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Massachusetts Budget and Policy Center

FACTS AT A GLANCE August 12, 2011 (updated)

FISCAL FALLOUT: The Great Recession, Policy Choices, & State Budget Cuts, Fiscal Years 2009-2012

OVERVIEW

With the start of Fiscal Year (FY) 2012, Massachusetts enters the fourth budget year shaped by the worst national recession since the Great Depression. Nationally our economy lost more jobs in this downturn than in any in the post-World War II era; as of July of this year, 43 months after the start of the recession, the U.S. still had 4.9 percent fewer jobs than before the collapse. Since the 1930s the nation has never been down more than 0.8 percent of jobs this many months after the start of a recession. While Massachusetts has fared somewhat better than most states, the state has not escaped the effects of the recession and the slow and painful recovery.

This economic crisis has battered the state budget. When FY 2009 began, the state was expecting $21.4 billion in tax revenue. Then the effects of the recession hit. Ultimately the state collected just over $18.3 billion--almost 15 percent less than anticipated. The next year baseline revenue fell by another $500 million (although actual revenues increased modestly because the state raised the sales tax). At the same time, costs increased as job losses mounted and more families found themselves depending on state programs for access to health care and other basic safety net services.

The national economic crisis hit the state at a time when we already faced serious long-term structural budget problems. Throughout most of the 1980s and 1990s total state tax collections were a little over 6 percent of the income earned in the state. During the dot-com bubble in the late 1990s there was a temporary spike in incomes and in tax revenue in Massachusetts. During that period, the state dramatically reduced taxes, failing to recognize that the economic bubble would eventually burst. The state cut the income tax rate (at a cost of $1.4 billion a year), increased the personal exemption ($600 million a year), cut the tax rate on dividends and interest income in half ($630 million a year), and enacted a number of tax breaks for businesses.[1]

FACT SHEETS

[1] See http://www.massbudget.org/documentsearch/findDocument?doc_id=748&dse_id=1363

As a result of these cuts and other changes, tax revenues declined to a little over 5 percent of total state income by 2009. This $3 billion decline in tax revenue created fiscal instability in both good times and bad over the past 15 years. In recessions the state has cut deeply, reducing local aid to cities and towns as well as funding for education, human services, public health, and other services people rely on. In good times the state has not been able to restore funding for needed services or to make adequate deposits into the state's rainy day fund to prepare for the next crisis.

During the current fiscal crisis the state has relied primarily on over $3 billion in budget cuts and savings to address the ongoing budget deficits. The state also raised about $1 billion in taxes, and used over $1.5 billion a year in Recovery Act and related funding from the federal government in FY 2009 through FY 2011. The federal funds played an important role in helping states protect critical services and avoid additional tax increases during the recession, but new funds will not be available for states in FY 2012. While leading economists have warned that relying primarily on cuts to balance the budget in a recession may be the most economically harmful strategy,[2] this is the course Massachusetts and most other states have chosen. Likewise, economists have cautioned that the termination of federal efforts to protect and create jobs while the economy remains weak could slow our economic recovery.[3]

Thanks to the structural problems that pre-dated the recessions, as well as the slow recovery, FY 2012 budget writers still faced a gap of about $1.9 billion between expected revenue and spending needs, even after the budget cuts and tax increases of the past two years. As in previous years, the final FY 2012 General Appropriations Act (GAA) relied heavily on spending cuts in order to fill the gap; it also included close to half a billion dollars from temporary revenue sources and assumed significant savings in the Medicaid program. An upturn in FY 2011 revenue collections towards the end of the FY 2012 budget process allowed the Conference Committee to shift some funds forward and avoid deeper cuts.

This report examines the budget cuts enacted since the onset of the current economic downturn, comparing major categories of state spending in the FY 2009 GAA and the FY 2012 GAA (including funding authorized in FY 2011 that will carry over into FY 2012). In order to provide an apples-to-apples comparison, FY 2009 appropriation amounts are adjusted for inflation and cost shifts due to a budget-wide consolidation of information technology costs (for an explanation of these adjustments, see the final section of this document). Where relevant the report also discusses cost shifts within individual areas, as well as instances where spending has failed to keep pace with the levels needed to maintain services.

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[2] http://www.cbpp.org/cms/?fa=view&id=1032

[3] See e.g. Testimony of **Josh Bivens** *Economist*, *Economic Policy Institute,* **Wednesday, February 16, 2011, i**n a hearing before the Subcommittee for Regulatory Affairs, Committee for Government Oversight, US House of Representatives. **"The Stimulus: Two Years Later," available at** http://www.epi.org/newsroom/testimony/the_stimulus_two_years_later

FACTS AT A GLANCE August 12, 2011 (updated)

FISCAL FALLOUT: Cuts to Early Education & Care, Fiscal Years 2009-12

The Fiscal Year (FY) 2012 General Appropriations Act (GAA) provides $506.6 million for early education and care programs, a cut of $104.3 million, or 17.1 percent, when compared to the FY 2009 inflation-adjusted appropriation of $610.9 million (for an explanation on how this number is calculated, see the final section of this document). The Great Recession hit shortly after passage of the FY 2009 GAA and early education and care programs have been cut every year since. Cuts include:

- **Child Care Subsidies: $64.9 million cut**
  Child care subsidies are funded through three separate line items, including the Temporary Assistance for Needy Families (TANF)-Related Child Care line item for families that are current Transitional Aid to Families with Dependent Children (TAFDC) recipients, the Supportive Child Care line item for families with active Department of Children and Families cases, and the Low-Income Child Care line item for low-income working families that are not current or recent TAFDC recipients. Funding for these subsidies in the FY 2009 GAA totaled $490.4 million, or 507.7 million in inflation-adjusted dollars. The FY 2012 GAA provides $442.8 million for these three child care subsidy accounts, a cut of $64.9 million when compared to the FY 2009 inflation-adjusted appropriation.

- **Universal Pre-Kindergarten Program: $5.1 million cut**
  The FY 2009 GAA provided $12.1 million, or $12.6 million in inflation-adjusted dollars, for Universal Pre-Kindergarten, a grant program that helps expand access to high-quality preschool. The FY 2012 GAA provides $7.5 million for this program, a cut of $5.1 million, or 40 percent, compared to FY 2009, after adjusting for inflation.

- **Healthy Families Home Visiting Program: $3.2 million cut**
  The FY 2009 GAA provided $13.2 million, or $13.7 million after adjusting for inflation, for Healthy Families Massachusetts, a newborn home visiting program for first-time parents aimed at preventing child abuse and neglect. The FY 2012 GAA provides 10.5 million, a cut of $3.2 million compared to the FY 2009 inflation-adjusted appropriation.

- **Early Childhood Mental Health Grants: $2.3 million cut**
  The FY 2009 GAA funded Early Childhood Mental Health Grants, at $2.9 million, or $3.0 million in inflation-adjusted dollars. The FY 2012 budget provides $750,000 for grants, a cut of $2.3 million, or 75 percent, when compared to the FY 2009 inflation-adjusted appropriation.

- **Head Start Grants: $2.9 million cut**
  The FY 2009 GAA appropriated $10.0 million, or $10.4 million in inflation-adjusted dollars, for grants to Head Start programs. The FY 2012 GAA provides $7.5 million for these grants, a cut of $2.9 million since FY 2009, after adjusting for inflation.

FISCAL FALLOUT: Cuts to Chapter 70 Education Aid, Fiscal Years 2009-2012

Overview: $440 Million Cut to Chapter 70

Fully funding Chapter 70 education aid for Fiscal Year (FY) 2012 would cost roughly $4.43 billion, $440 million more than the actual FY 2012 funding level of $3.99 billion. The FY 2012 funding level reflects the cumulative effect of several cuts made during the ongoing fiscal crisis that began in the course of FY 2009. *MassBudget* calculates full funding by reversing four types of cuts that were implemented during the fiscal crisis: slowing the 2007 reform phase-in plan, skipping a high-inflation quarter in calculating the FY 2010 foundation budget, increasing local contributions for some districts in FY 2010, and cutting aid for districts above foundation in FY 2010 and FY 2012.

FY 2012 Full Funding		FY 2012 Actual Funding		Amount Cut
$4,430,000,000	-	$3,990,000,000	=	$440,000,000

Calculating the Cuts

The Commonwealth's Chapter 70 formula for education serves as a detailed maintenance budget, reflecting the changing costs year-to-year of providing an adequate education in Massachusetts. The foundation budget calculates the present cost of providing an adequate education in each of the state's public school districts by factoring in 11 different education cost categories and it is updated each year to reflect inflation and changes in enrollment. (It should be noted, however, that while some changes have been made to the Chapter 70 formula, most notably through the FY 2007 budget, the formula's underlying cost allocations have not been fundamentally reevaluated or updated since its creation in 1993.) [1] Because education costs vary based upon individual student needs, enrollment calculations reflect specific costs associated with student grade level, socioeconomic status, and English language proficiency. Once the total foundation budget has been established, state and local contributions are calculated in order to ensure that total spending in each district never falls below its foundation budget.

By running the Chapter 70 formula for each of the years during the ongoing fiscal crisis without including any of the cuts, *MassBudget* has simulated what full funding of a maintenance budget for Chapter 70 would be in FY 2012. Following are descriptions of each of the four main cuts made during the last three fiscal years. Individual cut amounts represent rough estimates, since these variables interact with each other within the Chapter 70 formula; while the total $440 million cut does not change, different sequencing of cuts changes the individual amounts somewhat.

1. **Slowing the 2007 reform phase-in plan ($220 million cut)**

[1] For more information on how the foundation budget is calculated, see: www.finance1.doe.mass.edu/chapter70/chapter_cal.pdf

The FY 2007 budget ushered in a series of reforms to the Chapter 70 formula designed primarily to address concerns about fairness in how the state determined local contributions and state aid. These reforms began in FY 2007 and were planned to be implemented over a five-year period. FY 2011 was slated to be the first year in which these reforms were fully phased-in, but due to the fiscal crisis and the fact that the reform plan was never written into law, the Legislature's FY 2010, FY 2011, and FY 2012 budgets all reduced state education aid in part by slowing this process. Slowing this reform plan during the last three years has had the effect of cutting Chapter 70 aid by roughly $220 million.

2. **Skipping a high-inflation quarter in calculating the FY 2010 foundation budget ($60 million cut)**
   Each year the state adjusts the foundation budget to account for cost increases over the previous year. Under the Chapter 70 statute, the inflation adjustment equals the increase in state and local government costs between the first quarters of the two previous fiscal years, with a cap of 4.5 percent. However, in past years when the inflation rate exceeded 4.5 percent, the Legislature waived the cap and increased foundation budget rates by the full amount of actual inflation. The FY 2010 budget, however, was calculated using a different time period to calculate inflation. This change resulted in ignoring the quarter with especially large cost growth (the growth during the first quarter of FY 2007) in the calculation, reducing foundation budgets and thereby cutting Chapter 70 aid. By using this different time period, the inflation adjustment was 3.04 percent, as opposed to 6.75 percent (which is the inflation adjustment according to the statutory calculation) or 4.5 percent (the statutory cap on inflation). Since each year's inflation builds on the previous year's, using the low inflation rate of 3.04 percent for FY 2010 means that foundation budgets will continue to lag behind actual inflation in subsequent years until a retroactive inflation correction is made.[2] Since this correction has not yet been made, the effect of this cut as reflected in the current FY 2012 budget is roughly $60 million. The size of this cut would appear even larger if we were to assume that the FY 2010 budget should have been inflated by the full 6.75 percent, rather than just to the statutory cap of 4.5 percent.

