

FISCAL FALLOUT: The Great Recession, Policy Choices, & State Budget Cuts

OVERVIEW

Communities and families across the Commonwealth have been feeling the effects of deep cuts in government funding for education, health care, public safety, safety net programs, and other services that people count on.

The immediate cause of these cuts is the national recession. Over the past two years (a period described as the “Great Recession”) the nation experienced the most severe recession since the Great Depression. When the economy is in a downward spiral and companies are laying-off workers, those lay-offs reduce the capacity of consumers to make purchases and that forces companies to reduce production, leading to additional lay-offs and a continued downward spiral. In this type of economic crisis the federal government is generally the only institution with the capacity to intervene and break the cycle by increasing overall demand in the economy.¹

One of the most effective ways to increase demand, and therefore employment, is for the federal government to provide aid to state governments to allow them to purchase the goods and services needed to provide education, health care, public safety protection, and the other services that people count on their government to provide. As revenues have declined, and the number of families needing a safety net has increased, state governments across the country have faced gaping budget gaps.² Fortunately, the federal government responded in 2009 with significant fiscal relief for the states as part of the American Recovery and Reinvestment Act (ARRA). Unfortunately, the federal fiscal relief covered only about 30 percent to 40 percent of state budget gaps,³ and will likely expire long before the state fiscal crisis is over.

FACT SHEETS

Early Education & Care

Elementary & Secondary Education

Chapter 70

Higher Education

Environment & Recreation

Mass Health (Medicaid) & Health Reform

Public Health

Mental Health

Human Services

Housing

Economic Development & Workforce Development

Law & Public Safety

Local Aid & Libraries

Explanation of Inflation Adjustment & Technology Cost Transfers

¹ See “Economic Stimulus: What Can National and State Governments Do To Save and Create Jobs Quickly?,” by Noah Berger and Robert Tannenwald, June 9, 2010, <http://massbudget.org/doc/729>

² See “Recession Continues to Batter State Budgets; State Responses Could Slow Recovery,” by Elizabeth McNichol, Phil Oliff and Nicholas Johnson. Updated July 15, 2010, <http://www.cbpp.org/cms/index.cfm?fa=view&id=711>

³ See “Federal Fiscal Relief Is Working As Intended,” by Phil Oliff, Jon Shure, and Nicholas Johnson. Updated June 29, 2009, <http://www.cbpp.org/cms/index.cfm?fa=view&id=2831>

In addition to the fiscal problems created by the national recession, Massachusetts also suffers from longer term structural budget problems. In the decade leading up to the 2002 fiscal crisis, the state enacted a series of very costly tax cuts with no plan for how to maintain a structurally balanced budget without this revenue. There were cuts to the income tax rate, to the tax rate for dividend income, to the taxes on manufacturing companies and mutual fund companies and others. The annual cost of these tax cuts is over \$3.0 billion (after factoring in the revenue from tax increases during those years).⁴ While a portion of the revenue was restored with a tax package in 2002 and other reforms in subsequent years, the effects of the tax cuts contributed to chronic budget problems during the economic recovery that preceded the Great Recession.

The acute budget problems that began in 2009 have been addressed with a combination of three strategies: the federal help described above; increases in the sales tax, generating about a billion dollars a year; and budget cuts of over \$3 billion. This paper examines those cuts, identifying where the cuts have been and what some of the programs are that have seen the most significant cuts.

Calculating budget cuts over a three year period is not an exact science. The central challenge relates to how best to answer a basic question: "compared to what?" The generally accepted answer to the question is, "compared to what would have been spent to provide the same services with the same eligibility standards as in the prior year."

Under this definition, not all spending reductions are cuts. For example, in good economic times, as more people find jobs, demands for various safety net programs can decline. When fewer people are accessing these services because they make enough money so that they are no longer eligible for the state services, state costs go down. But that is not considered a budget cut -- because the same services are still being offered to everyone who meets the eligibility standards.

For similar reasons, there could be budget cuts in a particular account even while total spending is increasing. For example, when unemployment is increasing, people who lose their jobs often also lose access to employer-sponsored health care. These people and their families may become eligible for MassHealth, the state's Medicaid program. That will increase costs for the state. In order to reduce costs of the program, the state may respond by eliminating services (for example, the state eliminated certain types of dental services for adults). Often the savings from these cuts is less than the total program cost increase that result from increased need for services in a recession. In these cases, we count the cost savings from the policy change as a cut, even though the bottom line of the program may be increasing.

The other element that needs to be considered in calculating cuts is inflation. Costs for providing services -- such as health care -- rise from year to year. If, for example, inflationary costs for a particular service are running at seven percent a year and the state implements specific cuts that reduce costs by four percent, the total spending will still increase by three percent.

In these fact sheets, we aim to identify budget cuts as distinct from changes caused by caseload shifts or the impacts of inflation. In some cases this is rather straightforward: for example, when the service being provided is uniform and the eligibility requirements are clear. In other cases, isolating budget cuts is more difficult: for example, when caseload data are not available or, as is the case in some of our larger human service categories, when a wide array of different services are provided within one line-

⁴ See a partial list produced by the Massachusetts Department of Revenue of the estimated revenue impacts in FY 2010 of various tax law changes made between 1991 and 2009, http://www.massbudget.org/file_storage/documents/DOR_Revenue_Impacts_FY2010.pdf

item. In those cases we generally assume that baseline costs would grow with inflation and define cuts as the reductions below those levels.

The budget cuts during the fiscal crisis occurred in several steps. When the crisis began during Fiscal Year (FY) 2009, the Governor was forced to make emergency cuts at that time. While budget spending levels are ordinarily set by the Legislature, subject to veto by the Governor, state law (Section 9C of Chapter 29, often referred to as just "9C") authorizes the Governor to make spending cuts without approval by the Legislature when revenue declines and such cuts are required to keep the budget balanced. (The law also allows the Governor to request that the Legislature take other actions to keep the budget balanced.) After that first round of budget cuts, the national economy continued to deteriorate. In FY 2010, the state faced a budget gap of \$5 billion, due to \$3.5 billion in tax revenue declines associated with the recession combined with rising costs and the state's longer term structural budget problems. As a result, the FY 2010 budget implemented close to \$2 billion in spending cuts and other reductions. In FY 2011, the state implemented over a billion dollars in additional cuts to respond to the ongoing fiscal crisis and the loss of state fiscal relief from the federal government.

Until the end of the FY 2011 budget process, Massachusetts and most other states had assumed that additional fiscal relief from the federal government that had been approved by both the U.S. House and the U.S. Senate would be provided. In late June, however, the U.S. Senate failed to approve legislation that would have provided this aid. As a result, the FY 2011 state budget has about \$700 million less in revenue than had been anticipated throughout the budget process. The cuts described in these fact sheets reflect that loss of revenue in addition to the other factors described above.

FISCAL FALLOUT: Cuts to Early Education & Care

Since the passage of the FY 2009 General Appropriations Act (GAA), state funding for early education and care services has steadily decreased. The FY 2009 GAA included \$590.1 million in funding for early education and care services. After accounting for approximately \$2 million in transfers to a centralized account for information technology costs relating to education, the FY 2010 GAA reduced appropriation levels to \$539.3 million. Most recently, the FY 2011 budget included more cuts, reducing these appropriations further to \$507.2 million. Since the start of FY 2009, total state funding for early education and care services have been cut by nearly \$83 million. When adjusted for inflation, appropriation decreases reveal deeper cuts of \$99.6 million, representing a reduction of 16 percent. The major cuts to these programs since FY 2009 are detailed below.

Child Care Subsidies for Income Eligible and TAFDC Families: \$67.2 million cut

In total, the FY 2009 GAA provided a total of \$411.3 million in to fund child care subsidies for both families served by or transitioning from Transitional Aid to Families with Dependent Children (TAFDC) and Income Eligible families. The FY 2010 GAA reduced funding for these child care subsidy programs to \$389.8 million. The FY 2011 budget reduced this funding further to \$355.9 million, a total cut of \$55.4 million when compared to the FY 2009 GAA. When adjusted for inflation, the FY 2011 budget represents a \$67.2 million, or 16 percent, cut to these programs. As a result of these cuts, at least 7,700 fewer full-time subsidized slots are available in FY 2011 than were available at the beginning of FY 2009.

