department to plan, evaluate or monitor its programs.

Among the deepest cuts to public health in the HWM budget proposal are:

- Funding **health promotion and disease prevention** programs at \$1.5 million, a 75 percent cut from FY 2011 funding. Currently, among the programs supported by this funding are: breast and cervical cancer screening for close to 15,000 women in Massachusetts; grants in 13 communities for obesity prevention and wellness promotion; colorectal cancer screenings for 1,500 people. Moreover, with the cut in state funding, the Commonwealth is at risk of losing matching federal grants to support these public health programs. The Governor had recommended completely eliminating funding for these programs.
- Funding **early intervention** services at \$21.5 million, an \$8.0 million (27 percent) cut from FY 2011 funding. This is the same as the Governor’s recommended funding level. This cut could eliminate or reduce services for up to 15,000 of the 30,000 developmentally delayed

infants and toddlers currently receiving the occupational, physical, speech or therapies provided by the program. The Department of Public Health anticipates that approximately 9,000 young children with significant delays would continue to receive services as funded by the federal government, while infants and children with slightly less severe disabilities would only be served as long as the state funding lasts. The HWM budget also includes language requiring the Department of Public Health to seek full reimbursement from the MassHealth program for transportation of MassHealth members participating in the early intervention program. This will likely shift approximately \$1 million to \$2 million onto the MassHealth program.

- Cutting \$996,000 million in funding from **family health services**, a 21 percent cut compared to FY 2011 budgeted levels, from \$4.7 million to \$3.7 million. The HWM proposed funding is the same as the Governor's. Family health services include comprehensive family planning, HIV counseling and testing, and community-based health education and outreach services.
- Funding **substance abuse services** at \$77.6 million, \$5.9 million less than in the Governor's budget proposal, and \$5.6 million less than FY 2011 current budget levels. The HWM proposal completely eliminates funding for secure facilities for opiate addiction and a young adult treatment program. These are funded at \$2.0 million and \$1.5 million respectively in FY 2011. HWM also cuts in half the \$4.8 million provided in FY 2011 for step-down recovery services.
- HWM cuts \$327,000 from FY 2011 funding for **school health services**, recommending \$1.6 million more than the Governor, for a total of \$11.6 million. The HWM proposal is a 2.7 percent cut from FY 2011, and could affect the school-based health clinics and school nursing programs which are often essential gateways to primary care for at-risk young people.
- Like the Governor, the HWM budget proposal eliminates the **academic detailing** program and the **primary care loan forgiveness** program. These two small programs, funded in FY 2011 at \$93,000 and \$157,000 respectively, were a product of the state's health reform initiative. The idea behind these programs was that by supporting the provision of information to physicians about cost-effective prescription use (academic detailing) and by encouraging health professionals to chose primary care careers (the loan forgiveness program), the Commonwealth would be better able to begin to control health care costs.
- Like in the Governor's proposal, in the HWM budget proposal one of the only public health initiatives that receives an increase in funding is funding for **youth violence prevention**. HWM proposes level funding youth violence prevention grants at \$1.5 million, and increasing by \$200,000 the youth-at-risk grants, to a total of \$1.5 million.

## *STATE EMPLOYEE HEALTH INSURANCE*

The HWM budget proposal follows the Governor's recommendation, including **\$1.39 billion** for the costs of state employee health insurance, a 2.4 percent cut from FY 2011 current budgeted totals. In order to hold costs at this level, the Administration plans for aggressive re-contracting with the health insurance providers that offer coverage to state employees and retirees. Specifically, the Governor proposes that the state's Group Insurance Commission (GIC) – the administrator of state employee health benefits – re-negotiate contracts with the current health insurance providers. Health plans with limited networks would cost significantly less for the participant. Each participant in a GIC plan would then be required to select a health plan in May during a mandatory open enrollment period. Participants who choose lower cost plans would receive the financial benefit of lower premiums, as well as a financial incentive equivalent to three months' worth of health insurance premiums. In fact, re-contracting for FY 2012 that has already occurred has met anticipated budget targets. The Administration estimates that employees who move to lower-cost health plans might save as much as \$800 for individual coverage and \$1,700 for family coverage, and might in the aggregate save the Commonwealth tens of millions of dollars.

It is important to note that the HWM proposed budget totals for state employee health insurance include the costs associated with increased municipal participation in the Group Insurance Commission. In order to economize on their own employee health insurance costs, cities and towns have the option of "joining" the GIC, and having the GIC administer their employee health insurance and reimbursing the GIC for those costs. Although the GIC appropriated budget totals reflect the increased costs of these municipal employees, the municipalities fully-reimburse the state for these costs. In order to eliminate a potential distortion in the state budget total associated with these costs, we reduce the budget for state employee health insurance by the amount that the municipalities contribute to the GIC. In the HWM FY 2012 budget proposal, state employee health insurance costs are reduced by \$301.2 million.

## HUMAN SERVICES

<b>FY 2012 House Ways and Means (Adjusted)*</b>	<b>\$3,344,779,444</b>
<b>FY 2011 Current</b>	<b>\$3,361,697,213</b>
<i>Change from FY 2011 Current</i>	<i>-\$16,917,769</i>
<i>Percent Change</i>	<i>-0.5%</i>
<b>FY 2012 Governor (Adjusted)*</b>	<b>\$3,337,531,735</b>

\* In cases where House Ways and Means has shifted line items between categories, we have made an adjustment to reflect FY 2011 categories in order to provide an apples-to-apples comparison. See "How to Read the Tables."

The Fiscal Year (FY) 2012 House Ways and Means (HWM) budget proposal provides **\$3.34 billion** for human services. This is a cut of \$16.9 million, or less than 1 percent, from the FY 2011 current budget. It is important to note that the recent supplemental budget provided additional funding (\$14.2 million) for state facilities for the developmentally disabled, which increased the FY 2011 amount. The HWM budget allocates \$7.2 million more for human services than the Governor's FY 2012 budget proposal. However, as is explained in more detailed below, the actual amount needed for certain programs to provide the same level of services in FY 2012 is greater than the amount proposed by the HWM budget. This category includes services for children, youth, and families; disability services; elder services; transitional assistance; and other human services.

### CHILDREN, YOUTH, & FAMILIES

The FY 2012 HWM budget proposes to fund the *MassBudget* category of Children, Youth, and Families (including the **Department of Children and Families (DCF)** and the **Department of Youth Services (DYS)**) at **\$868.3 million**, a decrease of \$19.4 million, or 2.2 percent, from the current FY 2011 budget. This proposal is \$5.1 million, or 0.6 percent, lower than the Governor's FY 2012 proposal.

Programs for children, youth, and families have been cut severely during the past several years of the Great Recession, with the HWM FY 2012 proposal representing a cut of 16.2 percent compared to FY 2009 inflation-adjusted funding levels.

Programs within the Department of Children and Families are proposed to be funded at **\$725.5 million**, a decrease of \$18.2 million, or 2.4 percent, from the current FY 2011 budget. This proposal is \$12.4 million, or 1.7 percent, lower than the Governor's FY 2012 proposal. Specifically, within the Department of Children and Families the FY 2012 HWM budget proposes:

- \$242.5 million for **Services for Children and Families** – which funds family stabilization, unification, permanency, guardianship, and foster care – a \$4.9 million, or 2.0 percent, decrease from the current FY 2011 budget. The HWM proposal is identical to the Governor's FY 2012 proposal.
- \$192.4 million for **Group Care Services** for children in DCF custody, a \$9.2 million, or 4.6 percent, decrease from the current FY 2011 budget. The HWM proposal is identical to the Governor's FY 2012 proposal.

- \$159.5 million for **DCF Social Workers**, a \$4.3 million, or 2.8 percent, increase from the current FY 2011 budget. The HWM proposal is \$1.6 million lower than the Governor's FY 2012 proposal.
- \$39.5 million for **Family Support and Stabilization**, a decrease of \$1.5 million, or 3.5 percent, from the current FY 2011 budget. The HWM proposal is \$489,000 lower than the Governor's FY 2012 proposal.
- \$20.1 million for **Support Services for People at Risk of Domestic Violence**, a very small increase over the current FY 2011 budget. The HWM proposal is almost identical to the Governor's FY 2012 proposal.
- Elimination of **DCF Regional Administration**, which is funded at \$6.0 million in the FY 2011 current budget. This line item currently funds regional nonprofits that contract for services. The Governor's FY 2012 budget proposes an increase to \$10.3 million.