3. **Increasing local contributions for some districts in FY 2010: $40 million cut**
   In its simplest form, Chapter 70 state aid is determined first by calculating a local community's ability to contribute—its "required contribution"—and then filling the gap between this amount and the foundation budget. Historically, communities have been able to contribute above their required amount and still receive a full state aid payment equal to the difference between their original required amount and foundation. In the FY 2010 budget, however, the state cut its aid payments to a category of communities that had been spending above their required local contributions but below their new target contributions, as established through the 2007 reforms. This resulted in a cut of approximately $40 million in Chapter 70 aid.[3]

4. **Cutting aid for districts above foundation in FY 2010 and FY 2012 ($120 million cut)**

[2] For more information on calculating inflation in the foundation budget, see: http://massbudget.org/doc/613

[3] Aid was cut by an amount that still ensured total spending of at least foundation levels. Affected communities, whose initial local contribution was above their required contribution, had up to 95 percent of their local contribution level from FY 2008 converted into required spending. This enabled the state to reduce its Chapter 70 aid since higher required local contributions ensure that districts stay at foundation even with lower state aid. In most communities, the actual local spending on education exceeds the required minimum spending level, sometimes by quite a large amount. This new provision was included to capture much of this actual spending as required spending, thereby bringing a number of low-effort communities substantially closer to their target share in one year. Fiscal Year 2008 was used as the base year because it is the most recent year for which the Department of Elementary and Secondary Education had complete spending data at the district level.

The FY 2010 budget cut district-level Chapter 70 aid by up to 2 percent from FY 2009, with specific cuts affecting individual districts differently. If the full 2 percent cut would have brought a given district below its foundation level, the cut was reduced in order to preserve its foundation budget amount. Thus, some districts received a smaller reduction while others received the full 2 percent cut.

Initially, the FY 2011 budget cut districts across-the-board by up to 4 percent from FY 2010 levels, but federal Education Jobs Fund money was distributed to Massachusetts early in FY 2011 as part of the ongoing federal recovery effort, and these funds were used to reverse the cuts before the FY 2011 school year began. The FY 2012 budget cuts districts in a slightly different way: by deleting the federal Education Jobs Fund money from the FY 2011 base used for calculating FY 2012 allocations. This proposal leads most districts to see aid cuts of between 5 and 7.5 percent from their FY 2011 funding levels, which include State Fiscal Stabilization Fund (SFSF) and Education Jobs Fund money that is not available for FY 2012. The FY 2012 budget, however, is higher than the FY 2011 amount prior to Massachusetts's allocation of Education Jobs Fund money.

The FY 2011 and FY 2012 revenue pictures are further 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 July 2011 only $79.6 million of the $200.5 million in Education Jobs Fund money intended for use in FY 2011 had actually been claimed by local districts for use in FY 2011; 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 spent on education that year and, conversely, the $3.99 billion state contribution budgeted for FY 2012 somewhat understates the resources likely to be available this year. Similarly, *MassBudget's* $440 million cut estimate somewhat overstates the resource gap faced by districts in FY 2012 that did not spend all of their Education Jobs Fund money in FY 2011.

FISCAL FALLOUT: Cuts to K-12 Education Programs (Not Including Chapter 70 Aid) & School Building Assistance, Fiscal Years 2009-2012

The Fiscal Year (FY) 2012 General Appropriations Act (GAA) provides $508.4 million for programs in the *MassBudget* subcategory of Elementary and Secondary Education (not including Chapter 70 education aid). This funding level represents a cut of $130.5 million when compared to the FY 2009 GAA inflation-adjusted appropriation of $638.9 billion (for an explanation on how this number is calculated, see last section of this document).

K-12 Education Programs (Not Including Chapter 70 Aid)

Special Education Circuit Breaker Reimbursements: $25.0 million cut
The Special Education Circuit Breaker has been cut by $25.0 million when the FY 2012 budget is compared to FY 2009 inflation-adjusted levels. At the beginning of FY 2009, before the economy collapsed, reimbursements to school districts with extraordinary special education costs were slated to receive $230.0 million ($238.2 million adjusted for inflation). These reimbursements were reduced to $215.5 million ($223.1 million adjusted for inflation) through mid-year cuts during FY 2009 and further reduced to $133.1 million in both FY 2010 and FY 2011 ($136.5 million adjusted for inflation in FY 2010 and $134.7 million adjusted for inflation in FY 2011). The FY 2012 budget of $213.1 million brings the circuit breaker program closer to the FY 2009 final spending amount, but it still represents a cut of about $25.0 million when compared to FY 2009 GAA inflation-adjusted funding levels.

The federal American Recovery and Reinvestment Act (ARRA) of 2009 included $299.3 million in additional Individuals with Disabilities Education Act (IDEA) support for special education costs in Massachusetts schools during FY 2010 and FY 2011, and some of this money likely mitigated the impact of state-level cuts to the circuit breaker program. These funds were designed to support a range of special education services, not just those with extraordinary costs partially reimbursed through the state's circuit breaker program; however many districts are likely to have used stimulus money to backfill funding gaps for special education costs during FY 2010 and FY 2011.

Transportation of Pupils to Regional School Districts: $19.9 million cut
The FY 2012 budget provides $43.5 million for regional school transportation, a cut of about $19.9 million when compared to the FY 2009 inflation-adjusted appropriation of $63.5 million ($58.4 million in nominal dollars). The largest single cut came from FY2009 to FY 2010, when regional transportation was reduced by 35 percent.

Kindergarten Expansion Grants: $12.0 million cut
The FY 2012 budget provides $22.9 million in grants for schools implementing full-day kindergarten. The FY 2009 GAA funded these grants at $33.8, or $35.0 million in inflation-adjusted dollars, and thus the real cut is $12.0 million when compared to the FY 2009.

METCO: $4.7 million cut
The FY 2012 budget provides $17.6 million for the METCO program to reduce racial segregation across school districts, a cut of $4.7 million when compared to the FY 2009 inflation-adjusted appropriation of $22.4 million ($21.6 million in nominal dollars).

Adult Basic Education: $4.6 million cut
The FY 2012 budget provides $27.7 million for adult basic education (ABE). The FY 2009 GAA provided $31.2 million, or $32.3 million in inflation-adjusted dollars, for a cut of $4.6 million over this period.

Support for Students with Low MCAS Scores: $4.3 million cut
The FY 2012 budget provides $9.6 million for programs to support students with low MCAS scores, a cut of $4.3 million when compared to the FY 2009 inflation-adjusted appropriation of $13.9 million ($13.4 million in nominal dollars).

After-School and Out-of-School Grants: $4.3 million cut
The FY 2012 budget provides $1.4 million for after-school and out-of-school grants, a cut of $4.3 million, or 75 percent, when compared to the FY 2009 inflation-adjusted appropriation of $5.7 million.

Extended Learning Time Grants: $4.2 million cut
The FY 2012 budget provides $13.9 million for grants for schools to extend the length of the school day. This program received $17.5 million, or $18.1 million in inflation-adjusted dollars, in FY 2009; the FY 2012 funding level represents a cut of $4.2 million compared to FY 2009.

Youth Build: $1.6 million cut
The FY 2012 budget provides $1.3 million for Youth Build grants, a cut of $1.6 million when compared to the FY 2009 inflation-adjusted appropriation of $2.9 million.

Connecting Activities Summer Jobs: $1.5 million cut
The FY 2012 budget provides $2.8 million for Connecting Activities, which provides summer work opportunities for high school students, a cut of $1.5 million when compared to the FY 2009 appropriation of $4.1 million, or $4.3 million in inflation-adjusted dollars.

School-to-Work Matching Grants: Eliminated ($3.2 million cut)
School-To-Work matching grants have not been funded at all in either the FY 2011 or the FY 2012 budgets. These grants received a $3.2 million inflation-adjusted appropriation in FY 2009 GAA.

SCHOOL BUILDING ASSISTANCE

School Modernization and Reconstruction Trust (SMART): $48.7 million cut
The FY 2012 budget projects a contribution of $678.1 million to the School Modernization and Reconstruction Trust (SMART) over the course of this fiscal year, a decrease of $48.7 million when compared to the FY 2009 inflation-adjusted appropriation of $726.8 million. The trust receives an amount equal to one cent of the 6.25 cents per dollar state sales tax, and so funding for SMART has dropped as sales tax receipts declined over the course of the fiscal crisis. The FY 2012 budget projects a nominal increase of $33.8 million from FY 2011 due to anticipated sales tax increases as the state's economy recovers.

FISCAL FALLOUT: Cuts to Higher Education, Fiscal Years 2009-2012

The Fiscal Year (FY) 2012 General Appropriations Act (GAA) provides $948.5 million for the *MassBudget* category of Higher Education, which includes all campus allocations, as well as some grant programs, scholarship money, and administrative funds. This funding level represents a cut of $184.2 million when compared to the FY 2009 inflation-adjusted appropriation of $1.13 billion (for an explanation of how this number is calculated, see last section of this document). Although the fiscal crisis hit in the fall of 2008, the Legislature was able to use federal stimulus money distributed through the State Fiscal Stabilization Fund (SFSF) to fend off deep cuts during FY 2009 and for FY 2010. Of a total $359.3 million in SFSF money available for higher education, the Legislature allocated $53.8 million midway through FY 2009, $230.3 million in FY 2010, and $75.3 million in FY 2011. MassBudget totals for higher education include these SFSF revenue amounts.

The FY 2012 budget for higher education reflects two changes planned by the Legislature in FY 2011, to be implemented starting in FY 2012: Schools formerly known as "State Colleges" are now known as "State Universities" and all campuses of public higher education will begin retaining tuition payments from out-of-state students, rather than remitting that revenue to the state. *MassBudget* adjusts upwards the FY 2012 campus appropriations by these projected amounts so that one can reasonably compare the levels or resources available at an individual campus to previous years when tuition had to be remitted to the state.

When compared to the FY 2009 GAA, **UMass campuses** have been cut $86.2 million, **community colleges** have been cut $42.6 million, and **state universities** have been cut $35.4 million. The table below outlines these cuts. Totals have been adjusted to correct for some shifting of line items and to account for a recent policy change that allows all campuses to retain out-of-state tuition starting in FY 2012.

State Funding for UMass, Community Colleges, & State Universities (including SFSF)

	FY 2009 GAA	FY 2010 Final	FY 2011	FY 2012 Current	Amount Cut During Fiscal Crisis	% Cut
Community Colleges	$252,976,366	250,551,672	230,153,557	210,366,728	-$42,609,638	-16.8%
State Universities	$230,417,754	228,209,278	209,606,853	195,008,769	-$35,408,985	-15.4%
Umass	$520,527,931	515,538,844	470,149,968	434,319,082	-$86,208,849	-16.6%
TOTAL	**$1,003,922,050**	**$994,299,794**	**$909,910,377**	**$839,694,579**	**-$164,227,471**	**-16.4%**

*All numbers are adjusted for inflation, expressed in FY2012 dollars.

Additionally, the FY 2012 budget provides $87.6 million for the **state scholarship program**, a cut of $12.7 million when compared to the FY 2009 appropriation of $96.9 million, or $100.3 million in inflation-adjusted dollars.

FISCAL FALLOUT: Cuts to Environment & Recreation, Fiscal Years 2009-2012

The Fiscal Year (FY) 2012 General Appropriations Act (GAA) provides $160.6 million for environment and recreation programs, a cut of $59.7 million when compared to the FY 2009 GAA amount of $220.3 million, after adjusting for inflation and changes in accounting for information technology (IT) expenditures (for an explanation of these adjustments, see last section of this document).

Parks and Recreation

The budget for state parks, parkways, beaches, pools and water management programs overseen by **the Department of Conservation and Recreation (DCR)** was $101.8 million in the FY 2009 GAA or $105.4 million in inflation-adjusted dollars. The FY 2012 GAA provided $71.5 million for these programs. After accounting for a shift of approximately $2.6 million into an IT account within the Executive Office of Energy and Environmental Affairs (EOEEA), funding for state parks and recreation has fallen $31.3 million compared to the FY 2009 GAA inflation-adjusted amount.