Universal Pre-Kindergarten Program: \$5 million cut

The FY 2009 GAA provided \$12.1 million in funding for the Universal Pre-Kindergarten Program. The FY 2011 budget reduced this funding to \$7.5 million, a cut of \$4.6 million. When adjusted for inflation, this represents a \$5 million, or 40 percent, cut from the FY 2009 GAA.

Family Support and Engagement Programs: \$4.8 million cut

The FY 2009 GAA provided \$9.6 million in funding for Family Support and Engagement programs, which have included various enhanced parent support and early literacy programs, including Parent Child Home Program (PCHP), Reach Out and Read, and Massachusetts Family Network (MFN). The FY 2011 budget reduced this funding to \$5 million, a cut of \$4.6 million, and renames this line item Services for Infants and Parents. When adjusted for inflation, this represents a \$4.8 million, or 49 percent, cut from the FY 2009 GAA.

Healthy Families Massachusetts: \$2.8 million cut

The FY 2009 GAA provided \$13.2 million in funding for the Healthy Families Massachusetts, a newborn home visiting program for first time, young parents, aimed at preventing child abuse and neglect. After accounting for shifts of information technology funding in nominal terms, the FY 2011 budget reduced funding for this program to \$10.8 million, a cut of \$2.4 million. When adjusted for inflation, this represents a \$2.8 million, or 20 percent, cut from the FY 2009 GAA.

Early Childhood Mental Health Grants: \$2.2 million cut

The FY 2009 GAA provided \$2.9 million in funding for Early Childhood Mental Health Grants. The FY 2011 budget reduced this funding to \$750,000. When adjusted for inflation, this represents nearly a \$2.2 million, or 75 percent, cut from the FY 2009 GAA.

Head Start Grants: \$2.8 million cut

The FY 2009 GAA provided \$10 million in funding for Head Start State Grants. The FY 2011 budget reduced this funding to \$7.5 million, a cut of \$2.5 million. When adjusted for inflation, this represents a \$2.8 million, or 27 percent, cut from the FY 2009 GAA.

FISCAL FALLOUT: Cuts to Elementary & Secondary Education and School Building

In the FY 2009 General Appropriations Act (GAA), elementary and secondary education programs (not including Chapter 70 education aid) were funded at \$617.1 million. The legislature began cutting these programs as the national fiscal crisis hit in the fall of 2008, early in the 2009 fiscal year. K-12 education programs are now budgeted to receive a total of \$421.2 million for FY 2011, after accounting for approximately \$2 million in transfers to a centralized account for information technology costs relating to education. When adjusted for inflation, this funding level represents a reduction of \$213.6 million, or 34 percent, over the course of the ongoing fiscal crisis. Individual PK-12 education programs that have seen especially severe cuts are detailed below.

ELEMENTARY & SECONDARY EDUCATION

Special Education Circuit Breaker Reimbursements: \$103.4 million cut

In FY 2009, reimbursements to school districts with extraordinary special education costs were funded at \$230 million. For FY 2011, these circuit breaker reimbursements have been reduced to \$133.2 million, after accounting for shifts in information technology costs. When adjusted for inflation this represents a cut of \$103.4 million, or 44 percent, since FY 2009.

The federal American Recovery and Reinvestment Act of 2009 did include \$299.3 million in additional support for special education costs in Massachusetts schools, which could be offsetting some of the state level cuts.¹ These funds are to be spent over the 2009-2010 and 2010-2011 school years and can support a range of special education services, not just those with extraordinary costs partially reimbursed through the state's circuit breaker program. To the extent that stimulus money was used to backfill funding gaps for special education costs, school districts could face funding cliffs when this money runs out in 2011.

Transportation of Pupils to Regional School Districts: \$22.5 million cut

In FY 2009, transportation to regional school districts was funded at \$61.3 million. For FY 2011, this allocation was reduced to \$40.5 million. When adjusted for inflation, this represents a cut of \$22.5 million, or 36 percent, since FY 2009.

Kindergarten Expansion Grants: \$11.8 million cut

In FY 2009, grants for schools implementing full-day kindergarten were funded at \$33.8 million. For FY 2011, this allocation was reduced to \$22.9 million. When adjusted for inflation, this represents a cut of \$11.8 million, or 34 percent, since FY 2009.

¹ For more information on the American Recovery and Reinvestment Act of 2009's impact in Massachusetts, see: www.massbudget.org/documentsearch/findDocument?doc_id=695&dse_id=982

Support for Students with Low MCAS Scores: \$4.7 million cut

In FY 2009, programs to support students with low MCAS scores were funded at \$13.4 million. For FY 2011, this allocation was reduced to \$9.1 million. When adjusted for inflation, this represents a cut of \$4.7 million, or 34 percent, since FY 2009.

METCO: \$4.6 million cut

In FY 2009, the METCO program to reduce racial segregation across school districts was funded at \$21.6 million. For FY 2011, this allocation was reduced to \$17.6 million. When adjusted for inflation, this represents a cut of \$4.6 million, or 21 percent, since FY 2009.

After-School and Out-of-School Grants: \$4.2 million cut

In FY 2009, after-school and out-of-school grants were funded at \$5.6 million. For FY 2011, this allocation was reduced to \$1.5 million. When adjusted for inflation, this represents a cut of \$4.2 million, or 74 percent since FY 2009.

Extended Learning Time Grants: \$4.1 million cut

In FY 2009, grants for schools to extend the length of the school day were funded at \$17.5 million. For FY 2011, this allocation was reduced to \$13.9 million. When adjusted for inflation, this represents a cut of \$4.1 million, or 23 percent, since FY 2009.

Adult Basic Education: \$3.4 million cut

In FY 2009, adult basic education (ABE) programs were funded at \$31.2 million. For FY 2011, this allocation was reduced to \$28.7 million, after accounting for shifts in information technology costs. When adjusted for inflation, this represents a cut of \$3.4 million, or 11 percent, since FY 2009.

Youth Build: \$1.5 million cut

In FY 2009, Youth Build grants were funded at \$2.8 million. For FY 2011, this allocation was reduced to \$1.3 million. When adjusted for inflation this represents a cut of \$1.5 million, or 54 percent, since FY 2009.

School-to-Work Matching Grants: Funding Eliminated (\$3.1 million cut)

In FY 2009, School-To-Work matching grants were funded at \$3.1 million and have been completely eliminated for FY 2011. In FY 2010 School-To-Work grants were funded at \$1.5 million.

SCHOOL BUILDING

School Modernization and Reconstruction Trust (SMART): \$77.7 million cut

In FY 2009, the School Modernization and Reconstruction Trust (SMART) received \$702 million in pre-budget transfers. Because the Commonwealth is required to contribute to this trust an amount equal to one penny of the state sales tax, SMART funding has been reduced as sales tax receipts have declined over the course of the fiscal crisis. The FY 2011 budget projects that SMART funding will decrease to \$644.3 million. When adjusted for inflation, this represents a cut of \$77.7 million since FY 2009.

FISCAL FALLOUT: Cuts to Chapter 70

Overview: Between \$271 and \$531 Million Cut to Education Aid¹

Had there not been cuts during the fiscal crisis, FY 2011 Chapter 70 education aid would have been between an upper limit estimate of \$4.46 billion (\$531 million more than the budgeted amount) and a conservative estimate of \$4.2 billion (\$271 million more than the budgeted amount).² The upper limit scenario estimates Chapter 70 funding had the state had kept its five year phase-in schedule for a series of reforms adopted in FY 2007, whereas the conservative scenario calculates full funding for Chapter 70 without any further phase in of reforms beyond FY 2009.

FY 2011 Chapter 70 Cuts

Assumptions for Funding Chapter 70 Aid	FY 2011 Ch.70 Aid	FY 2011 Actual Ch.70 Aid	Cut	Percent Cut
Full reform phase-in (correcting FY10 inflation to actual 6.75%)	\$4,456,818,799	\$3,926,155,831	\$(530,662,968)	-11.9%
Full reform phase-in (correcting FY10 inflation to 4.5% cap)	\$4,327,654,062		\$(401,498,231)	-9.3%
Reform phase-in only through FY 2009 (correcting FY10 inflation to 4.5% cap)	\$4,197,523,916		\$(271,368,085)	-6.5%

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 eleven different education cost categories and is updated each

¹ Note on methodology: This table shows three estimates of Chapter 70 cuts over the course of the fiscal crisis. The first two scenarios estimates cuts had the 2007 reforms been fully phased-in by FY 2011 and the third assumes no further implementation of these reforms past FY 2009.