Programs within the **Department of Youth Services** are proposed to be funded at **\$142.8 million**, a decrease of \$1.2 million, or 0.9 percent, from the current FY 2011 budget. This proposal is \$7.2 million, or 5.3 percent, higher than the Governor's FY 2012 proposal. Specifically, within the Department of Youth Services the FY 2012 HWM budget proposes:

- \$96.4 million for **Residential Services for youth committed to DYS**, level funding from the current FY 2011 budget. This proposal is \$2.8 million higher than the Governor's FY 2012 proposal.
- \$21.5 million for **Non-Residential Services for youth committed to DYS**, \$121,000, or 0.6 percent, less than the current FY 2011 budget and the Governor's FY 2012 budget, which proposed level funding.
- \$18.3 million for **Residential Services for youth detailed by DYS**, \$1.0 million, or 5.2 percent, less than the current FY 2011 budget. This proposal is \$4.5 million higher than the Governor's FY 2012 proposal.

### *DISABILITY SERVICES*

The HWM budget includes **\$1.37 billion** for services for people with disabilities. This is \$13.7 million more than total funding in FY 2011, and \$9.5 million more than recommended by the Governor. Even at this level, funding for disability programs is not sufficient to maintain services at the level provided in FY 2011.

Services for the developmentally disabled, on the surface, might appear to have been spared deep cuts in the HWM budget. Funding to the **Department of Developmental Services** receives \$1.31 billion in the HWM budget, a \$15.5 million increase over the FY 2011 current budget, and \$8.9 million more than in the Governor's proposal. However, there are estimates that it could cost as much as \$15 million more to maintain current service levels into FY 2012, so even the HWM budget will require a cut in services.

Key issues in the funding for developmental services include:

- \$124.3 million for **community day and work** programs, which is still below the estimated costs for needed services, but is \$1.0 million more than FY 2011 current funding and \$1.0 million more than the Governor's proposal. This funding level will likely allow the department to continue to provide community services for young adults newly eligible for adult services, having reached age 22 in FY 2011.
- \$41.0 million for **family supports and respite services**, \$5.5 million less than current FY 2011 budget levels, and \$8.4 million more than the Governor's proposal. This funding level is still significantly below estimated program maintenance levels, and will likely mean that thousands of families of children and adults with disabilities will lose these supports.
- \$5.0 million for the **Turning 22** account, level with the current FY 2011 budget and with the Governor's proposal. It is not clear if this funding will be sufficient to provide transition services for the estimated 700 disabled young adults who will be leaving secondary schools in 2012 and be eligible for supports from the Department.
- Like the Governor's budget, the HWM budget reflects a continuing commitment to close the larger **state-run institutions** (state schools) for the developmentally disabled. HWM follows the Governor's recommendation to transfer \$6.0 million from funding for institutional care to the account funding the **state-operated group homes**. State facilities receive \$142.2 million in the HWM budget (compared to \$164.2 million in FY 2011); the state-operated group homes receive \$164.8 million (compared to \$147.5 million in FY 2011).

Funding for services for the **blind and visually impaired** receive \$18.5 million in the HWM budget, \$25,000 more than current budget totals. Funding for **rehabilitation services** is \$40.1 million, \$1.1 million less than current budget totals. Services for the **deaf and hard of hearing** receive \$5.0 million in the HWM budget, \$130,000 more than current budget totals.

### *ELDER SERVICES*

The HWM budget recommends a total of **\$217.0 million** for services for elders, a \$3.6 million or 1.6 percent cut from FY 2011 current budgeted totals. Most of the cuts in the HWM budget are borne by the community home care program. (For information on the Prescription Advantage elder pharmacy program or funding for elders under the MassHealth program, see the "Health Care" section of this *Budget Monitor*.)

- HWM proposes \$133.5 million for the **elder home care** program, cutting \$3.9 million (2.8 percent) from FY 2011 funding. Like the Governor, HWM level-funds the case management account at \$35.7 million, and cuts the home care purchased services account from \$101.7 million to \$97.8 million. These community-based long-term care services are crucial for helping frail elders remain in their homes in the community, and avoid nursing home placement.
- Like the Governor, HWM level-funds the **enhanced home care program** at \$45.8 million, but this is a slight cut below what it might cost to maintain current FY 2011 levels of service.
- HWM follows the Governor's recommendation to level-fund the **elder protective services** program at \$15.3 million, which is a 2 percent cut from what it might cost to keep the program

at its current service levels. As it is, the program is challenged in keeping up with the demand for full investigation of accusations of abuse or neglect of elders in the community.

- HWM follows the Governor's recommendation to level-funds services in housing sites, including \$1.5 million for **congregate housing** programs, and \$4.0 million for services in **elder housing complexes**. HWM also level-funds **meals on wheels and congregate lunch** programs at \$6.3 million, and level-funds local **councils on aging** at \$7.9 million.
- HWM follows the Governor's proposal for \$750,000 for a program funded by the federal government for elderly veterans called the **Veterans Independence Plus Initiative**.

### *TRANSITIONAL ASSISTANCE*

The FY 2012 HWM budget proposal provides **\$760.3 million** for the Department of Transitional Assistance and the services that it administers. This is a reduction of \$9.5 million, or 1.2 percent, from the FY 2011 current budget. The Governor's FY 2012 budget proposal provided \$756.8 million for transitional assistance. The major cuts include eliminating the Transitional Aid for Families with Dependent Children (TAFDC) clothing allowance, cutting funding for the Employment Services Program, and level funding Emergency Aid to the Elderly, Disabled, and Children (EAEDC) in the face of rising enrolments.

The HWM FY 2012 proposal includes \$312.8 million for **TAFDC grant payments**. This is a reduction of \$2.3 million, or less than 1 percent, from the FY 2011 current budget. However, the actual cut to TAFDC is much greater. Like the Governor's FY 2012 proposal, the HWM proposal eliminates the \$150 clothing allowance for children in families receiving TAFDC assistance. In supporting documents to the Governor's budget, this is described as an actual cut of \$11.5 million, which would affect an estimated 70,000 children. In addition, if cost and enrollment are assumed to increase at roughly 3 percent, it would take an additional \$9.5 million in funding to provide the same level of services in FY 2012.

The HWM FY 2012 budget proposal for transitional assistance also includes:

- Providing \$3.7 million for the **Employment Services Program (ESP)**, which provides job training and placement services to recipients of TAFDC assistance. This is a cut of \$11.3 million, or 75 percent, from the FY 2011 current budget. The Governor's FY 2012 proposal eliminated funding for ESP.
- Level funding for **EAEDC**, at \$89.0 million. If cost and caseload growth is assumed at about 5.5 percent, it would actually require an additional \$4.9 million to provide the same level of services in FY 2012.
- Providing \$900,000 in funding for the **Supplemental Nutritional Program (SNAP)**, which supplements the federal food stamp program. Due to certain provisions in the federal recovery act, this program had not been provided funding through the state budget in FY 2011. These federal provisions will expire at the end of FY 2011.

*OTHER HUMAN SERVICES*

The HWM FY 2012 budget proposal provides **\$130.0 million** for other human services, which includes veterans' services, emergency food assistance (food banks), citizenship and various other programs. This is an increase of \$1.9 million from the FY 2011 current budget, or 1.2 percent. It is less than the Governor's FY 2012 recommendation of \$131.2 million. The reduction is due to a \$1 million cut in "Welcome Home" bonus payments to certain veterans.

Specifically, the HWM FY 2012 budget proposal includes:

- Level-funding for the **Soldiers' Home in Massachusetts**, at \$25.9 million.
- \$19.8 million in funding for the **Soldiers' Home in Holyoke**.
- \$59.1 million in funding for **veterans' benefits and qualified parents and spouses of veterans**. This is a \$2.3 million, or 4.0 percent, increase from the FY 2011 current budget.

## INFRASTRUCTURE, HOUSING & ECONOMIC DEVELOPMENT

<b>FY 2012 House Ways and Means (Adjusted)*</b>	<b>\$1,556,623,518</b>
<b>FY 2011 Current</b>	<b>\$1,667,147,958</b>
<i>Change from FY 2011 Current</i>	<i>-\$110,524,440</i>
<i>Percent Change</i>	<i>-6.6%</i>
<b>FY 2012 Governor (Adjusted)*</b>	<b>\$1,563,457,584</b>

\* In cases where House Ways and Means has shifted line items between categories, we have made an adjustment to reflect FY 2011 categories in order to provide an apples-to-apples comparison. See "How to Read the Tables."