In a letter to the Legislature, the Massachusetts Stewardship Council—which was appointed by the Legislature to oversee the Department of Conservation and Recreation (DCR)—expressed its concern that the Governor's FY 2012 budget proposal to provide $71.3 million for DCR was too low. The letter stated that this funding level, on top of the succession of budget cuts made in recent years, could jeopardize the agency's ability to manage and maintain its facilities. In its letter the Council recommended that DCR receive at least $75 million in FY 2012; otherwise the agency might be forced to close facilities, shorten the season for other facilities, and reduce the number of lifeguards working at state beaches.[1] As noted above, the FY 2012 GAA provided $71.5 million, which is $164,000 more than the Governor's proposal but $3.5 million less than the amount recommended by the Council.
Some notable cuts to parks and recreation programs include:

- **State Parks and Parkways: $15.4 million cut**
  The FY 2009 GAA provided a total of $57.4 million, or $59.4 million in inflation-adjusted dollars, for state parks including urban parks and parkways and the central artery parks in Boston. When the fiscal crisis began in the fall of 2008, the Governor reduced funding for these parks by $5.1 million as part of his emergency 9C cuts. The FY 2010 budget then merged funding for these parks into a single account and transferred approximately $1.8 million to the newly-created central IT account. The FY 2012 budget provides $42.2 million for state parks, a cut of $15.4 million from the FY 2009 GAA after adjusting for inflation and the IT account transfer.

- **Beaches, Pools and Seasonal Employees: $4.8 million cut**
  The FY 2009 GAA provided a total of $15.9 million, or $16.4 million in inflation-adjusted dollars, for state beaches, pools, and the seasonal employees who work in all state recreation facilities

[1] A copy of the letter is available on the Massachusetts Stewardship Council's website: http://www.mass.gov/dcr/news/publicmeetings/materials/sc/FY2012%20Budget%20Letter%20to%20Legislature.pdf

including parks. As with the parks program discussed above, the FY 2010 GAA merged funding for beaches, pools and seasonal employees who work at state recreation facilities into a single account. The FY 2012 GAA provides $11.6 million in funding for these activities, a cut of $4.8 million below the FY 2009 GAA appropriation after adjusting for inflation.

- **Office of Dam Safety: $918,000 cut**
  The Office of Dam Safety (ODS) received $1.2 million in the FY 2009 GAA. This office maintains safety information on dams located throughout the state and ensures that dam owners are properly inspecting and maintaining their facilities. When revenues began plunging at the onset of the financial crisis, the Governor made $640,000 in 9C cuts from this program. The FY 2012 GAA provides ODS with a little over $290,000; after adjusting for an IT transfer of $8,000 and inflation this amounts to a cut of around $918,000—or 75 percent--from the FY 2009 GAA.

Environment

The budget for environmental protection, which funds programs for state recycling services, monitoring the clean-up of hazardous waste sites, and assuring that the state's air and water are clean received $89.7 million, or $92.9 million in inflation-adjusted dollars, in the FY 2009 GAA. The FY 2012 GAA provides $70.3 million for these activities. After accounting for the transfer of $3.3 million in IT funds from the parks and recreation and fish and game budgets[2] into the environment budget and adjusting for inflation, funding in the FY 2012 GAA for environment programs has been cut by approximately $25.9 million compared to FY 2009 GAA levels. Notable cuts include:

- **Department of Environmental Protection administrative account: $9.9 million cut**
  The FY 2009 GAA provided $36.3 million to the account that funds the Department of Environmental Protection (DEP), or $37.6 million in inflation-adjusted dollars. DEP is responsible for overseeing programs to ensure that Massachusetts has clean air and safe drinking water, and that contaminated waste sites are cleaned up. Since the onset of the fiscal crisis, when the Governor made $2.6 million in emergency 9C cuts in FY 2009, funding that allows DEP to hire the staff necessary to monitor these programs has decreased by several million dollars each fiscal year. The FY 2010 GAA also transferred about $3.0 million from DEP to the new central IT account. The FY 2012 GAA provides $24.7 million to DEP's administrative account; after adjusting for inflation and the IT account transfer this represents a cut of $9.9 million compared to the FY 2009 GAA.

- **Hazardous Waste Cleanup: $4.6 million cut**
  The FY 2009 GAA provided $16.7 million for Hazardous Waste Clean Up, or $17.3 million in inflation-adjusted dollars. This program, administered by the DEP, provides funding to help clean up hazardous waste and spills around the state. Funding for this program has steadily decreased since the onset of the fiscal crisis. The FY 2010 budget also transferred about $640,000 to the newly-created IT account. The FY 2012 GAA provides $12.0 million for this program; after accounting for the IT transfer, this represent a cut of $4.6 million compared to the inflation-adjusted FY 2009 appropriation.

- **Environmental Law Enforcement: $3.5 million cut**

[2] The Environment budget includes funding for the IT account created in FY 2010. As a result funding from Parks and Recreation and Fish and Game were transferred from these subcategories, within the Environment and Recreation category, into the Environment subcategory.

The FY 2009 GAA provided $11.6 million, or $12.0 million in inflation-adjusted dollars, for state environmental police. The environmental police are responsible for ensuring that the state's environmental laws are properly enforced, as well as for overseeing boating safety laws. In FY 2010, approximately $481,000 was transferred from this account to the new IT account. The FY 2012 GAA provides $8.0 million in funding for environmental police, a cut of $3.5 million from the FY 2009 GAA appropriation, after adjusting for inflation and the IT account transfer.

FISCAL FALLOUT: Cuts to MassHealth (Medicaid) & Health Reform, Fiscal Years 2009-2012

The fiscal crisis has led to significant cuts to the Commonwealth's MassHealth (Medicaid) health insurance program, and to other health programs for low- and moderate-income people. The budget numbers alone, however, do not show the impact of these cuts, because the state's health care budget has increased since Fiscal Year (FY) 2009 due to enrollment growth, utilization changes, and to health care cost increases. In particular, health care inflation typically outstrips inflations for other goods and services, so dramatic programmatic cuts might not show up by just looking at budget numbers, even if those numbers were to be adjusted by standard inflation measures.

Starting in FY 2009, the federal government provided significant funding to the Commonwealth to provide fiscal relief in the form of an enhanced reimbursement for the Medicaid program. Prior to FY 2009, the federal reimbursement for Medicaid services was 50 percent. From FY 2009 through FY 2011, the American Recovery and Reinvestment Act (ARRA) provided for an increased reimbursement rate – up to 62 percent. In order to receive this enhanced reimbursement rate, states were restricted from changing their Medicaid eligibility standards. Accordingly, cuts to the MassHealth program during this time did not include changes in eligibility.

During the recession, as would be expected, enrollment in publicly-subsidized health insurance, such as MassHealth and Commonwealth Care programs has increased. In July 2008, MassHealth enrollment totaled approximately 1.15 million members. By October 2010, enrollment topped 1.28 million, and projected enrollment for FY 2012 totals 1.36 million,[1] an increase of close to 200,000 persons. In July 2008, Commonwealth Care enrollment totaled 174,000 members,[2] and by June 2011 Commonwealth Care enrolled 160,000, with an additional 16,500 persons enrolled in the Commonwealth Care Bridge program for special status immigrants. The Administration anticipates an additional 13,000 Commonwealth Care enrollees by FY 2012.[3] When unemployment increases, incomes drop and people lose access to health insurance through their employers, and people have turned in increasing numbers to the state's subsidized health insurance programs. Tellingly, in spite of the recession over the past few years, the rate of uninsurance in Massachusetts has continued to drop. Official numbers state that less than 2 percent of the state's population is without health insurance – by far the best insurance rate in the nation.[4]

Without adjusting for inflation, funding for MassHealth and health reform programs totaled $10.39 billion at the beginning of FY 2009. In FY 2012, funding for MassHealth and health reform programs totals $11.88 billion in the current budget. (We estimate that $51.8 million of this increase represents funding for information technology that had been transferred from other health or human services

[1] Office of Medicaid, MassHealth snapshots; FY 2012 projections from Office of Medicaid.
[2] Mass. Health Connector Board Meeting materials, July 10, 2008. Available at www.mass.gov/connector.
[3] https://www.mahealthconnector.org/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/Health%2520Care%2520Reform/Facts%2520and%2520Figures/Facts%2520and%2520Figures.pdf
[4] http://www.mass.gov/Eeohhs2/docs/dhcfp/r/pubs/11/2011_key_indicators_february.pdf

agencies into the Executive Office of Health and Human Services. In our analyses, we count funding for the Executive Office in our MassHealth and Health Reform totals. To put this in perspective, however, this transfer represents less than 5 percent of the total amount of the increase in funding from FY 2009 to FY 2012.)

In order to accommodate double digit increases in enrollment, and health care inflation that sometimes more than triples the inflation rate of other goods,[5] and without changing eligibility, the Commonwealth has used a variety of strategies to constrain health care spending increases. (These cuts are presented as "gross savings" because they do not take into account that any reduction in Medicaid spending also reduces the amount of federal Medicaid reimbursement revenue the Commonwealth receives.)

Among the most significant cuts since FY 2009 are:

- **Elimination of Adult Restorative Dental Care in FY 2011: $56.3 million cut**
  Close to 700,000 adults rely on the MassHealth program for oral health care, including 130,000 elders. These adults will no longer receive insurance coverage for services such as fillings.

- **Elimination of Comprehensive Health Care Coverage for Some Legal Immigrants in FY 2010: approximately $100 million cut**
  The FY 2010 budget removed 28,000 "aliens with special status" from the Commonwealth Care program. At the time, it was estimated that the annual cost of health care for these individuals would have been approximately $140 million. These legal immigrants include persons who have been granted permanent residency but have not yet lived here for five years, and some persons living here under immigration protections as political refugees. A new stripped-down health insurance program, called Commonwealth Care Bridge, was created to cover these immigrants. Enrollment in Commonwealth Care Bridge was closed in August 2009. Funding allocated for the existing members of Commonwealth Care Bridge program in FY 2010 was approximately $40 million, $100 million less than they would have cost with the more comprehensive health care coverage in Commonwealth Care. The FY 2012 budget includes $42 million for the 16,500 persons still eligible for the program.

- **Proposed Reductions in Reimbursement Rates Paid to Providers: estimated $613 million cut since FY 2009**
  Each budget cycle has included cuts in rates paid to health care providers. The mid-year 9C cuts of more than $235 million in FY 2009 focused on cuts to provider reimbursements, and an estimated $230 million more were cut in the FY 2010 and FY 2011 budgets. The FY 2012 budget includes an additional $150 million cut from rates. These cuts in FY 2012 include reducing payments to hospitals for higher than average "preventable" readmissions that occur within 30 days, reducing what are known as transition payments to certain hospitals, reducing rate "add ons" for hospitals that serve a disproportionate share of publicly funded patients, eliminating special payments to community health centers to support increased dental capacity; and eliminating reimbursements to nursing homes when they hold a patient's bed for up to 10 days while the patient receives care in a hospital. These cuts, made since FY 2009, have netted the state approximately $300 million in savings.

[5] Based on Consumer Price Index for all Urban Consumers, eastern New England region, Medical Care. See www.bls.gov. For example, based on the Consumer Price Index for all goods, between FY 2009 and FY 2011 inflation measures approximately 2.4 percent. Medical care inflation during this same period measures approximately 8.2 percent.

- **Elimination of Rate Increases for Managed Care Plans in FY 2012: estimated $169 cut**
  The FY 2012 budget includes the elimination of rate increases for managed care plans. This $169 million reduction could result in a net $84 million in savings for the state.