The first two upper-limit scenarios calculate education aid by running the foundation budget formula with each of the FY 2007 reforms fully phased-in. The only difference between these two scenarios is that the first corrects the FY 2010 foundation budget for the full 6.75% inflation year, whereas the second corrects up to the statutory cap of 4.5%. The legislature has twice before waived the statutory cap when actual inflation has been higher than 4.5%, but there is no guarantee that absent a fiscal crisis the legislature would have done this again.

The third scenario is a more conservative one calculated to establish a lower-limit for estimating cuts. Rather than fully phasing in the FY 2007 reforms, it assumes that reforms would have been frozen after 2009 since the plan is not bound by law. Additionally, it only corrects the inflation rate used for FY 2010 up to 4.5% since that is the statutory cap.

Each of the three cut scenarios accounts for across-the-board cuts made in FY 2010 and FY 2011 and increased local contributions for some districts in FY 2010.

² Please note that all totals in this paper include State Fiscal Stabilization Fund (SFSF) money.

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 1993.³) 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.

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, both the FY 2010 and FY 2011 budgets reduced state education aid in part by slowing this phase-in process.

Description of Conservative Scenario: \$271 million cut

The low end estimate of \$271 million in cuts does not include any further phase-in of the reforms adopted in 2007 and just looks at cuts below maintenance levels for FY 2011. Specifically, it looks at three sets of direct cuts made by the legislature in FY 2010 and FY 2011, which are discussed below.⁴

Skipping a high-inflation quarter in calculating the FY 2010 foundation budget: \$88 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 largest quarter of cost growth (the growth during the first quarter of FY 2007) from the calculation, thereby cutting Chapter 70 aid by approximately \$71 million. 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). Using a lower inflation adjustment kept funding levels artificially low, and for this reason the conservative \$271 million cut scenario corrects inflation in FY 2010 to 4.5%. (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%). Since cost growth is compounding, using the low inflation rate of 3.04% for FY 2010 means that foundation budgets will continue to lag behind actual inflation in subsequent years until a retroactive inflation correction is made.⁵

³ For more information on how the foundation budget is calculated, see: www.finance1.doe.mass.edu/chapter70/chapter_cal.pdf

⁴ Please note that since the estimates for each of the following individual cuts is based off of a funding scenario that includes no reform phase in for FY 2010 and FY 2011, the total amount cut – \$287 million – is slightly larger than the conservative scenario cut, which did include some partial reform phase in for FY 2010 and FY 2011.

Please also note that since these three cuts interact as variables within the Chapter 70 formula, the order in which they are implemented dramatically affects their relative sizes. In order to quantify each of these cuts separately, this paper implements the inflation cut first, the increased local contributions cut second, and the across-the-board cuts third.

⁵ For more information on calculating inflation in the foundation budget, see: massbudget.org/documentsearch/findDocument?doc_id=613

Increasing local contributions for some districts in FY 2010: \$47 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 \$47 million in Chapter 70 aid.⁶

Across-the-board district cuts in FY 2010 and FY 2011: \$152 million cut

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

Similarly, the FY 2011 budget cut district aid across-the-board up to a higher 4 percent, with specific cuts impacting individual districts differently. If the full 4 percent cut would have brought districts below their foundation level, the cut was reduced in order to maintain all districts at their foundation budget amounts. Again, some districts received a smaller reduction while others received a full 4 percent cut.

Together, these across-the-board district cuts reduced Chapter 70 education aid by approximately \$152 million.

Description of Upper Limit Scenario: \$531 million cut

This report's upper limit scenario estimates the difference between what Chapter 70 aid would have provided had the 2007 reforms been fully implemented by FY 2011 and what was actually provided.⁷ The 2007 reforms increased Chapter 70 aid statewide by changing the way local fiscal capacity is calculated and providing additional state aid to high-effort communities that were contributing more than the target amounts established by the reforms, updating the data used in determining the allocation of education funding, guaranteeing minimum annual per pupil aid increases of \$50, and providing a new type of aid for growing communities. The changes to local contributions began in FY 2007 and were to be fully phased in over five years. In response to the ongoing fiscal crisis, the legislature slowed the implementation of this additional aid for FY 2010 and FY 2011 as one strategy for reducing the state's education costs. Had the 2007 reforms been fully phased-in by FY 2011, and had

⁶ 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.

⁷ For more information on the FY 2007 reforms, see:

www.massbudget.org/file_storage/documents/Public_School_Funding-Where_We_Are_What_Has_Changed_-_FINAL.pdf

the legislature in FY 2010 continued past practice of adjusting for full inflation, education aid would have been approximately \$531 million more than it actually was for FY 2011.

In conclusion, while education aid would likely have been \$531 million greater in FY 2011 had there been no fiscal crisis, some of that amount should be characterized as foregone scheduled increases in education aid. The conservative \$271 million cut estimate, on the other hand, captures the cuts made during the fiscal crisis and does not account for the failure to fund scheduled increases in Chapter 70 aid.

FISCAL FALLOUT: Cuts to Higher Education

The Fiscal Year 2009 budget, which passed in July 2008, appropriated \$1.09 billion for public higher education. The legislature began cutting higher education in FY 2010, after the national fiscal crisis hit in the fall of 2008, but was able to mitigate the impact of cuts in state appropriations by using \$230.3 million in federal stimulus money distributed through the State Fiscal Stabilization Fund (SFSF). Currently, public higher education is budgeted to receive a total of \$954.1 million for FY 2011, which includes a much smaller \$20.8 million SFSF allocation. When adjusted for inflation, this total funding level represents a reduction of \$171.2 million, or 15 percent, over the course of the ongoing fiscal crisis.

Cuts have been severe for the three different categories of state higher education campuses. When adjusted for inflation, UMass has been cut \$78 million, community colleges have been cut \$36.3 million, and state colleges have been cut \$33.1 million. The table below outlines these cuts. Totals include SFSF allocations and have been corrected for some shifting of line items.

State Funding for UMass, Community Colleges, and State Colleges

	FY2009 Nominal	FY 2009 Inflation Adjusted	FY 2011	Amount Cut During Fiscal Crisis	% Cut
UMass	\$502,788,814	\$517,147,993	\$439,107,088	\$(78,040,905)	-15.1%
Community Colleges	\$244,355,162	\$251,333,717	\$215,077,704	\$(36,256,013)	-14.4%
State Colleges	\$222,565,327	\$228,921,585	\$195,851,746	\$(33,069,839)	-14.4%
TOTAL	\$969,709,303	\$997,403,295	\$850,036,538	\$(147,366,757)	-14.8%

Additionally, the state scholarship program has been cut \$13.1 million, or 13 percent, over the course of the ongoing fiscal crisis. In FY 2009, the state scholarships were funded at \$96.9 million and by FY 2011 this allocation has been reduced to \$86.5 million.

FISCAL FALLOUT: Cuts to Environment & Recreation

Even before the economic crisis began in FY 2009, funding for state environment and recreation programs fell during this past decade. After accounting for inflation, the budget for environmental protection, state parks, pools and beaches and efforts to protect the state's natural resources fell by \$50 million between FY 2001 and FY 2008. The FY 2009 General Appropriations Act (GAA) provided \$231.8 million for environment and recreation programs. This funding had been reduced to \$200 million in FY 2010, after accounting for shifts in funding between line items in an effort to consolidate information technology costs. In the FY 2011 budget, environment and recreation is provided \$176.7 million. After adjusting for inflation, the budget for environment and recreation programs fell \$61.6 million, or 26 percent, between the FY 2009 GAA and the FY 2011 budget. The major cuts in funding are detailed below.

State Parks and Recreation: \$20.9 million cut.

The FY 2009 GAA provided \$73.2 million for state parks and recreation facilities including beaches, pools and the seasonal employees working at these facilities. The FY 2011 budget provides \$54.5 million for these facilities, after accounting for shifts in information technology costs. When adjusting for inflation, state parks and recreation received a cut of \$20.9 million, or 28 percent, below the FY 2009 GAA.