The Governor's Fiscal Year (FY) 2012 budget proposal provides **\$1.56 billion** for infrastructure, housing, and economic development programs. This is a \$110.5 million, or 6.6 percent, cut from the FY 2011 current budget. It is important to note that the recent supplemental budget provided a significant amount of funding for snow and ice removal (\$50 million) and smaller amounts for other programs housing and economic development, which increased the FY 2011 current budget. The House Ways and Means Committee (HWM) recommendation is \$6.8 million, or less than 1 percent, below the Governor's FY 2012 proposal. Since FY 2009, however, this category has seen a slight increase of 2.5 percent (in inflation-adjusted dollars), primarily due to an increase in transportation funding and a small increase in funding for housing. Also, the HWM proposal reflects reorganizations that occurred in economic development, housing, and transportation. These changes are explained in more detail within each sub-category.

### HOUSING

In its FY 2012 proposal, HWM recommends spending **\$299.0 million** on affordable housing programs. This amount, which is essentially the same as the Governor's FY 2012 recommendation, is \$31.5 million less than the amount the state expects to spend in FY 2011.

Since the onset of the fiscal crisis, the number of homeless families seeking help from the Department of Housing and Community Development (DHCD) has increased dramatically from about 2,000 families in the spring of 2008 to just below 3,500 by the fall of 2010.<sup>5</sup> As demand for services has increased, the amount the state has spent on helping these homeless families has grown from \$90.4 million in FY 2009 to an expected \$161.4 million in FY 2011. In an effort to move families from costly shelters, including hotels and motels, into permanent housing, the HWM budget includes the Governor's FY 2012 recommendation to reorganize how homeless families living at or below 115 percent of poverty receive shelter and other services from the state. The HWM budget, like the Governor's, recommends spending \$136.4 million on services for these families, which is \$25 million less than the amount the state expects to spend in FY 2011.

Under the current system, eligible homeless families receive shelter and services through the Emergency Assistance program (EA). Like the Governor's proposal, the HWM FY 2012 budget recommends shifting \$38.6 million in funding from EA to create a new short-term housing assistance program called Home Base. Home Base is designed to help homeless families find permanent housing

<sup>5</sup> See DHCD report on historical caseload for EA, the most recent numbers available are for September, 2010, available at: <http://www.mass.gov/Ehed/docs/dhcd/hs/2010Sep.pdf>

quickly. As described below, while the HWM proposes providing the same level of funding for EA and Home Base as the Governor, it recommends changes to the Governor's original proposal.

#### State Funding for Homeless Families

Program	FY 2011 GAA	FY 2011 Current	FY 2012 Governor	FY 2012 HWM
Emergency Assistance	\$137,360,773	\$161,360,773	\$97,797,200	\$97,797,200
HomeBase			\$38,561,732	\$38,561,732
<b>Total</b>	<b>\$137,360,773</b>	<b>\$161,360,773</b>	<b>\$136,358,932</b>	<b>\$136,358,932</b>

HWM recommends the following for homelessness assistance programs in its FY 2012 budget:

- \$97.8 million for shelter and services through the **Emergency Assistance (EA) program**, which is the same level as the Governor's FY 2012 proposal. The Governor's proposal limited EA shelter to homeless families whose head of household is 21 years or younger, or those who have lost their homes due to fire or other natural disaster. Other eligible homeless families would receive rental assistance through the Home Base program. The HWM proposal allows homeless families that have not immediately found housing and have no other alternative to stay in shelters until housing is found. These families, however, must accept adequate housing provided to them or they will lose eligibility under the program.
- \$38.6 million would be transferred from EA to the new **Home Base program**, which would provide short-term assistance to help these families secure permanent housing. Under the Governor's plan, families would receive up to three years of rental assistance with \$8,000 for the first year and 5 percent less for each of the subsequent two years. Because of concern that the funding limit in the Governor's proposal may not provide families with adequate subsidies to rent apartments in more expensive regions of the state, like Greater Boston, the HWM proposal provides more flexibility in how the subsidies can be spent. Under the HWM plan, families would pay no more than 35 percent of their income on rent. The remainder of the rent would be paid for by the state for the three-year term of the program. The HWM plan, however, limits rental subsidies to apartments that are 80 percent of the fair market rents determined by the federal Department of Housing and Urban Development. It is possible that this limit could prevent families from finding adequate housing in high-cost regions of the state including Greater Boston.
- \$260,000 for **Rental Assistance Program for Families in Transition (RAFT)**, which has provided one-time assistance to keep families from becoming homeless. This is the same level proposed in the Governor's FY 2012 budget and is the same amount the state expects to spend in FY 2011. In FY 2010 the Legislature appropriated \$3.1 million for RAFT. Because at the time, Massachusetts was receiving \$44.6 million in temporary federal funds through the federal Recovery Act that provided the same services as RAFT, the Governor transferred all but \$160,000 of RAFT funding to the Massachusetts Rental Voucher Program (MRVP). Even though the federal Recovery Act funds have run out, neither the Governor nor HWM recommend restoring funding for RAFT.

- \$5.0 million for the account that funds **caseworkers** who work in the homelessness assistance programs at DHCD. This is essentially the same amount as the state expects to spend in FY 2011 and is slightly less than the amount recommended by the Governor in his FY 2012 proposal.
- \$38.5 million for services to **homeless individuals** including those who are chronically homeless. This is the same level as both the FY 2011 current budget and the Governor's FY 2012 proposal.

In its budget the HWM proposes the following funding for other state affordable housing programs including:

- \$36.0 million for **MRVP** which provides rental vouchers to low-income tenants. This is \$100,000 more than the amount recommended in the Governor's FY 2012 budget and is \$1.7 million more than the current budget for FY 2011. In FY 2011 MassHousing contributed \$2.7 million to MRVP in addition to the state appropriation. While the HWM budget recommends that MassHousing transfer \$5.4 million of loan proceeds to the General Fund, it is not clear if this money will be used to supplement state funding for affordable housing programs like MRVP in FY 2012. Therefore, the HWM level \$1 million lower than total spending for MRVP in FY 2011 when accounting for MassHousing's contribution.
- \$62.5 million for subsidies to **public housing authorities**. This is the same level as current funding in FY 2011 and as the Governor's FY 2012 recommendation. The HWM proposal includes language urging DHCD to make repairs to family units, if those repairs cost \$10,000 or less. This would allow more family units to be available for homeless families served through EA and the new Home Base program. Given that the funding level for public housing has stayed level since FY 2010, while costs have increased due to inflation, it is likely that there may not be adequate funds in the account to make these renovations.
- \$3.5 million for housing **vouchers for disabled clients** and \$4 million for housing vouchers for **clients of the Department of Mental Health**. These are the same levels as both the FY 2011 current budget and the Governor's FY 2012 proposal.
- \$250,000 for the **tenancy preservation program**. This is the same level as both the FY 2011 current budget and the Governor's FY 2012 proposal.

### *ECONOMIC DEVELOPMENT*

The FY 2012 HWM budget proposal provides **\$73.7 million** for economic development programs. This is \$26.4 million, or 26.4 percent, less than the FY 2011 current budget for economic development programs. It is also less than the Governor's FY 2012 budget proposal by \$6.3 million, primarily due to a cut in funding for the Summer Jobs program for at-risk youth (described in more detail below). Funding for this subcategory, which includes economic and community development, cultural and arts, and workforce development programs, has seen significant declines during the onset of the Great Recession; since FY 2009, economic development programs have been cut by almost 60 percent, after adjusting for inflation.

Like the Governor's FY 2012 proposal, the HWM FY 2012 budget proposal also implements a reorganization of economic development programs that had been enacted by the Legislature in August

of 2010. A new agency, the Massachusetts Marketing Partnership (MMP), was created to coordinate economic development and promotional efforts related to tourism, entertainment, sports, and international trade. The HWM proposal for FY 2012 includes four new line items for the MMP, which consolidate several existing line items dedicated to these functions.