- **Elimination of Primary Care Workforce Grants in FY 2010: $1.8 million cut**
  In FY 2009 primary care workforce grants, a program to increase the number of primary care physicians, received $1.7 million in funding, or $1.8 million when adjusted for inflation, using standard inflation measures. This program had been funded at the start of FY 2010, but was then eliminated mid-year and was never restored. Increasing access to primary care has been a goal of Massachusetts health reform, and these grants were one of several strategies to increase the supply of primary care providers. When adjusted for inflation, the value of this cut is $1.8 million in FY 2012 dollars.

FISCAL FALLOUT: Cuts to Public Health, Fiscal Years 2009-2012

Public health services have been particularly hard hit by budget cuts since Fiscal Year (FY) 2009. Funding has been reduced by an estimated $82.9 million or 13.5 percent, when adjusted for inflation and taking into account approximately $22.9 million in technology and other costs shifted to the Executive Office of Health and Human Services. (For an explanation of these adjustments, see the final section of this document.) The deepest public health cuts have been to education, prevention, and screening programs, as well as to the regulatory public health programs. Cuts to the central administrative offices will affect the ability of the department to plan, evaluate or monitor its programs. The following are some of the major cuts to public health services since FY 2009:

- **Health Promotion and Disease Prevention Program: $11.3 million cut**
  In FY 2009 health promotion and disease prevention programs received $14.7 million in the General Appropriation Act (GAA) – equivalent to $15.2 million in FY 2012 inflation-adjusted dollars. In FY 2011 these programs provide 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 1500 people. These programs also have provided screening or prevention programs for diabetes, ovarian cancer, stroke, hepatitis C, multiple sclerosis, prostate cancer, osteoporosis, and Amyotrophic Lateral Sclerosis. Steep cuts in state funding to certain public health programs put the Commonwealth at risk of losing federal matching grants that support these public health programs.

- **Smoking Prevention and Cessation Programs: $8.8 million cut**
  In FY 2009 smoking prevention and cessation programs were funded at $12.8 million, or $13.2 million adjusted for inflation. In FY 2010, funding had been reduced to $4.5 million ($4.6 million adjusted for inflation). In the FY 2012 budget, smoking prevention is funded at $4.2 million, which is a cut of $8.8 million from the FY 2009 level, adjusted for inflation.

- **Family Health Services: $3.1 million cut**
  In FY 2009 family health services received $7.6 million, or $7.9 million in inflation-adjusted dollars. Family health services include comprehensive family planning, HIV counseling and testing, and community-based health education and outreach services. In the FY 2012 budget, funding for family health services is $4.7 million. This is a cut of $3.1 million—38.9 percent—when adjusted for inflation.

- **School Health Services: $6.3 million cut**
  In FY 2009 school health services received $17.5 million, or $18.1 million when adjusted for inflation. In the FY 2012 budget, school health services are cut to $11.6 million. Adjusted for inflation, this represents a cut of $6.3 million, or 34.6 percent. This cut could affect school-based health clinics and school nursing services which are often essential gateways to primary care for at-risk young people.

- **Teen Pregnancy Prevention Services: $1.8 million cut**
  In FY 2009, teen pregnancy prevention services received $4.1 million, or $4.2 million adjusted for inflation. In FY 2010 funding was cut to $2.7 million when adjusted for inflation , and in the FY 2011 budget funding for teen pregnancy prevention programs is down to $2.4 million. The FY 2012 budget includes $2.4 million for these services, a cut of $1.8 million—or 42.2 percent—when adjusted for inflation.

- **HIV/AIDS Prevention and Treatment Services: $7.0 million cut**
  There are two components to funding for HIV/AIDS services: 1) community-based prevention, treatment and service programs, and 2) a special federally-funded medication support program. Since FY 2009, the prevention and treatment programs have been cut by $7.0 million, a 17.9 percent cut.

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FACTS AT A GLANCE August 12, 2011 (updated)

FISCAL FALLOUT: Cuts to Mental Health, Fiscal Years 2009-2012

Since Fiscal Year (FY) 2009, funding for mental health services has been cut by $52.7 million, or 7.4 percent, even though the FY 2012 budget provides additional funding for mental health services from several off-budget trusts. In the FY 2009 GAA (General Appropriations Act), funding for mental health services was $685.4 million, or $709.6 million in FY 2012 inflation-adjusted dollars. In the FY 2012 budget, mental health funding totals $648.0 million. (Our calculation of the total FY 2009-2011 cut reflects adjustments for inflation and shifts in information technology funding that affect the bottom line; for an explanation of these adjustments see last section of this document.)

Though the Commonwealth is continuing its efforts to shift mental health spending from facility-based care to community care, funding for community services has felt the impact of the state fiscal crisis. Although initially at risk, the community-based clubhouse program, which provides support and social activities for adults with mental illness, was spared significant cuts in the FY 2012 budget. Two areas with major cuts since FY 2009 are:

- **Reduction in Funding for Children's Mental Health Services: $7.1 million cut**
  In FY 2009, mental health services for children and adolescents received $76.2 million, or $78.9 million when adjusted for inflation. In FY 2010, children's mental health services were cut to $74.0 million and in FY 2011 to $72.6 million when adjusted for inflation. The FY 2012 budget includes $71.8 million. This is a $7.1 million cut when adjusted for inflation. It is important to note, however, that a significant increase in mental health services for children started in FY 2009 funded through the MassHealth program through what is known as the Children's Behavioral Health Initiative associated with the *Rosie D. v Romney* lawsuit. Funding for these screening and treatment services has increased over the past few years with the ramping up to full implementation of this initiative.

- **Reduction in Funding for Adult Mental Health Services and Mental Health Facilities: $39.4 million cut**
  In FY 2009, mental health services for adults received $389.0 million, or $402.7 million when adjusted for inflation. Mental health facilities were funded at $181.9 million, or $188.3 million when adjusted for inflation. The largest cut to these services came in the middle of FY 2009, when funding for adult mental health services was cut by more than $32 million mid-year. While there has been a philosophical shift away from the use of facility-based care, resources for community-based services have not been increased to make up for the cuts to facilities. Even though the FY 2012 budget includes $10.0 million in funding for community- or facility-based adult mental health services, total funding has still dropped by $39.4 million since FY 2009, a cut of almost 7 percent.

FISCAL FALLOUT: Cuts to Human Services, Fiscal Years 2009-2012

CHILDREN, YOUTH, AND FAMILIES

The Fiscal Year (FY) 2012 General Appropriation Act (GAA) provides $879.6 million for programs within the *MassBudget* category of Children, Youth, and Families—essentially the Department of Children and Families (DCF) and the Department of Youth Services (DYS). This FY 2012 funding level represents a cut of $155.2 million when compared to FY 2009 inflation-adjusted appropriations of $1.03 billion (for an explanation on how this number is calculated, see the last section of this document). Cuts include:

- **Services for Children and Families: $42.4 million cut**
  The FY 2012 GAA provides $282.5 million for Services for Children and Families, which include stabilization, unification, reunification, permanency, adoption, guardianship and foster care services, representing a cut of $42.4 million when compared to FY 2009 funding levels of $313.8, or $324.9 in inflation-adjusted dollars. Funding for these services has been cut every year since FY 2009. Note that the FY 2011 and FY 2012 budgets fund these services through two distinct line items, Services for Children and Families and Family Support and Stabilization, whereas these services were funded through one line item in FY 2009 and 2010. The two line items are combined in this analysis to allow for accurate funding comparison back to FY 2009.

- **Congregate (Group) Care Services: $44.1 million cut**
  The FY 2012 budget provides $193.6 million for congregate care for children in DCF custody, a cut of $44.1 million when compared to the FY 2009 GAA appropriation of 229.6 million, or $237.7 million in inflation-adjusted dollars.

- **Services for People At-Risk for Domestic Violence: $3.6 million cut**
  The FY 2012 budget provides $20.7 million for services for people at-risk for domestic violence, a cut of $3.6 million when compared to the FY 2009 inflation-adjusted appropriation of $24.3 million.

- **Department of Youth Services and Related Programs: $26.3 million cut**
  The FY 2012 budget provides $142.5 million for the Department of Youth Services (DYS) and the programs it provides for youth, a cut of $26.3 million when compared to the FY 2009 inflation-adjusted appropriation of $168.8 million. Within this total, Residential Services for Detained Population has seen especially severe cuts; the FY2012 funding level of $18.3 million represents an $8.3 million, or 31 percent, cut from the FY 2009 inflation-adjusted level of $26.6 million.

DISABILITY SERVICES

The FY 2012 budget funds disability services at $1.37 billion. After adjusting for approximately $9.4 million in information technology costs shifted to the Executive Office of Health and Human Services, funding for disability services has been cut by $16.1 million compared to the FY 2009 inflation-adjusted funding level of just under $1.40 billion.

- $2.9 million cut from services for the blind and visually impaired
- $10.5 million cut from rehabilitation services and supports for persons with head injuries
- $1.9 million cut from services for the developmentally disabled
- $724,000 cut from services for the deaf and hard of hearing

Some of the most significant cuts within these departments include:

- **Community Day and Work Programs: $9.4 million cut**
  The FY 2009 budget funded Community Day and Work Programs for adults with developmental disabilities at $129.2 million, or $133.7 million when adjusted for inflation. These community programs focus on skill building and provide important employment support and training. Adjusting for inflation, funding in FY 2010 dropped to $123.0 million, while in FY 2011 funding increased to $124.7 million. The FY 2012 budget funds these services at $124.3 million, a $9.4 million—or 7.1 percent—cut from FY 2009.

- **Respite and Family Supports: $17.1 million cut**
  The FY 2009 budget funded Respite and Family Supports at $56.1 million, or $58.1 million in inflation-adjusted dollars. These services provide are essential for families of children and adults with developmental disabilities; paying for such services as short-term respite care, support groups, as well as integrated summer camps and after school care. Adjusted for inflation, funding was cut in FY 2010 to $47.7 million and then to $47.1 million in FY 2011. In part to address growing waiting lists, the FY 2012budget funds these services at $41.0 million. But adjusted for inflation, this is a $17.1 million cut in funding since FY 2009.

- **Transitional Services for Adults (Turning 22): $3.0 million cut**
  The FY 2009 budget funded Turning 22 services at $7.7 million, or $8 million when adjusted for inflation. This funding provides the bridge between special education and adult services, as young adults with severe disabilities turn 22 and are no longer eligible for school-based services. Although the number of young adults with severe disabilities leaving the school system is increasing, funding for these services has declined. Funding was cut to $5.0 million in FY 2010 and has stayed there since. Adjusted for inflation, FY 2012 funding of $5.0 million represents a funding cut of $3.0 million or 37.3 percent.

- **Community Transportation Services: $3.0 million cut**
  The FY 2009 budget funded community transportation services for the developmentally disabled at $14.1 million, or $14.7 million when adjusted for inflation. Because adults with developmental disabilities often are unable to drive or take public transportation independently, funding for such programs is crucial for ensuring that these adults can get to work or other community activities. In FY 2010 this funding was reduced to $12.3 million, adjusted for inflation, and in FY 2011 it was further reduced to $11.8 million. The FY 2012budget funds transportation at $11.6 million, which is a $3.0 million cut from FY 2009 levels adjusted for inflation. These numbers, of course, understate the impact of the service cut, as they do not account for the increasing caseload at the department, nor do they account for such cost increases—such as increases in gasoline prices—necessary to maintain the original service levels.

ELDER SERVICES

The FY 2012 budget funds elder services at $218.6 million. After adjusting for approximately $1.5 million in information technology costs shifted to the Executive Office of Health and Human Services, funding for elder services has been cut by $26.9 million compared to the FY 2009 inflation-adjusted funding level of $247.0.