Department of Environmental Protection administrative account: \$8.6 million cut

The FY 2009 GAA provided \$36.3 million to the Department of Environmental Protection (DEP), which administers programs to protect the state's water, air and land. The FY 2011 budget reduced funding to \$28.7 million, after accounting for shifts in information technology costs. After adjusting for inflation, funding for DEP has fallen \$8.6 million, or 23 percent, below the FY 2009 GAA.

Recycling and Redemption Centers: \$2.3 million cut

The FY 2009 GAA provided \$2.7 million in funding for recycling and redemption centers. By FY 2011, funding for these activities is nearly eliminated. In his budget proposal for FY 2011, the Governor recommended expanding the bottle bill to include juice, water, and coffee drinks, which would raise \$20 million. He proposed providing \$5 from the expanded bottle bill to fund recycling and redemption centers. The FY 2011 budget does not expand the bottle bill and provides \$400,000 in funding, after accounting for shifts in information technology costs. After adjusting for inflation, funding for recycling and redemption centers was cut by \$2.3 million, or 85 percent, below the FY 2009 GAA.

Regional Food Banks: \$787,000 cut

The FY 2009 GAA provided \$12 million in funding to support the state's four regional food banks. The FY 2011 budget provided \$11.6 million. After accounting for inflation, funding for food banks has fallen \$787,000, or 6 percent, below the FY 2009 GAA.

FISCAL FALLOUT: Cuts to MassHealth (Medicaid) & Health Reform

The fiscal crisis has led to deep and significant cuts to the Commonwealth's MassHealth and health reform programs. Looking at budget numbers alone, however cannot tell the full story of these cuts, because the state's health care budget has increased during this time due to both enrollment and health care cost increases. First of all, during a recession, one would expect MassHealth (Medicaid) and Commonwealth Care membership to increase. Unemployment leads to the loss of employer-based health insurance, and with the state's health insurance individual mandate, people turn to the publicly-funded health insurance programs for coverage. Accordingly, the recession has led to an increased need for these health insurance programs. Moreover, since health care cost inflation outstrips inflation associated with other consumer goods, health care costs have continued to rise over the past two years, so dramatic programmatic cuts do not necessarily show up by just looking at budget numbers, even if those numbers are adjusted for inflation.

In nominal terms, funding for MassHealth and health reform at the beginning of FY 2009 was \$10.39 billion. Starting in FY 2010, close to \$50 million in information technology costs for a variety of health and human service agencies were consolidated into the Executive Office of Health and Human Services. This analysis includes these costs in the totals for MassHealth administration, as much of this information technology is associated with MassHealth. Adjusting for this technology transfer, in nominal terms FY 2011 funding had grown less than 3 percent annually, to \$11.02 billion. It is worth noting that experts usually estimate health care cost inflation at anywhere from at least 5 to 8 percent annually. Outlined below are among the cuts to MassHealth and other health programs since FY 2009.

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, and they will no longer receive insurance coverage for such services as fillings. (This is a "gross savings" because it does not take into account that any reduction in Medicaid spending also reduces the amount of federal Medicaid reimbursement revenue the Commonwealth receives.)

Elimination Of Health Care Coverage For Some Legal Immigrants: estimated \$140 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, but this program would expire after FY 2010. Funding allocated for the 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. In the FY 2011 budget, the Governor has proposed using a variety of funding mechanisms to allow this program to continue until the end of the calendar year.

Reductions In Reimbursement Rates Paid To Providers: estimated \$600 million cut

The mid-year 9C cuts in FY 2009 of more than \$235 million focused on cuts to provider reimbursements. Cuts to provider rates in the FY 2010 budget were an estimated \$200 million, and an estimated \$175 million more is cut in the FY 2011 budget.

A Reduction In The Number Of Hours For Day Services Provided To Disabled Adults (“Day Habilitation”): \$15.3 million cut

The FY 2011 budget cuts the number of hours available to disabled adults – many of whom are severely cognitively disabled – from six to five a day. The gross spending reduction associated with this cut would be approximately \$15.3 million, and the net savings to the Commonwealth would be closer to \$6.8 million.

A Limit On Who Would Be Eligible For Personal Care Attendant (PCA) Services: \$5.5 million cut

Currently, MassHealth will pay for help for disabled adults who need assistance with activities of daily living (getting in and out of bed, dressing, bathing, etc.), even if those adults need only a few hours of help each day (for example, getting dressed for work in the morning). The FY 2011 budget establishes a “floor” for these services, so that only persons requiring 14 hours of service a week would be eligible for MassHealth coverage for PCA services. This cut is expected to reduce MassHealth costs by \$5.5 million, for a net savings of \$2.4 million.

Primary Care Workforce Grants: \$500,000 cut

The FY 2011 budget cuts the primary care workforce grants, a program to increase the number of primary care physicians. This program had been funded at the start of FY 2010, but was then eliminated mid-year by so-called 9C cuts. Both the House and Senate had proposed restoring this program in FY 2011, but only if the enhanced FMAP funding became available. Without a guarantee of that funding, the Governor vetoed the program.

Prescription Advantage Program: \$26 million cut.

Between FY 2009 and FY 2011, \$26 million has been cut from the Prescription Advantage program, eliminating some subsidies to low-income elders for prescription drug costs not covered by Medicare Part D.

Other measures taken to control costs or implement savings within the state’s health care programs include:

- Restrictions in the way certain services are provided (such as the expansion of coordination of care in “appropriate” settings, or the requirement for pre-authorization for certain types of medications, with estimated savings of at least \$38 million in FY 2010 and an additional estimated \$23 million in FY 2011).
- Assumed savings of a total of \$17 million from disease management strategies (\$10 million assumed savings in the original FY 2011 Conference Committee budget proposal, along with an additional \$7 million savings assumed in the FY 2011 Post-Veto Budget using more aggressive savings assumptions.) A disease management program could save money by better coordinating care for MassHealth members with certain chronic conditions such as asthma or diabetes. Because of reduced federal reimbursements associated with lowered MassHealth spending, however, the net savings to the Commonwealth of these programs would be less than half of the gross program cost reductions.

FISCAL FALLOUT: Cuts to Public Health

Public health services have been particularly hard hit by budget cuts since FY 2009. Funding has been reduced by an estimated \$113 million, close to 18 percent when adjusted for inflation and for approximately \$8 million in technology costs shifted to the Executive Office of Health and Human Services. As a percentage, public health has been cut by more than any other human service sub-category during this time period.

The deepest public health cuts have been to education, prevention, and screening programs, as well as to the regulatory public health programs. The following are some of the major cuts to public health services since FY 2009.

Youth Violence Prevention Programs: \$6.8 million cut

In FY 2009, youth violence prevention programs were funded at \$9.3 million, which included funding within the Executive Office of Health and Human Services, as well as funding within the Department of Public Health (\$9.6 million when adjusted for inflation.) In FY 2010, funding had been reduced to \$3.5 million. The budget for youth violence prevention programs in FY 2011 budget has been consolidated into the Department of Public Health, but is only \$2.8 million. When adjusted for inflation, this is a cut of \$6.8 million, or 71 percent.

Smoking Prevention and Cessation Programs: \$8.4 million cut

In FY 2009, smoking prevention and disease prevention programs were funded at \$12.8 million (\$13.1 million adjusted for inflation). In the FY 2010 GAA, funding had been reduced to \$5.2 million, and then was further reduced that year to \$4.5 million. Accounting for the shift of some technology expenses, the budget for smoking prevention and cessation programs in the FY 2011 budget is \$4.7 million. When adjusted for inflation, this is a cut of \$8.4 million, or 64 percent.

Health Promotion and Disease Prevention Programs: \$8.6 million cut

In FY 2009, health promotion and disease prevention programs were funded at \$14.7 million (\$15.1 million adjusted for inflation). These programs include a wide variety of screening and prevention services for breast, ovarian, colorectal, prostate, and lung cancers, as well as diabetes, stroke and brain aneurysms, hepatitis C, multiple sclerosis, renal disease, Lyme disease, phenylketonuria (PKU), Amyotrophic Lateral Sclerosis (Lou Gehrig's disease), and lupus. In the FY 2010 GAA, funding for these programs dropped to \$7.8 million. In the FY 2011 budget, after accounting for shifts in technology costs, funding for this wide array of prevention and screening programs is \$6.5 million, and the Governor's veto eliminated language referencing funding for PKU services. When adjusted for inflation, the cut to health prevention and disease prevention services totals \$8.6 million, a 57 percent cut.