The HWM budget for FY 2012 creates two new line items for the **Massachusetts Office of Travel and Tourism**, which consolidates the former Massachusetts Office of Travel and Tourism, and the **Massachusetts Sports and Entertainment Commission**. The Governor's FY 2012 proposal recommended funding both of these in a single line item for the Mass. Office of Travel and Tourism, while the HWM proposal funds these in two distinct line items. The Sports and Entertainment Commission includes the Massachusetts Film Office and the Massachusetts Sports Partnership. The HWM FY 2012 budget proposal recommends \$2.1 million for these line items, a decrease of \$46,000, or 2.2 percent, from the FY 2011 current budget. This is an increase of \$300,000 from the Governor's FY 2012 budget proposal. The Governor's budget proposal also anticipated a \$5,000,000 contribution from the Massachusetts Convention Center Authority for tourism promotion and marketing, which would be additional funding for the Massachusetts Office of Travel and Tourism. However, because this is an outside commitment for funding, *MassBudget* does not include this in the state's funding totals.

The next new line item under the MMP is for the **Massachusetts International Trade Office**, which consolidates the existing Massachusetts Office of International Trade and Investment. Like the Governor, the HWM FY 2012 proposal includes \$100,000 in funding for this new line item, which is level funded from FY 2011 current amounts. Once again, however, the Governor's budget had also included an anticipated outside commitment of \$600,000 from the Massachusetts Technology Collaborative and the Massachusetts Port Authority for the International Trade Office.

Finally, funding for **Local Tourist Councils** is shifted into a new line item. Though they are not officially a part of the MMP, funding grants for these councils are administered by the MMP. The HWM FY 2012 budget proposes \$1 million for Local Tourist Councils, which is \$1.5 million, or 60 percent, below the FY 2011 current budget. This is also less than the Governor's FY 2012 funding proposal of \$1.8 million.

The economic development reorganization also identifies the **Massachusetts Office of Business Development** as the lead business development agency. This office would absorb the Office of Small Business and Entrepreneurship. The existing Department of Business Development would no longer exist and the funding associated with this department is moved to the Executive Office of Housing and Economic Development and the Massachusetts Office of Business Development. The HWM 2012 budget proposal includes \$1.6 million for the Massachusetts Office of Business Development, which is \$259,000 above the FY 11 current budget and about the same as the Governor's FY 2012 recommendation. The Governor also included an anticipated \$700,000 that would be provided to the Office of Small Business through an outside commitment from the Growth Capital Corporation.

The HWM FY 2012 proposal does not include any funding for the **Summer Jobs Program** for at-risk youth. Because the fiscal year ends in the middle of the summer, funding for the Summer Jobs Program is often provided twice during the fiscal year. Usually, an amount is appropriated with the enacted budget (the GAA) at the beginning of the fiscal year in July and then another amount is usually appropriated mid-year in a supplemental budget. In FY 2010, Summer Jobs was appropriated \$4 million in the GAA, but then did not receive any supplemental mid-year funding. For the summer of calendar year 2010, the Governor used both the amount \$4 million appropriated in the FY 2010 GAA

and then also used the \$3.7 million appropriated in the FY 2011 GAA. This was a total of \$7.7 million for Summer Jobs in the calendar-year summer of 2010. The supplemental budget passed on April 11 provided \$4 million for Summer Jobs for the summer in calendar year 2011. The HWM budget proposes no funding for Summer Jobs, while the Governor proposed \$4.4 million. With no appropriation in the HWM budget, Summer Jobs would rely only on the \$4 million supplemental funding for the summer of calendar year 2011. This would be a cut of 48 percent, when comparing the total funding for the summers of calendar years 2010 and 2011.

The HWM FY 2012 budget proposal also includes:

- Moving \$19.9 million in funding for the **Workforce Training Fund** to an off-budget trust fund. The Governor's FY 2012 budget proposal recommended the same.
- Eliminating funding for **District Local Technical Grants**, which are formula-based grants to Regional Planning Agencies (RPAs) that provide technical assistance to municipalities for various land use, zoning, planning and regionalization initiatives. This was funded at \$2 million in FY 2011. The Governor and HWM budget proposal include a new fund, the Municipal Regionalization and Efficiencies Incentive Reserve, which would provide funding for some of the same initiatives; however, it would be a competitive grant program that both municipalities and RPAs would be able to apply for, rather than a formula-based grant allocated to RPAs, and it would be allocated for implementation of projects instead of providing municipalities with technical assistance. Further explanation of this new fund is included in the *MassBudget* category for Local Aid.
- Eliminating funding for **Regional Economic Development Grants**. These grants were funded at \$800,000 in the FY 2011 current budget. It is possible that half of this amount will be carried forward to FY 2012. The Governor's FY 2012 budget also did not provide funding for these grants.
- Eliminating the program to fund **workforce training for former dog track workers**. This is funded at \$2 million in the FY 2011 current budget. The Governor's FY 2012 proposal also eliminates this program.
- Providing \$5 million for **One-Stop Career Centers**, which is level-funded from the FY 2011 current budget and the Governor's FY 2012 budget proposal.
- Providing \$200,000 for the **Biotech Research Institute**, which has not been funded since FY 2010.

## TRANSPORTATION

The HWM FY 2012 budget proposal provides **\$1.13 billion** for transportation services. This is a decrease of \$53.5 million, or 4.5 percent, from the FY 2011 current budget. It is important to note that the supplemental budget for FY 2011 passed in April included a \$50 million appropriation for snow and ice removal, which significantly increased the FY 2011 current budget. Funding for snow and ice removal is often provided as needed, and therefore similar supplemental funding could be provided in FY 2012 if the need arises. The HWM recommendation is just slightly above the Governor's FY 2012 budget proposal for transportation by \$494,000. The Governor and HWM FY2012 proposals reflect the

second year of implementing the transportation reorganization that created the Massachusetts Department of Transportation (MassDOT).

MassDOT allocates funding for transportation services and programs through four divisions that were created during FY 2011: Highway, Mass Transit (which oversees the Massachusetts Bay Transportation Authority (MBTA) and Regional Transit Authorities (RTAs), as well as other freight and passenger rail), Aeronautics, and the Registry of Motor Vehicles (RMV). The **Massachusetts Transportation Trust Fund (MTTF)**, which funds MassDOT, is allocated \$180.1 million in the HWM FY 2012 proposal. This is a decrease of \$15 million, or 7.7 percent, from the FY 2011 current budget. It is just above the Governor's FY 2012 recommendation by \$500,000. The policy documents accompanying the Governor's FY 2012 budget had outlined several savings and efficiencies for transportation programs. Refinancing MassDOT debt, transferring MassDOT and MBTA employees to the Group Insurance Commission, and other cost avoidance measures resulted in a lower annual appropriation for the MTTF.

The Governor had recommended consolidating \$15 million in funding for the **RTAs** with the line item for the MTTF. The HWM FY 2012 budget does not consolidate these two line items, but funds RTAs at \$15 million in a distinct line item. This is level funding from the current FY 2011 budget.

The HWM FY 2012 budget includes \$160 million for the **MBTA**, as does the Governor's FY 2012 proposal and the FY 2011 current budget. The HWM and Governor's FY 2012 budget proposals also include \$779.6 million in tax revenues set aside for the MBTA, an increase of \$12.5 million, or 1.6 percent, from the FY 2011 current budget.

## LAW &amp; PUBLIC SAFETY

<b>FY 2012 House Ways and Means (Adjusted)*</b>	<b>\$ 2,209,918,728</b>
<b>FY 2011 Current</b>	<b>\$2,320,512,899</b>
<i>Change from FY 2011 Current</i>	<i>- \$110,594,170</i>
<i>Percent Change</i>	<i>-4.8%</i>
<b>FY 2012 Governor (Adjusted)*</b>	<b>\$2,244,402,674</b>

*\* In cases where House Ways and Means has shifted line items between categories, we have made an adjustment to reflect FY 2011 categories in order to provide an apples-to-apples comparison. See "How to Read the Tables."*

The Fiscal Year (FY) 2012 House Ways and Means (HWM) budget provides **\$2.21 billion** for law and public safety programs and services, a \$110.6 million (or 4.8 percent) reduction from current FY 2011 budget levels, and \$34.5 million (or 1.5 percent) less than the Governor's proposal. Additionally, the proposed spending on law and public safety in the HWM budget is 16.5 percent below the amount appropriated in the 2009 GAA (adjusted for inflation), the last budget enacted before the effects of the Great Recession began to be widely and acutely felt here in Massachusetts. Unlike the Governor's budget recommendations, the FY 2012 HWM budget does not propose major consolidations or reorganizations of departments, services or related line items.