Adjusting for inflation, cuts to the elder services budget since FY 2009 include:

- **Elder Home Care: $18.8 million cut**
  Funding for elder home care services in the FY 2009 budget was $147.1 million, $152.3 million when adjusted for inflation. The FY 2012 budget cut the funding to $133.5 million, a cut of $18.8 million. At one point, there was hope that the waiting list for elder home care could be eliminated. With reductions in funding for home care each year since FY 2009, the waiting lists have returned.

- **Enhanced Elder Home Care Program: $4.2 million cut**
  Funding for the enhanced elder home care program in the FY 2009 budget was $48.2 million, $49.9 million when adjusted for inflation. The FY 2012 budget cut the funding to $45.8 million, a cut of $4.1 million.

- **Protective Services: $1.6 million cut**
  Protective services programs, which investigate concerns about the abuse or neglect of elders living in the community, were funded at $16.2 million in the FY 2009 budget, or $16.8 million when adjusted for inflation. These services were cut in FY 2010 and in FY 2011, and the FY 2012 budget funds protective services at $16.3 million. This is a $569,000 budget cut when adjusted for inflation.

- **Elder Housing Programs: $1.3 million cut**
  The FY 2009 budget included $2.8 million for elder congregate housing programs, or $2.9 million when adjusted for inflation. In the FY 2012 budget, congregate housing is funded at $1.6 million. This is a $1.3 million cut when adjusted for inflation.

- **Community-based Support Programs: $822,000 cut**
  Between FY 2009 and the FY 2012 budget proposal, $822,000 in funding for several community-based elder services programs has been eliminated, including:

  - Geriatric Mental Health services, funded at $225,000 in FY 2009, or $233,000 when adjusted for inflation, and then eliminated in FY 2010.
  - Family Caregivers Program, funded at $250,000 in the beginning of FY 2009 (equivalent to $259,000 adjusted for inflation) and eliminated part-way through that same year.
  - Residential Placement for Homeless elders, funded at $450,000 in FY 2009, or $466,000 after adjusting for inflation, cut dramatically in FY 2010, eliminated in the FY 2011 budget, and only partially restored to $136,000 in FY 2012.

TRANSITIONAL ASSISTANCE

Employment Services Program (ESP): $29.0 million cut

In FY 2009, the Employment Services Program (ESP) received a total of $34.7 million in funding, or $36 million, adjusted for inflation. Funding for ESP was reduced through the Governor's 9C cuts in FY 2009, and further reduced to $15 million by FY 2011. The FY 2012 GAA funds ESP at $7.1 million, a cut of nearly $29.0 million compared to FY 2009, after adjusting for inflation.

TAFDC Grant Payments—Children's Clothing Allowance: $11.5 million cut [may be rescinded]
In the FY 2012 budget the clothing allowance for children in families receiving TAFDC (Transitional Aid to Families with Dependent Children) drops from $150 (in the FY 2011 budget) to $40. The budget language stipulates that a $150 clothing allowance will be provided if funds allow, but only guarantees a minimum of $40. Following passage of the FY 2012 GAA the Governor proposed to restore a portion of this cut via a supplemental appropriation; while that proposal awaits action the administration has indicated its intent to pay the full $150 allowance in September. It is important to note that the $150 allowance amount has not been increased since 1986 when it was set, and thus does not reflect increases in the cost of living.

In addition, the grant payments to families are also not adjusted for inflation yearly, which means that the value of the cash assistance decreases because it does not keep pace with rising costs year to year. For example, the maximum benefit for a family of three is $633 per month. Had this been adjusted to reflect increases in the cost of living since FY 2009, the benefit would have increased to $682 per month for a family of four by FY 2012. Thus the benefit has been cut in real terms by about 7.8 percent since FY 2009; measured over the past decade the cut is even larger, because this amount has not been increased since 2000 and has never been adjusted for inflation.

FISCAL FALLOUT: Cuts to Housing, Fiscal Years 2009 - 2012

The Fiscal Year (FY) 2012 General Appropriations Act (GAA) provides $300.9 million for affordable housing programs, an increase of $12.4 million when compared to the FY 2009 GAA level of $286.4 million after adjusting for inflation and changes in accounting for information technology (IT) expenses at the Executive Office of Housing and Economic Development (for an explanation on how this number is calculated, see last section of this document).

Within this total amount, however, most housing programs have been cut or level-funded, while funding for the Emergency Assistance (EA) program, which provides shelter to eligible homeless families, has increased as the number of these families seeking assistance has surged since the onset of the recession (see discussion below). Thus if one only looks at overall state spending for housing in Massachusetts, the rising cost of EA, which results from the increased demand for shelter among homeless families, masks some of the cuts that have been made in other affordable housing programs.

Since the passage of the FY 2009 GAA, the state has also begun implementing the Housing First model, which was recommended by the state's Commission to End Homelessness to help families and individuals find permanent housing. As part of this effort, the FY 2010 GAA shifted homelessness services from the Department of Transitional Assistance to the Department of Housing and Community Development (DHCD) to provide these families and individuals with better access to affordable housing resources. As part of this effort, the state has tried to preserve funding for the **Massachusetts Rental Voucher Program (MRVP)** which provides mobile vouchers that recipients use to help pay for rent in the open market or project-based vouchers which are distributed by local housing authorities to subsidize rents in public housing. The FY 2009 GAA provided $33.0 million, or $34.2 million in inflation-adjusted dollars. The FY 2012 GAA provides $36.0 million for MRVP, an increase of $1.8 million above the FY 2009 GAA in inflation-adjusted dollars.

The state was able to preserve funding for these vouchers during the fiscal crisis in part by moving funding out of Residential Assistance to Families in Transition (RAFT) into MRVP (see below for discussion of RAFT funding). Despite this shift, however, demand for these vouchers has far exceeded supply. Because funding has not kept pace with demand, DCHD is currently not issuing new mobile based vouchers. [1]

In addition to state funding, the Massachusetts Housing Finance Authority (MassHousing), a quasi-state agency, has contributed $2.7 million to MRVP since the onset of the fiscal crisis. The FY 2010 and 2011 GAAs included language requiring that MassHousing contribute to MRVP. The FY 2012 GAA does not include the same requirement, although the Governor has requested that MassHousing continue its contribution in FY 2012. (Note: MassBudget does not include contributions by quasi-state agencies in its funding total since they are not direct state appropriations.)

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[1] Information on MRVP application process is available on DHCD's website at: http://tinyurl.com/4hmpwe2

While the Legislature and Governor have tried to protect housing services for homeless families and individuals, the fiscal crisis has forced the state to make deep cuts in some programs including:

Residential Assistance for Families in Transition (RAFT): $5.4 million cut
RAFT, which gives one-time housing assistance to families who are homeless or are at risk of becoming homeless, received $5.5 million in the FY 2009 GAA, or $5.7 million in inflation-adjusted dollars. The federal American Recovery and Reinvestment Act (ARRA), passed in February of 2010, provided $44.8 million in temporary funds to provide low-income families in Massachusetts with the types of assistance that RAFT provided. Because these federal dollars could be used to temporarily provide these services (though it was outside the RAFT program itself), in FY 2010 the Governor shifted most of RAFT's funding to MRVP (see above for description of MRVP). Despite the fact that the federal recovery money for vouchers ran out in early 2011, the FY 2012 budget provides RAFT with $260,000, a cut of $5.4 million from the FY 2009 GAA, after adjusting for inflation.

Subsidies for Public Housing Authorities: $6.3 million cut
The FY 2009 GAA provided $66.5 million, or $68.8 million in inflation-adjusted dollars, for the state's 234 housing authorities. This funding subsidizes the rent of low-income tenants and provides money for maintenance of public housing units managed by local housing authorities throughout Massachusetts. The FY 2012 budget allocates $62.5 million in subsidies for these housing authorities. The budget also includes language requesting that DHCD use some of the funds to make repairs to family units, if those repairs cost $10,000 or less. The intent of this language is to make more units available for families served through the EA and HomeBase programs (see below). It is unlikely, given that public housing authorities have received level funding since the onset of the recession while costs have increased due to inflation, that they will have any extra funding to renovate family units that are in need of repair. After adjusting for inflation, state assistance to public housing authorities has fallen $6.3 million below the FY 2009 GAA.

Emergency Assistance (EA) for Homeless Families: $15.8 million cut from FY 2012 maintenance
The FY 2009 GAA appropriated $87.2 million, or $90.3 million in inflation-adjusted dollars, for EA, which provides shelter and services to eligible homeless families. Since the onset of the recession, the number of families served by EA has increased from about 2,000 in late 2007 to over 3,000 by July of 2010.[2] In an effort to reduce spending on EA, the state has made two changes to the program. First, the FY 2010 GAA lowered eligibility for homeless families from 130 percent to 115 percent of poverty. While it is unclear how much the state may have reduced costs for EA by eliminating services for those families, demand for the program continued to increase and by the end of that fiscal year the state had spent $151.7 million on EA services.

The FY 2012 GAA implements the second change by reorganizing how services are provided to families eligible for EA (see explanation below). The FY 2012 budget provides a total of $137.6 million for both EA and for the newly-created HomeBase program[3]. This level is $15.8 million less than the amount the state would have to spend in FY 2012 to provide the same level of services as it did in FY 2011.[4]

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[2] The most recent EA Legislative report from September 2010 submitted by the Department of Housing Community Development is available at: http://www.mass.gov/Ehed/docs/dhcd/hs/2010sep.pdf
[3] This includes $1.2 million provided to the HomeBase program in a June 2011 Supplemental Budget that was transferred into FY 2012.
[4] In documents accompanying his budget, the Governor estimated the state would need to spend $153 million to provide the same level of EA services in FY 2012 as it did in FY 2011. Because of the new HomeBase program proposed in his FY 2012 budget, which was ultimately adopted in the FY 2012 GAA, the Governor's budget assumes the state will spend less in FY 2012 because the new HomeBase program will shift families away from shelters and into permanent housing. http://www.mass.gov/bb/h1/fy12h1/exec_12/hbudbrief19.htm

State Funding for Homeless Families

Program	FY 2009 GAA	FY 2010 Current	FY 2011 Current	FY 2012 Budget
EA	$87,224,342	$151,693,012	$161,360,773	$97,797,200
HomeBase	------	------		$39,761,732
Total	**$87,224,342**	**$151,693,012**	**$161,360,773**	**$137,558,932**

The reorganization of shelter and services for eligible families who are homeless or at risk of becoming homeless is the next step that the state is taking in implementing its Housing First model. The FY 2012 budget creates the HomeBase program to provide rental subsidies and other assistance to keep families from entering costly shelters and help them find and stay in permanent housing. In the FY 2012 budget EA receives $97.9 million of the $137.6 provided in the FY 2012 budget and the remaining $39.8 million funds HomeBase. Under the reorganization, EA will primarily provide shelter to families whose head of household is under 21, for families who have left their housing due to domestic violence or have lost it because of fire or other natural disaster. The remaining families, who were previously eligible for EA, would be provided with three years of rental subsidies and other assistance through HomeBase to either stay in current housing or move to permanent housing. The FY 2012 GAA does allow families served through HomeBase to stay in EA-funded family shelters until they find permanent housing.[5]

Soft Second Mortgage Program: $6 million cut

The FY 2009 GAA provided the Soft Second Mortgage loan program with $5.8 million, or $6.0 million in inflation-adjusted dollars. This program helps low- and moderate- income residents purchase their first house. When the fiscal crisis hit in the fall of 2008, the Governor announced that funding for soft second would be reduced by $2 million as part of his cuts under Chapter 9C of the Massachusetts General Laws. Since the beginning of FY 2010, Soft Second has received no funding in the state budget, although the Massachusetts Housing Partnership (MHP), a quasi-public agency, contributed $2 million to this program in both FY 2010 and FY 2011. The FY 2010 and 2011 GAAs included language requiring that MHP contribute to the Soft Second program. The FY 2012 GAA does not include the same requirement though the Governor has requested that MHP continue its contribution in FY 2012. (Note: MassBudget does not include contributions by quasi-state agencies in its funding total since it is not a direct state appropriation.)