Teen Pregnancy Prevention Services: \$1.7 million cut

In FY 2009, teen pregnancy prevention services received \$4.1 million (\$4.2 million adjusted for inflation). In the FY 2010 GAA, funding was cut to \$3.2 million, and in the FY 2011 budget, after accounting for shifts in technology costs, funding for teen pregnancy prevention programs is down to \$2.4 million. When adjusted for inflation, this is a cut of \$1.7 million or 41 percent.

Family Health Services: \$3 million cut

In FY 2009, family health services received \$7.6 million (\$7.8 million adjusted for inflation). In the FY 2011 budget, funding for family health services is \$4.8 million. When adjusted for inflation, this is a cut of \$3 million, or 38 percent.

School Health Services: \$6.1 million cut

In FY 2009, school health services received \$17.5 million (\$18 million when adjusted for inflation). In FY 2010, school health services were first cut to \$13.6 million in the initial budget, and then to \$11.9 million after mid-year 9C cuts. In the FY 2011 budget, funding for school health services is \$11.8 million. Adjusted for inflation, this is a cut of \$6.1 million, or 34 percent.

Early Intervention Services: Estimated \$10.3 million cut

In FY 2009, early intervention services received \$49.4 million. In FY 2010, a portion of early intervention costs were shifted into the MassHealth budget. Even adjusting for these shifts, the early intervention program was cut by more than \$4 million in FY 2010. In the FY 2011 budget, funding for these services for developmentally delayed infants and toddlers is \$24.9 million. Estimating for the impact of the shift of a portion of this funding into MassHealth, early intervention has been cut by approximately 20 percent since FY 2009. With these funding reductions, the program has been forced to place significant restrictions on eligibility for services.

Academic Detailing: Program eliminated (\$514,000 cut)

A new program, called "academic detailing" was created in FY 2009 to help control health care costs by providing physicians with information about the cost-effective use of prescription medications. Funding for this program was completely eliminated in FY 2010, but the Legislature hoped to restore some funding in FY 2011. After the Governor's vetoes, the FY 2011 did not contain any funding for this program.

Shaken Baby Syndrome Prevention Services: Program eliminated (\$360,000 cut)

A program to provide information about shaken baby syndrome was funded in FY 2009 at \$350,000 (\$360,000 when adjusted for inflation). This program was completely cut in the FY 2011 budget.

FISCAL FALLOUT: Cuts to Mental Health

In the FY 2009 GAA (General Appropriations Act), funding for mental health services was \$685.4 million. In FY 2011, funding is \$630.8 million. When adjusted for inflation, mental health services have been cut by approximately \$74 million, or 11 percent, since the beginning of FY 2009, taking into account that close to \$9 million of funding for information technology was taken out of the Department of Mental Health and moved into the Executive Office of Health and Human Services, starting in FY 2010. Even though the Commonwealth is continuing its efforts to shift mental health spending from facility-based care to community care, funding for community services has not been spared from the impact of the state fiscal crisis. Outlined below are some of the major cuts to mental health services since FY 2009.

Children's Mental Health Services: \$6.6 million cut

In FY 2009, mental health services for children and adolescents received \$76.2 million (\$78.4 million when adjusted for inflation). In FY 2010, children's mental health services were cut to \$72.2 million and by FY 2011, they had been cut again to \$71.8 million. This is a \$6.6 million cut when adjusted for inflation, or 8 percent. It is important to note, however, that a significant increase in mental health services for children starting in FY 2009 is now 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 services has increased over the past two years with the ramping up to full implementation of these screening and treatment services.

Adult Mental Health Services: \$12.7 million cut

In FY 2009, mental health services for adults received \$389 million (\$400.1 million when adjusted for inflation). Mid-year cuts to these services (9C cuts) reduced funding to \$356.7 million, and then in FY 2010 funding was partially restored - when adjusted for the shift of technology costs - to \$374 million. In FY 2011, the budget for adult mental health services is approximately \$387.4 million adjusted for technology. Adjusted for inflation, however, this represents a 3 percent cut from FY 2009 levels.

Mental Health Facilities: \$48.6 million reduction

In FY 2009, mental health facilities were funded at \$181.9 million (\$187.1 million when adjusted for inflation). While there has been a philosophical shift to moving away from facility-based care, support for community-based services has not been increased to make up for the cuts to facilities. Adjusting for technology costs, facility funding in FY 2011 is approximately \$138.4 million, a 26 percent drop from FY 2009 levels when adjusted for inflation.

FISCAL FALLOUT: Cuts to Human Services

Since the passage of the FY 2009 General Appropriations Act (GAA), state funding for human services has been reduced, despite increased demand for these services as families experience hardships as a result of the fiscal crisis. The FY 2009 GAA provided \$3.5 billion in total funding for human services. After accounting for approximately \$35 million in information technology transfers to the Executive Office of Health and Human Services, the FY 2010 GAA reduced Human Service appropriations to \$3.4 billion. Most recently, the FY 2011 budget reduced state funding even further, to \$3.3 billion. Since passage of the FY 2009 GAA, total state funding for human services has been cut by \$170 million. When adjusted for inflation, these cuts total close to \$269 million, representing a 7 percent reduction. Detailed below are some of the major cuts to human services programs, which include services for children and families, transitional assistance for low-income families, services to the adults with developmental disabilities, and other human services, since FY 2009.

CHILDREN AND FAMILIES

Since the FY 2009 GAA, state funding for the Department of Children and Families (DCF) and the constellation of services it delivers to protect children from abuse and neglect has steadily declined. The FY 2009 GAA provided \$836.5 million in total funding for these services. After accounting for some information technology transfers to the Executive Office of Health and Human Services, the FY 2010 GAA reduced these appropriations to \$792.1 million. The FY 2011 budget yielded more cuts, providing \$751.3 million in total funding. Since passage of the FY 2009 GAA, total state funding for DCF and the services it administers has been cut by \$85.1 million. When adjusted for inflation, these cuts total close to \$109 million, representing a 13 percent reduction.

Services for Children and Families: \$34.4 million cut

In total, the FY 2009 GAA provided \$313.8 million in funding for Services for Children and Families, which provides stabilization, unification, reunification, permanency, adoption, guardianship and foster care services. The FY 2010 GAA reduced this appropriation to \$299.2 million. The FY 2011 budget further reduced funding for these services to \$288.4 million, a cut of \$25.4 million or 8 percent. The FY 2011 budget funds these services through two distinct line items, Services for Children and Families and Family Support and Stabilization. Since 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. When adjusted for inflation, appropriation decreases for these services reveal deeper cuts totaling \$34.4 million, or 11 percent.

Congregate (Group) Care Services: \$34.5 million cut

The FY 2009 GAA provided \$229.6 million in funding for congregate care for children in DCF custody. The FY 2011 budget reduced this funding to \$201.6 million, a cut of \$28 million, or 12 percent. When adjusted for inflation, this represents a \$34.5 million, or 15 percent, cut from the FY 2009 GAA.

Services for People At-Risk for Domestic Violence: \$4 million cut

The FY 2009 GAA provided \$23.5 million in funding for services for people at-risk for domestic violence. The FY 2011 budget reduced this funding to \$20.1 million, a cut of \$3.4 million, or 14 percent. When adjusted for inflation, this represents nearly a \$4 million, or 17 percent, cut from the FY 2009 GAA.

Child Welfare Training Institute: \$1 million cut

The FY 2009 GAA provided \$3 million in retained revenue funding for the Child Welfare Training Institute. The FY 2011 budget reduced this funding to \$2.1 million, a cut of approximately \$941,000. When adjusted for inflation, this represents nearly a \$1 million, or 33 percent, cut from the FY 2009 GAA.

DEVELOPMENTAL SERVICES

Community Day and Work Programs: \$17.6 million cut

The FY 2009 GAA provided \$129.2 million in funding for Community Day and Work Programs for adults with developmental disabilities. These programs provide various supports to individuals to build and maintain their ability to participate in community activities by focusing on skill building and development and providing important employment support and training. The FY 2011 budget reduced this funding to \$115.3 million, a cut of close to \$14 million, or 11 percent. When adjusted for inflation, this represents a \$17.6 million, or 13 percent, cut from the FY 2009 GAA.