Among the most notable aspects of the HWM budget are proposals to increase the number of public defenders providing indigent defense services; eliminate funding for the Quinn Bill and significantly reduce funding for Shannon Grants; provide an across-the-board increase of 5 percent to District Attorneys' offices; and modestly reduce funding for most county sheriff's departments.

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

## COURTS &amp; LEGAL ASSISTANCE

In total, the HWM FY 2012 budget proposes **\$563.9 million** in funding for Courts and Legal Assistance, representing a decrease of \$64.8 million (or 10.3 percent) from current FY 2011 budget levels, and a decrease of \$23.0 million from the Governor's FY 2012 budget recommendation. The funding level for courts and legal assistance proposed in the HWM budget also represents a 16.9 percent reduction from the amount appropriated in the 2009 GAA (adjusted for inflation). Notable elements of the FY 2012 HWM budget include:

- The HWM budget does not adopt the Governor's proposal to consolidate most trial court funding into the account of the Chief Justice for Administration and Management (CJAM). Instead, the HWM budget provides direct, independent funding to each of the courts (Superior Court, District Court, Probate and Family Court, Land Court, Boston Municipal Court, Housing Court, and Juvenile Court). The HWM budget provides \$184.2 million for the **CJAM (and related accounts)**, a reduction of \$13.0 million or 6.6 percent from current FY 2011 budget levels. Funding for the court accounts is decreased by \$7.0 million (or 4.6 percent) to \$146.0 million from current FY 2011 budget levels.

- The HWM budget does not adopt the Governor’s proposal to consolidate most probation and parole functions within a newly created **Department of Community Supervision**.
- The HWM budget does not adopt the Governor’s proposal to eliminate the **Committee for Public Counsel Services** and replace it with a new Department of Public Counsel, housed within the executive branch. The HWM budget provides \$151.1 million for **indigent defense**, a cut of \$11.9 million (or 7.3 percent) from current FY 2011 budget levels, and \$11.6 million (or 7.1 percent) less than the \$162.7 million that the Governor recommends in his FY 2012 budget. HWM, however, anticipates an additional \$41.2 million of spending will be required in FY 2011, beyond the amount currently budgeted. Factoring in this additional amount, the HWM FY 2012 budget would represent a cut of \$53.1 million or 26.0 percent from estimated final FY 2011 spending.
- As presented in budget documents accompanying the release of the HWM budget, the HWM budget proposes hiring an additional 200 public defenders and gradually shifting more of the total caseload of indigent defense away from private bar attorneys and onto public defenders (a slimmed down version of the Governor’s proposal to hire some 1,000 additional public defenders). Accordingly, the HWM budget provides \$13.0 million (or 40.5 percent) more than current FY 2011 budget levels for the **Committee for Public Counsel Services**, while reducing private counsel compensation by \$24.3 million (or 20.6 percent), for a net savings of \$11.2 million.
- The HWM budget proposes tightening the cap on the maximum amount of hours **private bar attorneys** can bill the state annually for their indigent defense services, reducing the total from 1,800 hours to 1,500 hours, while increasing audits of these bills along with other administrative cost controls. The HWM budget additionally proposes more rigorous income eligibility screening of those requesting a court appointed attorney, with accompanying documents suggesting that some 15 percent of applicants may not qualify for a publicly funded defense, thus producing what HWM estimates would be a \$12.3 million savings in FY 2012.

**State Funding for Indigent Defense**

	FY 2011 Current	FY 2012 Governor	FY 2012 HWM
Public Defenders	\$32.3		\$45.3
Private Bar Attorneys*	\$160+		\$93.3
Other	\$13.2		\$12.5
<b>Total Indigent Defense</b>	<b>\$208</b>	<b>\$162.7</b>	<b>\$151.1</b>
<i>FY12 Reduction from FY11</i>		\$45.3	\$56.9

\* Includes Governor’s estimate of anticipated supplemental FY 2011 funding, yet to be requested.

### A Comparison of Indigent Defense Reforms, Governor vs. HWM

	Governor's FY 2012 Budget	HWM FY 2012 Budget
1	Eliminate the Committee for Public Counsel Defense (CPCS), replace with new Dept. of Public Counsel Services housed within the Executive Branch	Maintain current structure of CPCS within the Judiciary, but with increased reliance on public defenders
2	Hire 1,000 new public defenders	Hire 200 new public defenders (Estimated FY12 savings = \$29 M)
3	Eliminate use of all private bar attorneys (PBAs), except in cases of conflict of interest	Reduce use of PBAs to 80 % of all cases (Estimated FY12 savings = \$29 M)
4	Increase screening for indigency verification (Estimated FY12 savings = \$22 M, based on a full year's cost reduction)	Increase screening for indigency verification (Estimated FY12 savings = \$12 M, based on a partial year's cost reduction)
5	-	Cap PBAs billable hours at 1500 hrs (Est. FY12 savings = \$7 m)
6	-	Enhanced PBA audits and other CPCS cost controls (Estimated FY12 savings = \$10 M)
7	Abolish the CPCS board. Have Gov. appoint an independent Chief Counsel	Reform governance structure of CPCS Board that appoints Chief Counsel

### PRISONS, PROBATION & PAROLE

The FY 2012 HWM budget recommends **\$1.15 billion** for prisons, probation and parole, a decrease of \$29.5 million (or 2.5 percent) relative to current FY 2011 budget levels and \$7.5 million less than the Governor's FY 2012 budget recommendation. The funding level for prisons, probation and parole proposed in the HWM budget also represents a 12.8 percent reduction from the amount appropriated in the 2009 GAA (adjusted for inflation). Notable elements of the FY 2012 HWM budget include:

- The FY 2012 HWM budget does not adopt the Governor's proposal to transfer most of the responsibility and funding for probations and parole oversight to a new Department of Community Supervision. Instead, the HWM budget funds the existing **Department of Probation** and related accounts at \$138.8 million, a decrease of \$3.1 million (or 2.2 percent) from current FY 2011 budget levels, and the Parole Board and related accounts at \$16.9 million, a decrease of \$1.4 million (or 7.8 percent). Relative to the total combined funding for probation and parole related activities recommended by the Governor for FY 2012 (\$147.2 million), the HWM total of \$155.7 million is \$8.4 million (or 5.7 percent) higher.

- For the **Department of Corrections Operations (DOC) and related accounts**, the FY 2012 HWM budget recommends **\$519.4 million** in funding, the same amount recommended by the Governor. Both HWM and the Governor propose eliminating \$7.0 million in funding provided in FY 2011 for DOC substance abuse programs. With the ballot initiative repeal of sales tax collections on alcohol sales, revenues previously earmarked for these substance abuse programs are no longer available. Factoring in the loss of funding for these programs, the HWM DOC funding proposal represents a decrease of \$7.6 million (or 1.4 percent) relative to current FY 2011 budget levels.
- Relative to current FY 2011 budget levels, in the FY 2012 HWM budget, funding for the **Prison Industries and Farm Services Program** (and its related retained revenue account) has been decreased by \$537,000 (or 10.3 percent) to **\$4.7 million**.
- The FY 2012 HWM budget reduces funding to most of the 14 county sheriff's departments. Reductions range from 0.3 percent to 2.5 percent relative to current FY 2011 budget levels, with most reductions ranging from 1 percent to 1.5 percent. Several county sheriff's departments, however, received funding increases, including Plymouth (\$1.1 million or 4.8 percent), Barnstable (\$811,000 or 3.9 percent), and Suffolk (\$3.1 million or 3.6 percent).