[5] For a full explanation of this reorganization please see the Housing section of MassBudget's *Budget Monitor: The Fiscal Year 2012 General Appropriations Act* available at: http://www.massbudget.org/documentsearch/findDocument?doc_id=141&dse_id=1638

FISCAL FALLOUT: Cuts to Economic Development, Fiscal Years 2009-2012

ECONOMIC DEVELOPMENT

The Fiscal Year (FY) 2012 General Appropriations Act (GAA) provides $83.4 million for economic development programs, a cut of $95.6 million when compared to the FY 2009 GAA amount of $179 million, after adjusting for inflation (for an explanation of these adjustments, see last section in this document).

Massachusetts Office of Travel and Tourism: $36.4 million cut
In FY 2009, the Massachusetts Office of Travel and Tourism was funded at $37.1 million, or $38.4 million in inflation-adjusted dollars, an amount that initially included earmarks for many individual projects. During FY 2009 mid-year funding cuts reduced funding for the Massachusetts Office of Travel and Tourism by $20.5 million, and funding was reduced further in subsequent years, to $2.1 million in FY 2011 ($2.2 million adjusted for inflation). In both FY 2010 and FY 2011, all of the earmarks that had been funded through this line item were removed. In the FY 2012 budget The Office of Travel and Tourism receives no funding, a total cut of $36.4 million compared to FY 2009 inflation-adjusted GAA. (The state does anticipate receiving an additional $5 million in funding from outside sources for this office; however, these are not state funds and therefore not included in the funding totals.)

Massachusetts Cultural Council Grants: $7.7 million cut
In FY 2009, Massachusetts Cultural Council Grants were funded at $12.7 million, or $13.1 million, adjusted for inflation. Funding for these grants has decreased in each year since. In FY 2012 Cultural Council Grants receive $5.4 million in the GAA, a cut of $7.7 million from FY 2009, after adjusting for inflation.

Individual Training Grants: $10.1 million cut
Funding for these grants administered by the Massachusetts Service Alliance was at $11 million in the FY 2009 GAA, or $11.4 million in inflation-adjusted dollars. During FY 2009, the Governor cut funding for these grants by $8.2 million to $2.8 million, or 25 percent, of its original funding. Funding was further reduced in the FY 2010 to $750,000 ($770,000 adjusted for inflation). The FY 2012 budget funds Individual Training grants at $1.4 million, a cut of $10.1 million from FY 2009, after adjusting for inflation.

Local Tourist Councils: $3.3 million cut
In FY 2009, Local Tourist Councils were funded at $9 million ($9.3 million adjusted for inflation). Funding for Local Tourist Councils has been reduced each year since. The FY 2012 budget includes $6.0 million, which is a cut of $3.3 million, adjusted for inflation.

Commonwealth Zoological Corporation: $3.9 million cut
In FY 2009, the Commonwealth Zoological Corporation was funded at $7.2 million, or $7.4 million, adjusted for inflation. In FY 2010, funding was reduced to $3.5 million and has not been restored since.

The FY 2012 budget maintains this level of funding, which is a cut of $3.9 million since FY 2009, after adjusting for inflation.

Extended Care Career Ladder Initiative: Funding Eliminated: $1.6 million cut
In the FY 2009, the Extended Care Career Ladder Initiative (ECCLI), which provides assistance to employers for education and training for direct-care workers, was funded at $1.5 million, or $1.6 million in inflation-adjusted dollars. During FY 2009 funding was reduced to $450,000 through 9C cuts, and in FY 2010 funding was eliminated completely. The FY 2012 budget does not restore funding for this program. The program is currently unable to accept new grant applications due to the elimination of funding. The Commonwealth Corporation, which coordinates ECCLI, reports that 175 nursing facilities and home care agencies have participated in the program. In addition, 9,000 workers have participated in an ECCLI-funded class since 2001.

Massachusetts International Trade Council: $1.4 million cut
In FY 2009 the Massachusetts International Trade Council was funded at $1.46 million, or $1.51 million after adjusting for inflation. Funding was reduced in subsequent years, dropping to $100,000 in FY 2011 ($128,000 adjusted for inflation). The FY 2012 budget also allocates $100,000 in funding for the Council, a cut of $1.4 million since FY 2009, adjusted for inflation. (The state does anticipate receiving an additional $600,000 for this council; however, these are not state funds and therefore not included in the funding totals.)

Massachusetts Manufacturing Extension Partnership: $1.1 million cut
The FY 2009 GAA funded the Massachusetts Manufacturing Extension Partnership (MEP) at $1.38 million, or $1.42 million in inflation-adjusted dollars. In FY 2010 and FY 2011 MEP was funded at $325,000. The FY 2012 GAA maintains this level of funding, which is an overall cut of $1.1 million since FY 2009, after adjusting for inflation.

Agricultural Innovation Center: Funding Eliminated: $1.6 million cut
The Agricultural Innovation Center was funded at $1.5 million in FY 2009, or $1.6 million, adjusted for inflation. By the end of FY 2009, this funding had been reduced to $706,000, and by FY 2010 funding had been eliminated. The FY 2012 GAA does not restore funding for the Agricultural Innovation Center, a cut of $1.6 million since FY 2009, after adjusting for inflation.

Department of Agricultural Resources: $1.4 million cut
In FY 2009, the Department of Agricultural Resources was funded at $5.5 million ($5.7 million, adjusted for inflation). Funding for this department has decreased every year since. In FY 2012, it is funded at $4.3 million, a cut of $1.4 million from FY 2012, after adjusting for inflation.

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FACTS AT A GLANCE August 12, 2011 (updated)

FISCAL FALLOUT: Cuts to Law & Public Safety, Fiscal Years 2009-2012

Many accounts in the Law and Public Safety category have seen large decreases in funding from the Fiscal Year (FY) 2009 GAA (General Appropriations Act) to the Governor's FY 2012 budget. Many programs and departments in this category also have undergone significant administrative and funding changes during this period. Funding for most trial court accounts was consolidated in FY 2010, and seven of the 14 county sheriffs' departments had their funding brought fully "on budget" for the first time during FY 2010 and FY 2011 (a process that included transferring $36.6 million in employee healthcare costs to the Group Insurance Commission, or GIC). In addition to these changes, some funding was shifted between accounts in an effort to consolidate information technology (IT) costs. As a result of these administrative changes, determining net decreases or increases in funding in some of the subcategories can be challenging. After making appropriate adjustments to account for these changes, however, it is clear that many law and public safety accounts were subject to heavy cuts.

Overall, the FY 2012 budget provides $2.24 billion for law and public safety programs, a cut of $398.9 million (or 15.1 percent) from the FY 2009 inflation-adjusted appropriation of $2.55 billion. This figure, however, includes the transfer of $36.6 million in funding for newly on-budget sheriff's departments' employee healthcare costs to the GIC. Adjusting for this transfer of funding (which was coupled to a transfer of responsibility to the GIC for providing health coverage to these employees), the actual cut to law and safety programs from FY 2009 to FY 2012 is $362.3 million, or 14.2 percent, adjusted for inflation. (For an explanation of how MassBudget adjusts for inflation and IT transfers, see last section in this document.)

The following are among the most significant of the cuts, either by dollar amount or percent decline:

COURTS AND LEGAL ASSISTANCE

Overall, accounts in this *MassBudget* subcategory were funded at $655.1 million in the FY 2009 GAA, or $678.9 million adjusted for inflation. Funding for these accounts dropped to $634.2 million in FY 2010 but jumped to $670.9 million in the FY 2011 current budget, largely due to a sharp increase in payments to private bar attorneys who provide legal defense for indigent clients. The FY 2012 current budget provides $570.4 million for all the courts and legal assistance accounts. This is a $108.5 million or 16.0 percent decrease from the FY 2009 GAA, adjusted for inflation. Much of this decrease is attributable to the substantial changes the FY 2012 current budget makes to the way state-funded legal defense for indigent defendants will be delivered and funded, in order to reduce these costs. In addition to these changes, the FY 2012 current budget makes significant cuts to various trial court accounts. Some of the notable reductions include:

- **Indigent Defense Services: $32.0 million cut**
  The accounts related to indigent defense—including the Department of Public Counsel Services—were funded at $181.8 million in the FY 2009 GAA, or $188.4 million adjusted for inflation. In the FY 2012 budget, substantial changes are made to the way state-provided legal defense for indigent defendants will be delivered and funded. Applicants for a publically-supported legal

defense will have their income records checked more carefully and the state will shift toward the use of public defenders and away from hiring private bar advocates to provide indigent defense. The FY 2012 current budget provides $156.5 million for indigent defense. This is a reduction of $32.0 million or 17.0 percent, adjusted for inflation, though the goal is to continue to provide all required services, but simply to do so at lower cost.

- **Office of the Chief Justice of Administration and Management (CJAM): $25.5 million cut**
  Collectively, the accounts directly funding the CJAM's areas of responsibility were funded at a total of $203.5 million in the FY 2009 GAA, or $210.9 million adjusted for inflation. Prior to FY 2010, many of the individual trial court related accounts administered by the CJAM received their own, individual appropriations. In FY 2010, these accounts were greatly consolidated and final funding was reduced to $184.8 million, with current FY 2011 funding rising slightly to $197.2 million. In FY 2012 budget, these accounts are funded at $185.4 million. This is a cut of $25.5 million, or 12.1 percent, relative to the FY 2009 GAA, adjusted for inflation.

- **Supreme Judicial Court: $1.4 million cut**
  The Supreme Judicial Court and its Clerk's Office together were funded at $9.6 million in the FY 2009 GAA, or $9.9 million adjusted for inflation. In FY 2010, funding dropped to $9.1 million, and to $8.7 million in the FY 2011 current budget. In the FY 2012 budget, the Supreme Judicial Court and its Clerk's Office are funded at $8.6 million. This is a cut of $1.4 million or 13.7 percent, relative to the FY 2009 GAA, adjusted for inflation.

- **Appeals Court: $1.5 million cut**
  The Appeals Court was funded at $11.6 million in the FY 2009 GAA, or $12.0 million adjusted for inflation. In FY 2010, final funding dropped to $10.7 million, and was continued at $10.6 million in FY 2011. In the FY 2012 budget the Appeals Court is funded at $10.5 million. This is a cut of $1.5 million, or 12.8 percent, relative to the FY 2009 GAA after adjusting for inflation.

- **Massachusetts Legal Assistance Corporation: $2.0 million cut**
  The Massachusetts Legal Assistance Corporation – which provides access to legal information, advice and representation for low-income people with "critical, non-criminal legal problems"— was funded at $11.1 million in the FY 2009 GAA, or $11.5 million adjusted for inflation. In the FY 2010 GAA, funding was reduced to $9.5 million and remained at that level in FY 2011. In the FY 2012 current budget, the Massachusetts Legal Assistance Corporation is funded at $9.5 million. This is a cut of $2.0 million or 17.2 percent, from the FY 2009 GAA, adjusted for inflation.

- **Suffolk County Law Library: $1.3 million cut**
  The Suffolk County Law Library was funded at $2.2 million in the FY 2009 GAA, or $2.3 million adjusted for inflation. In FY 2010, funding dropped to $1.0 million and remained at that level in FY 2011. In the FY 2012 budget, the Suffolk County Law Library is funded at $1.0 million. This is a cut of $1.3 million, or 56.7 percent, from the FY 2009 GAA, adjusted for inflation.