Respite Services and Intensive Family Supports: \$12.7 million cut

The FY 2009 GAA provided \$56.1 million in funding for respite and intensive family support services. This line item funds a variety of support services which provide a safety net for families with both children and adults with developmental disabilities. Services range from short-term respite care, support groups, as well as integrated summer camps and after school care. The FY 2011 budget reduced this funding to \$45 million, a cut of \$11.1 million, or 20 percent. When adjusted for inflation, this represents a \$12.7 million, or 22 percent, cut from the FY 2009 GAA.

Transitional Services for Adults (Turning 22): \$2.9 million cut

The FY 2009 GAA provided \$7.7 million in funding to transitional planning and support for young adults with severe disabilities as they leave special education and transition into the adult service system. The FY 2011 budget reduced this funding to \$5 million, a cut \$2.7 million, or 35 percent. When adjusted for inflation, this represents a \$2.9 million, or 37 percent, cut from the FY 2009 GAA.

Community Transportation Services: \$2.9 million cut

The FY 2009 GAA provided \$14.1 million in funding for community transportation services enable DDS clients with developmental disabilities to get to paid jobs and other required services. The FY 2011 budget reduced this funding to \$11.6 million, a cut of \$2.5 million, or 18 percent. When adjusted for inflation, this represents a \$2.9 million, or 20 percent, cut from the FY 2009 GAA.

ELDER SERVICES

Elder Home Care: \$21.7 million cut

Since the beginning of FY 2009, elder home care has been cut by 14 percent, when adjusted for inflation. With this reduced funding, approximately 2,500 fewer frail elders each month are able to receive the community-based long term care services that allow them to stay in their homes. At one point, there was hope that a waiting list for services might be reduced or eliminated. Instead, there are now more than 2,700 elders each month on a waiting list for home care.

Elder Protective Services: \$1.5 million cut

The FY 2009 GAA provided \$16.2 million for services to protect vulnerable elders from neglect and abuse. In FY 2010, elder protective services were reduced by \$1 million through the Governor's 9C cuts, and in the FY 2011 budget funding has been further reduced to \$15.3 million. After adjusting for inflation, this is a \$1.5 million, or 9 percent, cut since FY 2009. This reduction in funding means that more cases of elder abuse will go uninvestigated and unserved, that more elders are at risk of financial exploitation, and that fewer guardians could be granted to the Commonwealth's most vulnerable elders.

Elder Housing Programs: \$1.8 million cut

The FY 2009 GAA provided \$3.2 million for elder housing programs, including support for congregate housing. The FY 2011 budget reduces funding to \$1.5 million, which includes the elimination of a program for homeless elders (funded at \$450,000 in nominal dollars in FY 2009). After adjusting for inflation, this is a \$1.8 million, or 55 percent, cut since FY 2009.

Councils on Aging: \$957,000 cut

The FY 2009 GAA appropriated \$8.6 million for councils on aging. These locally-based programs provide a wide variety of recreational and support services to elders in the community. In the FY 2011 budget, this funding has been reduced to \$7.9 million. When adjusted for inflation, councils on aging have been cut by \$957,000, or 11 percent, since the beginning of FY 2009. .

Geriatric Mental Health; Family Caregivers: Programs eliminated (\$225,000 and \$250,000 cut)

Geriatric mental health services, which received \$225,000 in the FY 2009 GAA, and the family caregivers program, which received \$250,000 in the FY 2009 GAA, have been completely eliminated in the FY 2011 budget.

TRANSITIONAL ASSISTANCE**Employment Services Program (ESP): \$20.4 million cut**

The FY 2009 GAA provided a total of \$34.7 million in funding for ESP, a program designed to assist TAFDC clients in obtaining jobs by providing skills-building, education and training, and job placement services. ESP has been primarily funded through two budget line items. The first is a direct appropriation for the administration of ESP by the Department of Transitional Assistance, and the second is referred to as 'retained revenue' line item. In FY 2011, the direct appropriation for ESP was reduced and the retained revenue line item was eliminated altogether. After accounting for some information technology transfers to the Executive Office of Health and Human Services, the FY 2011 budget reduced funding for this program to \$15.3 million, a cut of \$19.4 million. When adjusted for inflation, FY 2011 budget levels represent a \$20.4 million, or 57 percent, cut when compared to the FY 2009 GAA.

Supplemental Nutritional Program: Eliminated (\$1.2 million cut)

The FY 2009 GAA provided \$1.2 million in funding for the Supplemental Nutritional Program, a small nutritional benefit program for working families which supplements the federal Supplemental Nutrition Assistance Program (SNAP) program. The FY 2011 budget eliminates funding for this program altogether.

OTHER HUMAN SERVICES

“Other Human Services” includes numerous departments and services, such as the Department of Youth Services (DYS), services for Veterans, the Massachusetts Commission for the Blind, the Massachusetts Rehabilitation Commission, and the Massachusetts Commission for the Deaf and Hard of Hearing. Some specific services which have received significant state budget cuts since the start of FY 2009 are included below.

Department of Youth Services and Related Programs: \$21.8 million cut

The FY 2009 GAA provided \$163.1 million in funding for the Department of Youth Services (DYS) and the programs it provides for youth. These services include support and assessment services, residential services, and salaries for teachers educating youth in the custody of DHS. After accounting for some information technology transfers to the Executive Office of Health and Human Services, the FY 2011 budget reduced funding for DHS and related services to \$145.9 million, a cut of approximately \$17.2 million. When adjusted for inflation, this represents a \$21.8 million, or 13 percent, cut from the FY 2009 GAA.

Home Care for the Multi-Disabled: \$1.7 million cut

The FY 2009 GAA provided \$5.9 million in funding for Home Care for the Multi-Disabled. The FY 2011 budget reduced this funding to \$4.4 million, a cut of approximately \$1.5 million. When adjusted for inflation, this represents a \$1.7 million, or 28 percent, cut from the FY 2009 GAA.

Employment Services for the Severely Disabled: \$6.3 million cut

The FY 2009 GAA provided \$8.6 million in funding for employment assistance and vocational evaluation services for adults with severe disabilities. The FY 2011 budget reduced this funding to \$2.5 million, a cut of approximately \$6.1 million. When adjusted for inflation, this represents a \$6.3 million, or 72 percent, cut from the FY 2009 GAA.

FISCAL FALLOUT: Cuts to Housing

Since the Homelessness Commission issued a report in December 2007 outlining a strategy to reduce homelessness in the near term and ultimately end homelessness in the state altogether, the budget for housing programs has focused on supporting the state's aims to find permanent housing for homeless families. While the Legislature and Governor have tried to protect state housing services, the fiscal crisis has affected funding for several key state housing programs.

Between FY 2009 and FY 2011, housing programs have experienced an increase in costs due to rising demand for services. As the fiscal crisis persisted, and unemployment continued to rise, an increasing number of people became at risk for homelessness. To address these rising costs, the state implemented cuts, both by directly cutting funding for some programs, and by restricting eligibility to reduce cost growth in others. The FY 2011 budget provides \$274.5 million. This funding level reflects significant cuts as described below. This analysis takes into account approximately \$2.1 million in funding that was shifted between line items in an effort to consolidate information technology costs.

Massachusetts Rental Voucher Program (MRVP): \$791,000 cut

MRVP provides over 5,200 housing vouchers to low-income renters who earn on average \$11,000 per year.¹ The FY 2009 GAA provided \$33 million for MRVP, from which the Governor made \$2.5 million in 9C cuts. The FY 2011 budget provides MRVP with \$33.2 million. This may not be enough money to fund current voucher holders through the full fiscal year and will prevent DHCD from issuing any new vouchers. After adjusting for inflation, funding for MRVP has fallen by \$791,000 or 2 percent, below the FY 2009 GAA.

Residential Assistance for Families in Transition (RAFT): \$5.4 million cut

RAFT provides one-time housing assistance to families who are homeless or are at risk of becoming homeless. The FY 2009 GAA provided RAFT with \$5.5 million. The Federal Recovery Act provided \$44.8 million in temporary funds for services similar to those provided by RAFT. Because these recovery dollars were used to fill some of the gap in services (though it was outside the RAFT program itself), the Governor shifted funding from RAFT to MRVP. The FY 2011 budget provides \$260,000 for RAFT. When the federal recovery money is spent by February of 2011, the state will have to determine how it will fund RAFT in the future. After adjusting for inflation, funding for RAFT has fallen \$5.4 million, or 95 percent, below the FY 2009 GAA.