#### **LAW ENFORCEMENT**

In total, the FY 2012 HWM budget provides **\$310.2 million** in funding for law enforcement. This represents a decrease of \$17.0 million (or 5.2 percent) from current FY 2011 spending levels, and is \$15.9 million (or 4.9 percent) less than proposed by the Governor. The funding level for law enforcement proposed in the HWM budget also represents a 28.9 percent reduction from the amount appropriated in the 2009 GAA (adjusted for inflation), though approximately 40 percent of this decrease is attributable solely to reducing Quinn Bill funding from \$52.0 million to zero. Notable elements of the FY 2012 HWM budget include:

- The FY 2012 HWM budget **eliminates funding for the Quinn Bill**, a program funded at \$5 million in FY 2011 and with recommended funding of \$5 million in the Governor's FY 2012 budget. The Quinn Bill provides pay incentives to local police officers who hold approved college or advanced degrees in criminal justice, law enforcement, or related areas of study.
- The FY 2012 HWM budget provides \$13.0 million for the **State Police Crime Laboratory**, a decrease of \$171,000 (or 1.3 percent) from current FY 2011 budget levels.
- The FY 2012 HWM budget provides \$2.5 million for the **Criminal History Systems Board**, an increase of \$541,000 (or 27.1 percent) over current FY 2011 budget levels, and an amount essentially identical to the FY 2012 funding recommendation of the Governor.
- The FY 2012 HWM budget provides \$3.4 million for the **Sex Offender Registry Board**, a decrease of \$262,000 (or 7.2 percent) from current FY 2011 budget levels, and \$395,000 (or 10.5 percent) less than the FY 2012 funding recommendation of the Governor.

- The FY 2012 HWM budget provides \$226.7 million for the **Department of State Police Operations**, a decrease of \$6.9 million (or 3.0 percent) from current FY 2011 budget levels, and \$860,000 less than the FY 2012 funding recommendation of the Governor.
- As written, the FY 2012 HWM budget provides no direct appropriation for the anti-gang violence Shannon Grants. However, the recent FY 2011 supplemental funding bill approved by the House contains \$2.5 million of **Shannon Grant** funding that is intended to be carried over and used in FY 2012. Documents accompanying the FY 2012 HWM budget make clear that this \$2.5 million is HWM's intended FY 2012 funding level for the Shannon Grant program. Carrying this \$2.5 million forward into FY 2012 means that the net total Shannon Grant funding available for use in FY 2011 would be \$4.5 million. The Governor's FY 2012 budget recommendation includes both this \$2.5 million in supplemental funding (carried forward from FY 2011) and proposes an additional \$5.5 million in direct FY 2012 appropriations, for total Shannon Grant funding of \$8 million in FY 2012. The Shannon Grant program distributes grants to communities to reduce gang and youth violence through prevention and intervention, funding programs such as job skills workshops, outreach to at-risk youth, and prisoner reentry programs.
- The FY 2012 HWM budget does not adopt the Governor's proposal to fund police training through an automobile insurance surcharge. The Governor's budget documents state that this surcharge would generate revenue sufficient to pay for both municipal and state police training programs, programs that the Governor proposes funding at a combined \$8.9 million (including \$900,000 in retained revenue authority). Absent the proposed auto insurance surcharge, the HWM budget provides level funding of \$3.4 million (including retained revenue authority) for **municipal police training** and \$2.5 million for **training a new class of state police officers**. No money was provided in FY 2011 for training a new class of state police officers.

## PROSECUTORS

The FY 2012 HWM budget includes **\$136.6 million** in funding for prosecutors, including funding for functions such as the administration of the Office of the Attorney General, District Attorneys, fraud investigation and prosecution, and victim and witness protection. This represents an increase of \$4.9 million (or 3.7 percent) over current FY 2011 budget levels. The funding level for prosecutors proposed in the HWM budget also represents a 9.7 percent reduction from the amount appropriated in the 2009 GAA (adjusted for inflation). Notable elements of the FY 2012 HWM budget include:

- An across-the-board 5.0 percent increase in funding for all of the **District Attorneys'** offices (and their accompanying state police overtime accounts) relative to current FY 2011 budget levels. Also included are a 5.0 percent increase for the District Attorneys' Association (total FY 2012 funding would be \$1.7 million), and the District Attorneys' Wide Area Network account (total FY 2012 funding would be \$1.3 million). HWM provides \$500,000 in FY 2012 for the District Attorney Retention account, an account that provides resources to increase the salaries of highly effective prosecutors that the DAs particularly hope to retain as employees. This account had dropped from a \$500,000 appropriation in FY 2009 to zero in FY 2011.
- A decrease of \$454,000 (or 2.0 percent) to \$22.3 million in funding for the **Office of the Attorney General**, matching the cut proposed by the Governor. Additionally, HWM cuts \$50,000 (or 12.8 percent) from the AG's accompanying state police overtime account. Funding for the **False**

**Claims Recovery** retained revenue account would be increased by \$200,000 (over current FY 2011 budget levels) to \$775,000, an amount identical to that proposed by the Governor.

- An increase of \$250,000 (or 6.6 percent) in funding for the **Medicaid Fraud Control Unit** to \$4.1 million, an amount matching that proposed by the Governor.
- Funding for the **Wage Enforcement Program** of \$3.0 million, \$169,000 (or 5.4 percent) less than current FY 2011 budget levels, and identical to the Governor's FY 2012 proposal.

### *OTHER LAW & PUBLIC SAFETY*

The FY 2012 HWM budget includes **\$44.3 million** in funding for other law and public safety programs, which include the Massachusetts Emergency Management Agency, the state's military division, the Department of Fire Services Administration, the Department of Public Safety and other emergency relief. This represents a decrease of \$4.1 million (or 8.5 percent) from current FY 2011 funding levels, and a 20.5 percent reduction from the amount appropriated in the 2009 GAA (adjusted for inflation).

Notable elements of the FY 2012 HWM budget include:

- It follows the Governor's proposal to collapse funding for the **Division of Inspections** into the **Department of Public Safety**. These two functions, along with a retained revenue account for elevator inspections, are funded at \$10.1 million, virtually the identical amount proposed by the Governor, and \$318,000 (or 3.1 percent) below current FY 2011 budget levels.
- It does *not* follow the Governor's proposal to merge funding for the Merit Rating Board into the Transportation fund. Instead, the HWM budget creates a new account with the Department of Transportation through which to fund the **Merit Rating Board**. The FY 2012 HWM budget provides **\$8.1 million** to this account, an increase of \$500,000 (or 6.6 percent) above current FY 2011 budget levels.
- It funds the **Military Division** (and associated retained revenue account) at \$9.2 million, identical to the Governor's proposal, and \$312,000 (or 3.3 percent) less than current FY 2011 budget levels.
- It funds the **Department of Fire Services** at \$12.8 million, a reduction of \$4.0 million (or 23.9 percent) from current FY 2012 budget levels and \$4.0 million less than the level funding that the Governor has proposed.

## LOCAL AID

<b>FY 2012 House Ways and Means (Adjusted)*</b>	<b>\$870,100,293</b>
<b>FY 2011 Current</b>	<b>\$925,212,293</b>
<i>Change from FY 2011 Current</i>	<i>-\$55,112,000</i>
<i>Percent Change</i>	<i>-6.0%</i>
<b>FY 2012 Governor (Adjusted)*</b>	<b>\$870,400,293</b>

*\* In cases where House Ways and Means has shifted line items between categories, we have made an adjustment to reflect FY 2011 categories in order to provide an apples-to-apples comparison. See "How to Read the Tables."*

The Fiscal Year (FY) 2012 House Ways and Means (HWM) budget proposes to fund the full *MassBudget* category of Local Aid (not including Chapter 70 education aid) at **\$870.1 million**, a decrease of \$55.1 million, or 6.0 percent, from current FY 2011 levels. This proposal is almost identical to the Governor's FY 2012 proposal. Local aid to cities and towns has been cut deeply during the last several years of the Great Recession, with the HWM FY 2012 proposal representing a cut of 37.7 percent when compared to FY 2009 inflation-adjusted funding levels.

Specifically, the FY 2012 HWM budget proposes:

- \$834.0 million for **Unrestricted General Government Local Aid (UGGA)**, provided to help cities and towns fund their municipal budgets, a decrease of \$65.0 million, or 7.2 percent, from the current FY 2011 budget. The HWM proposal is the same as the Governor's FY 2012 proposal.

UGGA has been cut significantly since the onset of the Great Recession in late 2008. The HWM proposal represents a cut of \$528.5 million, or 38.8 percent, when compared to FY 2009 inflation-adjusted funding levels.