LAW ENFORCEMENT

Overall, accounts in this *MassBudget* subcategory were funded at $417.0 million in the FY 2009 GAA, or $432.1 million adjusted for inflation. FY 2010 funding dropped to $328.7 million, and to $324.8 million in FY 2011. In the FY 2012 budget, these accounts are funded at $318.7 million. After adjusting for an

$8.1 million transfer of funds (in FY 2010) into a centralized information technology account within the law enforcement subcategory, the FY 2012 GAA funding level represents an actual cut of $121.6 million (or 28.1 percent) relative to the FY 2009 GAA, adjusted for inflation. Some of the notable reductions include the following:

- **Quinn Bill: $52.0 million cut (funding eliminated)**
  The Quinn Bill, a program that offers salary enhancements to police officers who acquire a college or graduate degree in law enforcement or criminal justice, was funded at $50.2 million in the FY 2009 GAA, or $52.0 million adjusted for inflation. In FY 2010, funding was reduced to $10.0 million and further reduced to $5.0 million in FY 2011. In the FY 2012 budget, funding is eliminated.

- **Department of State Police Operations: $30.2 million cut**
  The Department of State Police Operations was funded at $256.8 million in the FY 2009 GAA, or $266.1 million adjusted for inflation. In FY 2010 funding was reduced to $229.8 million and then increased in FY 2011 to $233.7 million. The FY 2012 GAA funds this account at $227.7 million. After adjusting for an $8.1 million transfer of funds to a centralized information technology account (in FY 2010), the FY 2012 funding level for state police operations represents and actual cut of $30.2 million, or 11.4 percent, relative to FY 2009 GAA, adjusted for inflation.

- **Local Law Enforcement Assistance Program: $22.1 million cut (funding eliminated)**
  A state program providing grants to local police departments to enhance community policing (often by hiring additional officers or increasing officer hours), the FY 2009 GAA appropriated $21.4 million to this program, or $22.1 million adjusted for inflation. In FY 2010 and subsequent budgets, funding for this program was eliminated.

- **Shannon Grants: $5.5 million cut**
  Gang violence prevention grants to local police departments (Shannon Grants) were funded at $13.0 million in the FY 2009 GAA, or $13.5 million adjusted for inflation. In FY 2010, funding was reduced to $4.5 million and remained at that level in the FY 2011 current budget.[1] In the FY 2012 budget this program is funded at $5.5 million, with an additional $2.5 million being made available for use in FY 2012 from prior year appropriations carried forward (total resources available in FY 2012 are thus $8.0 million) The result is a cut of $5.5 million, or 40.7 percent, relative to FY 2009 GAA funding levels, adjusted for inflation.

- **State Police Crime Laboratory: $4.3 million cut**
  The State Police Crime Laboratory was funded at $16.7 million in the FY 2009 GAA, or $17.3 million adjusted for inflation. In FY 2010, funding was reduced to $13.8 million and further reduced to $13.2 million in FY 2011. In the FY 2012 budget it is funded at $13.0 million. After adjusting for a $424,000 transfer of funds to a centralized information technology account (in FY 2010), this account has undergone a cut of $4.3 million, or 25.0 percent, relative to FY 2009 GAA, adjusted for inflation.

[1] In FY 2011, $7.0 million was appropriated to the Shannon Grant account, but $2.5 million of this total was reserved for use in FY 2012. Thus the total resources available to the program in FY 2011 were $4.5 million. Including the money carried over from FY 2011 into FY 2012, total resources available to the program in FY 2012 will be $8.0 million.

- **Sex Offender Registry Board: $1.6 million cut**
  The Sex Offender Registry Board was funded at $4.9 million in the FY 2009 GAA, or $5.1 million adjusted for inflation. In FY 2010, funding was reduced to $3.8 million and further reduced to $3.6 million in FY 2011. In the FY 2012 budget it is funded at $3.5 million. After adjusting for a $292,000 transfer of funds to a centralized information technology account (in FY 2010), this program has undergone a cut of $1.6 million, or 31.3 percent, relative to FY 2009 GAA, adjusted for inflation.

- **Office of the Chief Medical Examiner: $1.2 million cut**
  The Office of the Chief Medical Examiner was funded at $10.0 million in the FY 2009 GAA, including its retained revenue appropriation, or $10.4 million adjusted for inflation. In FY 2010, funding was reduced to $9.6 million and further reduced to $9.1 million in FY 2011. In the FY 2012 budget these accounts are funded at $9.1 million. After adjusting for a $130,000 transfer of funds to a centralized information technology account (in FY 2010), the Office of the Chief Medical Examiner has undergone a cut of $1.2 million, or 11.4 percent, relative to FY 2009 GAA, adjusted for inflation.

- **Sexual Assault Evidence Kits: $37,500 cut**
  Sexual Assault Evidence Kits were funded at $120,000 in the FY 2009 GAA, or $124,400 adjusted for inflation. In FY 2010, funding was reduced to $102,000 and further reduced to $86,900 in FY 2011. Funding in the FY 2012 budget is $86,900. This is a cut of $37,500, or 30.1 percent, compared to FY 2009, after adjusting for inflation.

PRISONS, PROBATIONS, & PAROLE

Prisons, probations and parole programs received $1.28 billion in the FY 2009 GAA, or $1.32 billion adjusted for inflation. In FY 2010, funding was reduced to $1.24 billion and was further reduced to $1.20 billion in the FY 2011 current budget. In the FY 2012 budget, these departments and programs are funded at $1.17 billion. Adjusting this FY 2012 figure upward by $7.3 million to account for a series of IT cost transfers made in FY 2010, and by an additional $36.6 million to account for a transfer to the Group Insurance Commission to cover employee health care costs previously funded by seven county sheriff's departments that were brought fully "on budget" during this period, prisons, probations and parole accounts have undergone an actual, net reduction in funding of $112.7 million—or 8.5 percent—compared to the FY 2009 GAA, adjusted for inflation.[2]

Some of the notable reductions in prisons probations and parole accounts include the following:

- **Department of Correction Facility Operations: $19.5 million cut**
  The Department of Correction Facility Operations and several related accounts were funded collectively at $534.7 million in the FY 2009 GAA, or $554.1 million adjusted for inflation. In FY 2010, funding was reduced to $511.1 million and was increased to $530.6 million in FY 2011. In the FY 2012 GAA, it is funded at $527.9 million. After adjusting for a $6.7 million transfer of funds to a centralized information technology account (in FY 2010), this represents an actual cut of $19.5 million or 3.5 percent relative to FY 2009 GAA, adjusted for inflation.

[2] This figure is adjusted for funding changes for the previously "off-budget" sheriff's departments, including a $27 million shift of employee healthcare costs to the GIC in FY 2010.

- **Commissioner/Dept of Probation + Office of Community Corrections: $36.8 million cut**
  The Commissioner/Department of Probation account was funded at $142.4 million in the FY 2009 GAA, and the Office of Community Corrections was funded at $27.1 million, for a combined total of $169.5 million, or $175.6 million adjusted for inflation. In FY 2010 GAA, combined funding for these accounts was reduced to $145.5 million and further reduced to $141.9 million in the FY 2011 current budget. In the FY 2012 GAA these accounts are funded at $138.8 million. This is a cut of $36.8 million, or 21.0 percent relative to FY 2009 GAA, adjusted for inflation.

- **County Sheriffs' Departments: $56.1 million cut**
  As noted above, between FY 2009 and FY 2012 significant changes were made to the funding structure of seven of the fourteen county sheriff's departments, bringing these departments fully "on budget" for the first time. Accounting appropriately for these changes (including adjusting for the $36.6 million moved from the newly "on budget" departments to the Group Insurance Commission account, as the GIC assumes responsibility for providing health care coverage for these departments' employees), it is clear that combined funding for the fourteen sheriff's departments has undergone substantial cuts during this period. These departments and their related accounts were funded at $546.9 million in the FY 2009 GAA, or $566.7 million adjusted for inflation. In the FY 2012 GAA, they are funded at $474.0 million. Including the $36.6 million GIC adjustment, the sheriff's departments have been cut by $56.1 million or 9.9 percent relative to the FY 2009 GAA, adjusted for inflation.

- **Parole Board: $2.2 million cut**
  The two accounts directly related to parole functions were funded at $19.6 million in the FY 2009 GAA, or $20.3 million adjusted for inflation. In FY 2010, funding dropped to $19.1 million, and to $18.3 million in the FY 2011 current budget. In the FY 2012 GAA, parole functions are funded at $17.6 million. After adjusting for a $510,600 transfer of funds to a centralized information technology account (in FY 2010), the parole board has been cut by $2.2 million or 10.7 percent relative to the FY 2009 GAA, adjusted for inflation.

  The Parole Board accounts provide funding for all the parole related activities in the state. This includes payroll costs for about 200 parole officers and other employees. It also includes funding for eight Regional Reentry Centers that offer vocational training, substance abuse counseling, and help finding employment and housing for offenders exiting the criminal justice system and returning to the community.

PROSECUTORS

Overall, these accounts were funded at $146.1 million in the FY 2009 GAA, or $151.4 million adjusted for inflation). In FY 2010, funding was reduced to $132.6 million and further reduced to $131.7 million in the FY 2011 current budget. In the FY 2012 budget these accounts are funded at $136.6 million. This is a $14.7 million or 9.7 percent decrease, relative to the FY 2009 GAA, adjusted for inflation. Some of the notable reductions include the following:

- **Attorney General's Office: $6.4 million cut**
  In the FY 2009 GAA, the Attorney General's Office and related accounts were funded at $39.3 million, or $40.7 million adjusted for inflation (this figure includes funding for various special investigatory or prosecutorial units such as the Medicaid Fraud Control Unit, Wage

Enforcement Program, Insurance Proceedings Unit, and Public Utilities Proceedings Unit). In FY 2010, funding was reduced to $35.3 million and further reduced to $34.5 million in the FY 2011 current budget. In the FY 2012 GAA, these accounts are funded at $34.3 million. This is a cut of $6.4 million or 15.8 percent, relative to the FY 2009 GAA, adjusted for inflation. Included in this overall cut figure is a reduction in overtime pay available for state police officers assigned to the Attorney General's Office, an account that was cut by an inflation–adjusted $220,200 or 39.3 percent.

- **District Attorneys' Offices: from $276,000 to $1.1 million cut, each**
  From the FY 2009 GAA to the Governor's FY 2012 budget, the 12 District Attorneys' Offices all underwent uniform cuts of 7.3 percent (from $276,000 to $1.1 million), after adjusting for inflation.[3] The District Attorney's Association was cut by $428,000 or 20.5 percent, adjusted for inflation, over the same period.

- **State Police Overtime for District Attorneys' Offices: from $32,800 to $64,400 cut, each**
  From the FY 2009 GAA to the Governor's FY 2012 budget, the state police assigned to each of the 12 District Attorneys' Offices all underwent cuts in their budget for overtime pay, most by 11.1 percent (except for the Hampden District Attorney's Office, which saw and 8.8 percent cut). These cuts range from $32,800 to $64,400, adjusting for inflation.

- **Victim and Witness Assistance Related Accounts: $115,000 cut**
  The Victim and Witness Assistance Board, Victim and Witness Assistance Program, and the Witness Protection Board were funded at a combined $902,000 in the FY 2009 GAA, or $935,000 adjusted for inflation. In the FY 2012 budget these accounts are funded at $800,000. After adjusting for a $20,000 transfer of funds to a centralized information technology account (in FY 2010), these accounts underwent an actual cut of $115,000 or 12.3 percent relative to the FY 2009 GAA, adjusted for inflation. In addition, the Domestic Violence Court Advocacy Program has been cut by an inflation-adjusted $77,300 or 9.4 percent.