Subsidies for Public Housing Authorities: \$5.9 million cut

The FY 2009 GAA provided \$66.5 million for the state's 234 housing authorities. This funding subsidizes the rent of low-income tenants and provides money for maintenance of public housing. The FY 2011 budget provides \$62.5 million for these subsidies. After adjusting for inflation, state assistance to public housing authorities has fallen \$5.9 million, or 9 percent, below the FY 2009 GAA.

¹ Mobile-based vouchers tend to be more expensive than project-based vouchers since the projects tend to collect other subsidies. See Verrilli, Ann "The Massachusetts Rental Voucher Programs: Maintaining the State's Primary Homelessness Prevention Tool", CHAPA Briefing Paper, June 2009 Available at: http://www.chapa.org/files/f_1245275008MRVPReportJune09FINAL.pdf

FISCAL FALLOUT: Cuts to Economic Development and Workforce & Labor

Since the passage of the FY 2009 General Appropriations Act (GAA), funding for economic development and workforce and labor programs have experienced an overall decline in funding. As a means of reducing the state's share of funding for certain programs, the Governor has sought outside support from a variety of agencies and quasi-public entities to make up some of the budget gaps. For some other programs, funding was moved 'off budget,' meaning that funding is provided outside of the state's general fund. Finally, during this time some funding was shifted between line items in an effort to consolidate information technology costs. While these changes make it difficult to quantify the exact amount of funding cuts since the onset of the fiscal crisis – an estimate is roughly \$75 million – some of the major cuts to individual programs are detailed below.

ECONOMIC DEVELOPMENT

Regional Tourism Councils: \$7.3 million cut

In the FY 2009 GAA, the state's 13 Regional Tourism were funded at \$9 million. This funding had been reduced in FY 2009 through the Governor's 9C cuts (\$500,000 cut) and began FY 2010 with reduced funding of \$4.5 million. The Governor then cut another \$2.3 million in FY 2010. In the FY 2011 budget, this funding has been reduced to just \$2 million. When adjusted for inflation, this represents a \$7.3 million, or 78 percent, reduction since FY 2009.

Individual Training Grants: \$10.6 million cut

Funding for these grants administered by the Massachusetts Service Alliance was at \$11 million in the FY 2009 GAA. These grants support a variety of workforce training and community development initiatives across the state. During FY 2009, the Governor had 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 GAA to \$750,000. The FY 2011 budget maintains this level of funding. When adjusted for inflation, state funding for individual training grants has been reduced by \$10.6 million, or 93 percent.

Massachusetts Office of Business Development: \$2.4 million cut

The Massachusetts Office of Business Development (MOBD), which provides assistance to business to create jobs and promote private investment in the state, was funded at \$3.8 million in the FY 2009 GAA. By the FY 2010 GAA, funding had been reduced by 37 percent to \$2.4 million, after taking account shifts in information technology costs. Through the Governor's FY 2010 9C cuts, funding for MOBD was decreased by another \$901,000. In the FY 2011 budget, MOBD is provided \$1.4 million. When adjusted for inflation, this is a \$2.4 million, or 62 percent, cut in funding. At the same time that state funding for MOBD has decreased due to budget constraints, state spending on tax expenditures related to economic development has increased. These tax expenditures, unlike budget appropriations, continue year-to-year without reauthorization. Thus, they are not scrutinized to ensure that they are an effective use of the state's resources. Between FY 2008 and FY 2010, state spending on economic development tax expenditures has increased by \$150 million, or almost 10 percent. Thus, while the

state has decreased appropriations for MOBD for generating jobs and economic development, it has increased reliance on tax incentives for the similar purposes.

Massachusetts Manufacturing Extension Partnership: \$1.1 million cut

In the FY 2009 GAA, the Massachusetts Manufacturing Extension Partnership (MEP) was funded at \$1.4 million. Funding was reduced to \$900,000 after the Governor's 9C cuts. The FY 2010 GAA funded the MEP at \$450,000, which was reduced to \$325,000 by the end of the fiscal year. The FY 2011 budget maintains this level of funding, which is an overall cut of \$1.1 million since FY 2009, or 77 percent, after adjusting for inflation.

WORKFORCE & LABOR**Extended Care Career Ladder Initiative: Funding eliminated (\$1.5 million cut)**

In the FY 2009 GAA, 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. Through FY 2009 9C cuts, funding had been reduced to \$450,000, and in the FY 2010 GAA funding had been eliminated completely. The FY 2011 budget also does not fund this program. The program is currently unable to accept new grant applications due to this elimination of funding. The Commonwealth Corporation, which coordinates ECCLI, reports that 172 nursing facilities and home care agencies have participated in the program. In addition, 9,000 workers have participated in an ECCLI-funded class since 2000, with an average wage increase of \$0.53 per hour.¹

One-Stop Career Centers: \$597,000 cut

The FY 2009 GAA provided \$5.5 million for the state's 37 One-Stop Career Centers, which provide job placement and job training services. In FY 2010, One-Stop Career Centers received \$441,000 less in funding, after taking into account shifts in information technology costs. The FY 2011 budget maintains this cut, providing \$5.1 million. After adjusting for inflation, this is an 11 percent, or \$597,000 cut in funding since FY 2009. Thousands of workers have benefited from the services provided by the One-Stop Career Centers – the three Centers in Boston alone served almost 18,000 customers in FY 2007. A 12 percent decrease in funding would create constraints for the Centers at a time when job placement and training are critical services for unemployed workers.²

Apprentice Training Program: \$123,000 cut

The Apprentice Training Program was provided \$445,000 in the FY 2009 GAA. By the FY 2010 GAA, funding had dropped to \$443,000, after taking into account shifts in information technology costs. The FY 2011 budget provides even less funding, \$333,000. When adjusted for inflation, this is a \$123,000, or 27 percent, decrease.

¹ Commonwealth Corporation. <http://www.commcorp.org/eccli/outcomes.html>

² Boston Private Industry Council. "Career Center Charter Review Report." April 2008. <http://www.bostonpic.org/resources/career-center-charter-review-report>

FISCAL FALLOUT: Cuts to Law & Public Safety

Many accounts in the Law and Public Safety category have seen large decreases in funding from the FY 2009 GAA (General Appropriations Act) to the FY 2011 budget. Many accounts in this category also have undergone significant administrative changes during this period. Funding for most state court accounts was consolidated and seven of the fourteen county sheriffs' departments had their funding brought "on budget" for the first time. In addition to these changes, some funding was shifted between accounts in an effort to consolidate information technology costs. As a result of these administrative changes, determining net decreases or increases in funding in some of these areas can be challenging. Where it is possible to track these changes, however, it is clear that many of these consolidated accounts – as well as individual accounts that have not undergone consolidation – were subject to heavy cuts. The following are among the most significant of these cuts, either by dollar amount or percent decline.

COURTS AND LEGAL ASSISTANCE

Trial Court accounts: \$24.8 million cut

The Trial Court accounts were funded at \$267.7 million in the FY 2009 GAA. After consolidation, in the FY 2011 budget the Trial Court accounts received \$250.5 million, a cut of \$17.2 million. Adjusted for inflation, this is actually a cut of \$24.8 million, or 9 percent.

District Courts: \$8.9 million cut

District Courts were funded at \$40.7 million in the FY 2009 GAA. After consolidation, in the FY 2011 budget the District Court received \$32.9 million, a cut of \$7.8 million. Adjusted for inflation, this is actually a cut of \$8.9 million, or 21 percent.

Probate and Family Courts: \$5.6 million cut

Probate and Family Courts were funded at \$22 million in the FY 2009 GAA. After consolidation, in the FY 2011 budget the Family and Probate Court received \$17.1 million, a cut of \$5 million. Adjusted for inflation, this is actually a cut of \$5.6 million, or 25 percent.

Superior Courts: \$5.1 million cut

Superior Courts were funded at \$24.3 million in the FY 2009 GAA. After consolidation, in the FY 2011 budget the Superior Court received \$20 million, a cut of \$4.4 million. Adjusted for inflation, this is actually a cut of \$5.1 million, or 20 percent.