- \$25.3 million for **Reimbursements to Cities in Lieu of Taxes on State Owned Land**, level funding from the current FY 2011 budget. The HWM proposal is the same as the Governor's FY 2012 proposal.
- \$1.2 million for **Payments to Cities and Towns for Local Share of Racing Tax Revenue**, an increase of \$188,000, or 19.5 percent, from the current FY 2011 budget. The HWM proposal is the same as the Governor's FY 2012 proposal.
- \$9.7 million for the creation of a new **Regionalization and Efficiency Incentive Grant Program**, designed to help support municipalities seeking efficiencies in the delivery of local services. The Governor's FY 2012 budget makes the same new proposal.

Additionally, the HWM proposal does not follow the Governor's FY 2012 budget in proposing the creation of a new \$300,000 **Municipal Performance Initiative** to enhance performance management, accountability, and transparency for local governments.

The HWM budget proposal also includes language intended to reduce the cost to cities and towns of health insurance for their employees. Language in the budget proposal allows municipalities to seek to

reduce and shift costs through the implementation of plan design features such as increased co-payments and deductibles, and allows municipalities to transfer employees to the state's **Group Insurance Commission** if that would produce greater cost savings than would plan design changes. HWM proposes that 10 percent of the value of the savings associated with these changes be returned to the employees during the first year of implementation to pay for health care related expenses.

## OTHER

<b>FY 2012 House Ways and Means (Adjusted)*</b>	<b>\$4,261,537,713</b>
<b>FY 2011 Current</b>	<b>\$4,122,691,085</b>
<i>Change from FY 2011 Current</i>	<i>\$138,846,628</i>
<i>Percent Change</i>	<i>3.4%</i>
<b>FY 2012 Governor (Adjusted)*</b>	<b>\$4,228,484,310</b>

*\* In cases where House Ways and Means has shifted line items between categories, we have made an adjustment to reflect FY 2011 categories in order to provide an apples-to-apples comparison. See "How to Read the Tables."*

**DEBT SERVICE**

The Fiscal Year (FY) 2012 HWM budget provides **\$2.07 billion** for debt service costs, an amount virtually identical to that recommended by the Governor. This amount represents an increase of \$154.0 million (or 8.1 percent) from the \$1.91 billion provided in current FY 2011 spending. Measures were taken last year, however, to shift a portion of FY 2011 debt service costs into future years in order to reduce FY 2011 budgetary demands (see below). Comparison with last year's debt service costs therefore gives a somewhat distorted view of the year-over-year cost growth.

A year ago, in the Governor's FY 2011 budget recommendations, \$1.86 billion in debt service costs were included. At that time, estimated debt service costs for FY 2011 were \$2.16 billion (or \$300 million more than the Governor was recommending), in part due to a one-time spike in debt service costs.

As part of his FY 2011 budget proposal, the Governor recommended (and the Legislature adopted) a plan to refinance \$200 million of this debt in order to adjust for this one-time spike, bringing FY 2011 costs down to a level more in keeping with other years, some \$1.96 billion. The Governor further recommended (and the Legislature adopted) a plan to refinance another \$100 million of FY 2011 debt service costs, thereby lowering total debt service costs below trend in order to save money during a challenging budget year. (This cumulative reduction of \$300 million in FY 2011 debt service costs simply shifted these costs into the future, spreading them out over the course of several future years.)

The budget appropriation for debt service thus dropped to \$1.86 billion in FY 2011. During FY 2011, however, \$75 million in debt service appropriations previously approved for use in FY 2010 (but which went unused) was made available for increased debt service payments in FY 2011, thus bringing total FY 2011 debt service spending to \$1.91 billion.

Given all these changes, the better comparison of debt service cost growth from FY 2011 to FY 2012 is to see how far the proposed FY 2012 appropriation strays from "trend," in this case from the \$1.96 billion proposed by the Governor in FY 2011 after accounting for that fiscal year's one-time spike in cost. The FY 2012 HWM proposal of \$2.07 billion is some \$110 million, or about 5.5 percent above FY 2011 "trend," roughly in keeping with typical year-over-year growth in the state's debt service costs.

**LIBRARIES**

The House Ways and Means Committee (HWM) recommends spending **\$21.5 million** in Fiscal Year (FY) 2012 on libraries around the state. This is the same level as the FY 2011 current budget and is

\$421,000 more than the amount recommended by the Governor. Funding for state aid to libraries has fallen by 39.2 percent in inflation-adjusted dollars from the amount in the FY 2009 General Appropriations Act.

Local aid to public libraries receives \$6.8 million in the HWM proposal, which is the same level of funding it received in the FY 2011 current budget and in the Governor's FY 2012 proposal. In its budget, HWM does not include two proposals that the Governor recommended in his FY 2012 proposal.

- Traditionally the state funds the Boston Public Library (BPL), as the library of last recourse, in the account that provides aid to the state's regional library network. The Governor recommended transferring \$1.9 million from the regional library account to a separate line item for the BPL. The HWM proposal keeps funding for the BPL in the regional aid account and recommends providing \$9.1 million, which is the same amount the regional library network received in the FY 2011 current budget and is \$350,000 more than the Governor's FY 2012 proposal.
- The Governor recommended consolidating the Talking Book programs in Watertown and Worcester into a single account and providing \$2.7 million in funding, which is the same amount the programs received in FY 2011. The HWM budget does not propose the consolidation and recommends providing the Worcester and Watertown programs with the same level of funding they received in FY 2011.

## *PENSIONS*

Like the Governor's FY 2012 budget proposal, the HWM proposal provides **\$1.48 billion** for state pensions. This is an increase of \$36.2 million, or 2.5 percent, from the FY 2011 current budget. The proposed funding level incorporates changes to the pension funding schedule that are intended to mitigate the impact of the economic recession. According to the supporting documents to the Governor's budget proposal, without these changes, the FY 2012 appropriation for pensions would have increased significantly from FY 2011, by \$800 million to \$900 million.

As explained in the policy documents accompanying the Governor's budget proposal, the primary change has been to extend the pension funding schedule from 2025 to 2040. By extending the schedule by 15 years, the annual appropriation for each year is reduced. However, because the appropriation for pensions was cut by \$157.5 million in FY 2009, provisions are also in place to provide increases to the appropriation in the short term to make up for this cut, and to ensure an adequate level of funding in the long term. Between FY 2013 and FY 2017, the annual appropriation will increase 5 to 6 percent. Thereafter, the state appropriation could not be reduced even if there are investment gains that would otherwise lower the annual appropriation. Instead, any gains in the pension fund could be used to shorten the funding schedule.

## *OTHER ADMINISTRATIVE*

The HWM proposal does not include up to \$30 million in procurement savings proposed in the Governor's FY 2012 budget. The Governor's budget recommends that state agencies improve their

efficiency by sharing administrative tasks.<sup>6</sup> Already the state has consolidated information technologies and human resources management across agencies within each executive office. The Governor's budget proposes that agencies share other tasks, such as procurement. By consolidating their orders, agencies and their executive offices will save money on the purchases of goods and services. Outside Section 38 of the Governor's budget proposes that the Secretary of Administration and Finance may reduce funding for state agencies to match some or all of the savings achieved by these agencies through this effort.

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<sup>6</sup> A discussion of these reforms is available on the Governor's budget website available at: [http://www.mass.gov/bb/h1/fy12h1/exec\\_12/hbudbrief8.htm](http://www.mass.gov/bb/h1/fy12h1/exec_12/hbudbrief8.htm)

## REVENUE

The Fiscal Year (FY) 2012 House Ways and Means (HWM) budget adopts many of the revenue initiatives proposed in the Governor's budget, but forgoes several of the Governor's proposed measures that would enhance tax and other revenue collections. Taken together, the new revenue proposals in the FY 2012 HWM budget total \$545.1 million in FY 2012, \$112.4 million in tax initiatives, and \$432.8 million in non-tax revenues. A portion (\$174.3 million) of these revenue proposals are for ongoing revenues – generating revenues in FY 2012 and into subsequent years – and a portion (\$370.9 million) are one-time or temporary.