OTHER LAW AND PUBLIC SAFETY

Overall, these accounts were funded at $53.8 million in the FY 2009 GAA, or $55.8 million adjusted for inflation. In the FY 2012 budget, these accounts are funded at $50.1 million. Adjusting for an FY 2010 IT cost transfer of $832,000 from these accounts, other law and public safety programs are cut by $4.9 million (or 8.8 percent) relative to the FY 2009 GAA, adjusted for inflation. Some of the notable reductions include the following:

- **Department of Fire Services Administration: $3.1 million cut**
  The Department of Fire Services Administration was funded at $19.8 million in the FY 2009 GAA, including its retained revenue appropriation or $20.5 million, adjusted for inflation. In FY 2010, funding was reduced to $14.4 million and raised again to $16.9 million in FY 2011. In the FY 2012 budget, these accounts are funded at a combined $17.4 million. This is a cut of $3.1 million, or 15.3 percent, from the FY 2009 GAA, adjusted for inflation.

[3] The one exception is the Suffolk DA's Office which received a 6.6 percent inflation-adjusted cut.

- **Military Division: $678,000 cut**
  The Military Division was funded at $9.6 million in the FY 2009 GAA, including its related retained revenue account for rental of the Armory, a combined total of $10.0 million in inflation-adjusted dollars. In FY 2010, funding for these accounts was increased to $10.8 million and then decreased to $9.5 million in the FY 2011 current budget. In the FY 2012 GAA these accounts are funded at $9.2 million. After adjusting for a $77,000 transfer of funds to a centralized information technology account (in FY 2010), the Military Division experienced an actual cut of $678,000 or 6.8 percent, from the FY 2009 GAA, adjusted for inflation.

- **Merit Rating Board: $1.4 million cut**
  The Merit Rating Board was funded at $8.9 million in the FY 2009 GAA or $9.2 million, adjusted for inflation. In both FY 2010 and FY 2011, the Merit Rating Board was funded at $7.6 million. In the FY 2012 budget it is funded at $7.8 million. This is a cut of $1.4 million or 15.1 percent, from the FY 2009 GAA, adjusted for inflation.

- **Executive Office of Public Safety and Security: $1.0 million cut**
  The Executive Office of Public Safety and Security (EOPSS) was funded at $3.1 million in the FY 2009 GAA, or $3.2 million after adjusting for inflation. Due to a one-time infusion of federal ARRA stimulus money, in FY 2010 funding increased to $22.9 million, but dropped to $1.9 million in FY 2011. In the FY 2012 GAA, EOPSS is funded at $2.2 million. After adjusting for a $282,000 transfer of funds to a centralized information technology account (in FY 2010), EOPSS saw an actual cut of $1.0 million, or 31.9 percent from the FY 2009 GAA, adjusted for inflation.

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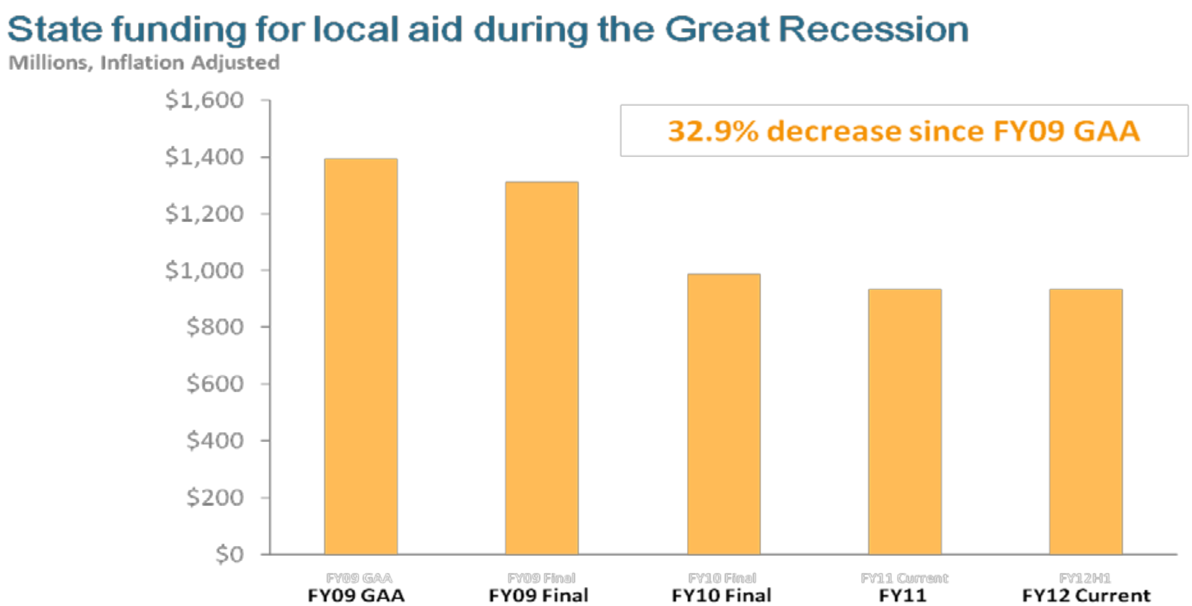
FACTS AT A GLANCE

FISCAL FALLOUT: Cuts to Local Aid and Libraries, Fiscal Years 2009-2012

Local Aid

The Fiscal Year (FY) 2012 General Appropriations Act provides $935.4 million for the *MassBudget* category of Local Aid (not including Chapter 70 education aid), a cut of $458.8 million, or 33 percent, when compared to the FY 2009 inflation-adjusted appropriation of $1.39 billion (for an explanation on how this number is calculated, see last section in this document). Most, although not all, of this funding goes towards unrestricted local aid to help cities and towns fund their municipal budgets.

Unrestricted Government Aid: $462.2 million cut
The FY 2012 budget provides $899.0 million unrestricted government aid to cities and towns, a cut of $462.2 million, or 34 percent, when compared to the FY 2009 inflation-adjusted appropriation of $1.36 billion ($1.31 billion in nominal 2009 dollars).



	FY09 GAA	FY09 Final	FY10 Final	FY11	FY12 Current
Real	**1,394**	**1,311**	**989**	**936**	**935**
Nominal	1,347	1,265	965	925	935

The direct state appropriation for unrestricted local aid for FY 2012 is actually $834.0 million, but additional budget language directs that 50 percent of all unexpended FY 2011 balances from General Fund spending (up to $65.0 million) be distributed to cities and towns, offsetting proposed cuts in local aid for FY 2012. While this additional local aid money has not yet been distributed, it is expected that there will be sufficient unexpended FY 2011 balances to fully offset this $65.0 million cut. For this reason, *MassBudget* includes this $65.0 million in the unrestricted local aid total for FY 2012. It is important to note, however, that local aid distributions made from unexpended FY 2011 balances will be considered one-time grants, and will not count towards baseline aid used for determining future local aid allocations.

Reimbursements to Cities in Lieu of Taxes on State Owned Land: $5.1 million cut
The FY 2012 budget provides $26.3 million for reimbursements to cities in lieu of taxes on state owned land, a cut of $5.1 million when compared to the FY 2009 GAA appropriation of $30.3 million, or $31.4 million after adjusting for inflation.

Libraries

Libraries: $13.8 million cut
The FY 2009 GAA appropriated $34.1 million, or $35.3 million in inflation-adjusted dollars, for state library programs. The FY 2012 GAA provides $21.5 million in state aid to libraries, a cut of $13.8 million in inflation-adjusted dollars from the FY 2009 GAA.

Of the library programs the state funds, the **regional library network** has received the largest reduction in funding. Since the onset of the fiscal crisis, this account, which funds services that public libraries share such as the interlibrary loan and the electronic reference resources, has been cut by $8.6 million in inflation-adjusted dollars. The FY 2009 GAA provided $17.2 million, or $17.8 million in inflation-adjusted dollars, for the network. The FY 2010 GAA made the single largest cut in the program, reducing funding by $5 million and requiring the merger of the six regional library networks into two regions. The FY 2012 GAA provides the regional library system with $9.1 million.

FISCAL FALLOUT: Cuts to State Employee Health Insurance, Fiscal Years 2009-2012

In Fiscal Year (FY) 2009, state employee health insurance was funded at $1.25 billion in the General Appropriation Act (GAA). Funding in the FY 2012 budget totals $1.37 billion. (It is important to note, however, that in FY 2011, the Group Insurance Commission became newly responsible for significant numbers of additional state employees, particularly from the county sheriffs' offices and from certain transportation agencies.) In FY 2011, the total value of these additions was estimated at approximately $68.3 million. In FY 2010, the Legislature made several significant changes to state employee health benefits, in part to close an anticipated $35 million deficit for that year. First of all, the contribution to their health coverage made by current state employees hired prior to June 30, 2003 increased from 15 to 20 percent, and the contribution for employees hired since June 30, 2003 increased from 20 percent to 25 percent. Secondly, the contribution from state employees retiring after October 1, 2009 increased from 15 percent to 20 percent. Furthermore, the Legislature established an early retirement incentive, so that state employees who put in for retirement before October 1, 2009 would not be subject to this contribution increase. The Group Insurance Commission also increased co-payments for certain services and instituted a calendar year deductible of $250 per member, up to a maximum of $750 per family. This deductible did not apply to routine office visits, prescription drugs, or mental health benefits.

The FY 2012 budget reflects a 2.4 percent cut from the FY 2011 budget. In order to hold costs at this level, the Administration has initiated aggressive re-contracting with the health insurance providers that offer coverage to state employees and retirees. Health plans with limited networks cost significantly less for the participant, and participants who choose lower cost plans receive the financial benefit of lower premiums, as well as a financial incentive equivalent to three months' worth of health insurance premiums. The Administration estimates that this might in the aggregate save the Commonwealth tens of millions of dollars.

FISCAL FALLOUT: Adjustments to Budget Numbers

ADJUSTING FOR INFLATION

For most areas of the budget we adjust funding levels to reflect the impact of inflation. We use the Consumer Price Index (CPI), a standard inflation measure published regularly by the U.S. Bureau of Labor Statistics, and express inflation-adjusted numbers in terms of Fiscal Year (FY) 2012 dollars (the inflation adjustment factor is trended forward using Congressional Budget Office projections for inflation in the new fiscal year). This adjustment allows for a meaningful comparison of funding levels over the course of the time analyzed because it reflects changes in the purchasing power of the dollar that are due to increases (or decreases) in the price of goods and services.

For Chapter 70 education aid, we make a more detailed maintenance budget calculation using variables within the Chapter 70 formula. Please see the section on Chapter 70 aid for a detailed description. This calculation includes the use of a different inflation index designed to measure price changes specific to state and local government consumption expenditures, since the statutory formula for calculating Chapter 70 aid specifically uses this inflation measure.

In most instances, we do not report an inflation-adjusted measure for health care, since health care inflation varies widely by type of health care service, and is dramatically different from other inflation measures. For example, barring caseload changes if the health care budget were to rise 3 percent, but health care cost inflation is actually closer to 5 or 6 percent annually, constraining health care growth to 3 percent would require significant programmatic or provider rate cuts. Thus even though the health care budget has grown significantly over the time period analyzed, the impact on eligibility and services of state health care funding cannot be understood by looking at budget numbers alone and so we provide details necessary to understand health spending changes in the relevant sections of this analysis.

INFORMATION TECHNOLOGY COST TRANSFER ADJUSTMENT

In FY 2010 and FY 2011, the administration consolidated much of its information technology costs into centralized budget accounts within each of the Executive Offices. Prior to that, information technology costs had been spread among the various line items that included an information technology component. In order to more accurately compare the FY 2012 budget numbers with FY 2009 budget numbers, we account for this funding shift. This adjustment is an estimate, based on available figures for proposed transfer amounts in FY 2010 and FY 2011, and affects more than 150 line items, but we are able to more accurately identify the funding changes that are actual cuts, rather than simply reductions due to shifts in technology funding from one set of line items to another.