### HWM FY 2012 Revenue Proposals (\$ in millions)

	One-Time or Temporary	On-Going	Total
<b>Taxes</b>			
Delay of FAS 109 Provision	45.9		45.9
Expanded Tax Enforcement		61.5	61.5
Limit Life Sciences Tax Credit	5.0		5.0
<b>Sub-Total</b>	<b>50.9</b>	<b>61.5</b>	<b>112.4</b>
<b>Non-Tax Revenues</b>			
Stabilization ("Rainy Day") Fund Withdrawal	200.0		200.0
Stabilization ("Rainy Day") Fund Interest Transfer	9.0		9.0
Disposal of Abandoned Property	99.0		99.0
Sale of Underutilized State Land	12.0		12.0
Expanded Federal Medicaid Reimbursement		77.8	77.8
Revenue Maximization Efforts		35.0	35.0
<b>Sub-Total</b>	<b>320.0</b>	<b>112.8</b>	<b>432.8</b>
<b>Total</b>	<b>370.9</b>	<b>174.3</b>	<b>545.1</b>

## TAX REVENUE

The HWM FY 2012 budget relies on the Fiscal Year 2012 consensus tax revenue figure, agreed to by the Administration, the House and the Senate. The consensus tax revenue total is \$20.53 billion, an amount 3.7 percent above the recently revised FY 2011 revenue estimate of \$19.78 billion. The HWM budget proposal follows the Governor's recommendations to include the following:

- Delaying implementation of a provision included in the Commonwealth's 2008 package of reforms to corporate taxation. This provision relates to the interaction of Federal Accounting Standard 109 (or "FAS 109") and the 2008 reform package. Delaying implementation of this provision will save the Commonwealth \$45.9 million in FY 2012. This is one-time revenue.
- Enhancing revenue collections by expanding the number of employees directly performing tax examination, audit and appeals functions (at an additional cost of \$1.2 million in FY 2012). The new employees will allow the state Department of Revenue to crack down on tax evasion, both

individual and corporate, and collect the taxes that are legally due to the Commonwealth. This initiative will generate \$61.5 million in additional collections for the Commonwealth annually, primarily through increased assessments and collections from taxpayers.

- Capping the value of the Life Sciences Credit at \$20.0 million in total forgone revenues rather than the usual \$25.0 million. This limit on the Life Sciences Credit would generate an additional \$5.0 million in FY 2012.

HWM does not follow the Governor's recommendation to changing the share of profits of certain multi-state corporations that would be apportioned to Massachusetts for tax purposes. The Governor had estimated \$20.0 million from this change. HWM also does not follow the Governor's proposal to enforce collection by and remittance of the full Room Occupancy Tax on the part of Internet room resellers based on the reseller's markup price. The Governor had estimated \$8.0 million from this change.

### *NON-TAX REVENUE*

The HWM budget includes \$432.8 million in non-tax revenue proposals, some of which would generate revenues in the future, some of which are revenues just for FY 2012. The Governor's budget proposal also includes these non-tax revenues:

- Withdrawing \$200 million from the Commonwealth Stabilization ("Rainy Day") fund and transferring interest earned by the Stabilization Fund (estimated at approximately \$9 million) into the General Fund.
- Relying on \$77.8 million in additional federal revenues, assuming that the state will receive federal approval to be reimbursed by the Medicaid program for certain additional state health expenditures.
- Assuming that the state will be able to receive an additional \$35 million in federal reimbursements for other state expenditures.
- Estimating \$12 million from the sale of surplus state properties that are underutilized; the Governor estimated \$15 million from these sales. Both HWM and the Governor estimate a \$99 million increase compared to FY 2011 in proceeds from the sale or other disposal of abandoned property.

Unlike in the Governor's budget proposal, HWM does not count on receiving an additional \$8 million in **reimbursement for child support collections**; the Governor's proposal would have created a new legal requirement for non-custodial parents to make cash contributions towards the cost of these children's health insurance. The HWM budget proposal also does not count on \$20.0 million from **an expanded bottle bill**.

## APPENDIX : Budget by Category and Subcategory

(For an explanation of each column in this chart, see “How to Read the Tables” in the Overview.)

CATEGORY (in millions)	FY 2011 Current	FY 2012 Governor (Adj.)	FY 2012 HWM (Adj.)	FY 2012 HWM (Adj.) compared to FY 2011 Current	FY 2012 HWM (Adj.) compared to FY 2011 Governor (Adj.)
<b>Education</b>	<b>6,664.6</b>	<b>6,639.1</b>	<b>6,624.9</b>	<b>(39.8)</b>	<b>(14.3)</b>
Early Education and Care	510.2	510.1	512.6	2.3	2.4
Higher Education	1,012.2	953.4	943.7	(68.6)	(9.7)
K-12: Chapter 70 Aid	4,072.3	3,990.5	3,990.8	(81.5)	0.3
K-12: Non-Chapter 70 Aid	425.5	506.9	499.7	74.2	(7.3)
K-12: School Building	644.3	678.1	678.1	33.8	0.0
<b>Environment &amp; Recreation</b>	<b>165.1</b>	<b>166.1</b>	<b>154.4</b>	<b>(10.7)</b>	<b>(11.7)</b>
Environment	74.7	77.1	66.7	(8.0)	(10.4)
Fish and Game	17.4	17.7	17.9	0.5	0.3
Parks and Recreation	73.0	71.3	69.8	(3.2)	(1.6)
<b>Health Care*</b>	<b>14,770.6</b>	<b>14,293.3</b>	<b>14,223.7</b>	<b>(546.9)</b>	<b>(69.6)</b>
MassHealth (Medicaid) and Health Reform	12,222.8	11,825.3	11,758.2	(464.6)	(67.1)
Mental Health	628.3	607.0	612.7	(15.6)	5.7
Public Health	496.7	472.4	464.3	(32.4)	(8.1)
State Employee Health Insurance*	1,422.8	1,388.6	1,388.5	(34.3)	(0.1)
<b>Human Services</b>	<b>3,361.7</b>	<b>3,337.5</b>	<b>3,344.8</b>	<b>(16.9)</b>	<b>7.2</b>
Children, Youth, and Families	887.7	873.4	868.3	(19.4)	(5.1)
Disability Services	1,356.0	1,360.1	1,369.6	13.7	9.5
Elder Services	220.6	216.0	217.0	(3.6)	1.0
Transitional Assistance	769.8	756.8	760.3	(9.5)	3.5
Other Human Services	127.6	131.2	129.6	1.9	(1.7)
<b>Infrastructure, Housing &amp; Economic Development</b>	<b>1,667.1</b>	<b>1,563.5</b>	<b>1,556.6</b>	<b>(110.5)</b>	<b>(6.8)</b>
Commercial Regulatory Entities	48.3	49.2	49.2	0.9	0.0
Economic Development	100.1	80.0	73.7	(26.4)	(6.3)
Housing	330.6	299.1	299.0	(31.5)	(0.1)
Transportation	1,188.2	1,135.2	1,134.7	(53.5)	(0.5)
<b>Law &amp; Public Safety</b>	<b>2,320.5</b>	<b>2,244.4</b>	<b>2,209.9</b>	<b>(110.6)</b>	<b>(34.5)</b>
Courts and Legal Assistance	628.7	586.9	563.9	(64.8)	(23.0)
Law Enforcement	327.3	326.1	310.2	(17.0)	(15.9)
Prisons, Probation and Parole	1,184.4	1,147.4	1,154.9	(29.5)	7.5
Prosecutors	131.7	136.2	136.6	4.9	0.4
Other Law and Public Safety	48.4	47.9	44.3	(4.1)	(3.6)
<b>Local Aid</b>	<b>925.2</b>	<b>870.4</b>	<b>870.1</b>	<b>(55.1)</b>	<b>(0.3)</b>
General Local Aid	899.0	834.0	834.0	(65.0)	0.0
Other Local Aid	26.2	36.4	36.1	9.9	(0.3)
<b>Other</b>	<b>4,122.7</b>	<b>4,228.5</b>	<b>4,261.5</b>	<b>138.8</b>	<b>33.1</b>
Constitutional Officers	82.1	67.6	68.2	(13.9)	0.5
Debt Service	2,104.7	2,260.2	2,260.8	156.1	0.6
Executive and Legislative	65.5	62.8	65.4	(0.1)	2.7
Libraries	21.5	21.0	21.5	0.0	0.4
Pensions	1,441.8	1,478.0	1,478.0	36.2	0.0
Other Administrative	407.1	338.9	367.7	(39.4)	28.8
<b>Total Appropriations &amp; Transfers*</b>	<b>33,997.6</b>	<b>33,342.8</b>	<b>33,245.9</b>	<b>(751.7)</b>	<b>(96.9)</b>

\*To better compare across fiscal years, this total does not include health benefit costs for municipalities joining the Group Insurance Commission.