Juvenile Courts: \$3.5 million cut

Juvenile Courts were funded at \$12.2 million in the FY 2009 GAA. After consolidation, in the FY 2011 budget the Juvenile Court received \$9.1 million, a cut of \$3.1 million. Adjusted for inflation, this is actually a cut of \$3.5 million, or 28 percent.

Salaries of justices throughout the court system: \$3.0 million cut

Salaries of justices throughout the court system (including the Trial Court, District Courts, Probate and Family Courts, Land Court, Boston Municipal Court, Housing Court, and Juvenile Court) were funded at \$50.7 million in the FY 2009 GAA. After consolidation, in the FY 2011 budget the salaries for court justices were funded at \$49.1 million, a cut of \$1.5 million. Adjusted for inflation, this is actually a cut of \$3 million, or 6 percent.

Boston Municipal Courts: \$2.1 million cut

Boston Municipal Courts were funded at \$8 million in the FY 2009 GAA. After consolidation, in the FY 2011 budget the Boston Municipal Court received \$6.1 million, a cut of \$1.9 million. Adjusted for inflation, this is actually a cut of \$2.1 million, or 26 percent.

Appeals Court: \$1.4 million cut

The Appeals Court was funded at \$11.6 million in the FY 2009 GAA. In the FY 2011 budget the Appeals Court received \$10.5 million, a cut of \$1.1 million. Adjusted for inflation, this is actually a cut of \$1.4 million, or 12 percent.

Housing Courts: \$985,000 cut

Housing Courts were funded at \$4.5 million in the FY 2009 GAA. After consolidation, in the FY 2011 budget the Housing Court received \$3.6 million, a cut of \$858,000. Adjusted for inflation, this is actually a cut of \$985,000, or 22 percent.

Land Court: \$505,000 cut

The Land Court was funded at \$2.5 million in the FY 2009 GAA. In the FY 2011 budget the Land Court received \$2 million, a cut of \$435,000. Adjusted for inflation, this is actually a cut of \$505,000, or 20 percent.

LAW ENFORCEMENT**Quinn Bill: \$46.6 million cut**

The Quinn Bill, a program that offers salary enhancements to police officers who acquire advanced degrees, was funded at \$50.2 million in the FY 2009 GAA. In the FY 2011 budget, this funding was reduced to \$5 million, a cut of \$45.2 million. Adjusted for inflation, this is actually a cut of \$46.6 million, or 90 percent.

Department of State Police Operations: \$27.4 million cut

The Department of State Police Operations was funded at \$256.8 million in the FY 2009 GAA. After accounting for some shifts in information technology costs, in the FY 2011 budget it is funded at \$236.6 million, a cut of \$20.2 million. Adjusted for inflation, this is actually a cut of \$27.4 million, or 10 percent.

Shannon Grants: \$8.9 million cut

Gang violence prevention grants (Shannon Grants) were funded at \$13 million in the FY 2009 GAA. This funding was reduced to \$4.5 million in the FY 2011 budget, a cut of \$8.5 million. Adjusted for inflation, this is actually a cut of \$8.9 million, or 66 percent.

State Police Crime Laboratory: \$3.6 million cut

The State Police Crime Laboratory was funded at \$16.7 million in the FY 2009 GAA. After accounting for shifts in information technology costs, in the FY 2011 budget it is funded at \$13.6 million, a cut of \$3.1 million. Adjusted for inflation, this is actually a cut of \$3.6 million, or 21 percent.

Office of the Chief Medical Examiner: \$1.2 million

The Office of the Chief Medical Examiner was funded at \$10.0 million in the FY 2009 GAA. After accounting for shifts in information technology costs, in the FY 2011 budget it is funded at \$9.2 million, a cut of \$760,000. Adjusted for inflation, this is actually a cut of \$1.1 million, or 9 percent.

Sex Offender Registry Board: \$1.1 million

The State Police Crime Laboratory was funded at \$4.9 million in the FY 2009 GAA. After accounting for shifts in information technology costs, in the FY 2011 budget it is funded at \$3.9 million, a cut of approximately \$1 million. Adjusted for inflation, this is actually a cut of \$1.1 million, or 22 percent.

PRISONS, PROBATIONS, & PAROLE**Department of Correction Facility Operations: \$43.9 million cut**

The Department of Correction Facility Operations was funded at \$530.5 million in the FY 2009 GAA. After accounting for shifts in information technology costs, in the FY 2011 budget, it received \$501.7 million, a cut of \$28.9 million. Adjusted for inflation, this is actually a cut of \$43.9 million, or 8 percent.

Commissioner of Probation: \$27.0 million cut

The Commissioner of Probation account was funded at \$142.4 million in the FY 2009 GAA. In the FY 2011 budget it is funded at \$119.4 million, a cut of approximately \$23.0 million. Adjusted for inflation, this is actually a cut of \$27.0 million, or 18 percent.

County Sheriffs' Departments: from \$1.5 million to \$11.4 million cut, each

The seven county sheriffs' departments that have been on budget for many years (ie, funded by the state through direct appropriations) underwent inflation adjusted cuts of 15 percent each from the FY 2009 GAA to the FY 2011 budget. The inflation-adjusted dollar amounts of the cuts to these seven county sheriffs' departments range from \$1.5 million to \$11.4 million. Due to the many changes to the structure of funding that the *other* seven county sheriffs' departments underwent as they were brought "on budget" during this period, determining the actual net reduction (or increase) in these accounts is far more challenging. We do not attempt that analysis here.

Altering somewhat the percentages and dollar figures presented above, the FY 2011 budget provides \$6 million to a sheriffs' departments reserve account. The Executive Office of Administration and Finance has responsibility for allocating these additional resources, based on a determination of need, among the fourteen county sheriffs' departments.

Community Corrections: \$6.4 million cut

The two accounts directly related to Community Corrections were funded at \$27.1 million in the FY 2009 GAA. In the FY 2011 budget, these accounts received \$21.5 million, a cut of \$5.6 million. Adjusted for inflation, this is actually a cut of \$6.4 million or 23 percent. Community Corrections administers a continuum of sanctions and services for offenders connected to probation, sheriffs, parole and the Department of Correction. These sanctions include such things as electronic monitoring, community service, drug and alcohol testing, and day reporting.

Parole Board: \$1.3 million cut

The Parole Board was funded at \$19.0 million in the FY 2009 GAA. After accounting for shifts in information technology costs, in the FY 2011 budget it is funded at \$18.2 million, a cut of \$755,000. Adjusted for inflation, this is actually a cut of \$1.3 million, or 7 percent. The Parole Board account provides 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**Attorney General's Office: \$5.5 million cut**

In the FY 2009 GAA, the Attorney General's Office was funded at \$27.4 million. In the FY 2011 budget it was funded at \$22.7 million, a cut of \$4.7 million. Adjusted for inflation, this is actually a cut of \$5.5 million, or 20 percent.

Wage Enforcement Program: \$748,000 cut

The Wage Enforcement Program was funded at \$3.6 million in the FY 2009 GAA. In the FY 2011 budget it is funded at \$2.9 million, a cut of \$645,000. Adjusted for inflation, this is actually a cut of \$748,000, or 20 percent.

District Attorneys' Offices: from \$35,000 to \$1.9 million cut, each

From the FY 2009 GAA to the FY 2011 budget, the twelve District Attorneys' Offices all underwent cuts ranging from 10 to 14 percent (from \$35,000 to \$1.9 million), after adjusting for inflation. The District Attorney's Association was cut by \$982,000 or 47 percent, adjusted for inflation, over the same period.

Victim and Witness Assistance Program: \$70,000

The Division of Inspections was funded at \$292,000 in the FY 2009 GAA. After accounting for shifts in information technology costs, in the FY 2011 budget it is funded at \$230,000, a cut of \$62,000. Adjusted for inflation, this is actually a cut of \$70,000 or 23 percent.

OTHER LAW AND PUBLIC SAFETY**Department of Fire Services Administration: \$5.7 million cut**

The Department of Fire Services Administration was funded at \$19.7 million in the FY 2009 GAA. In the FY 2011 budget it is funded at \$14.5 million, a cut of \$5.2 million. Adjusted for inflation, this is actually a cut of \$5.7 million, or 28 percent.

Division of Inspections: \$1.6 million cut

The Division of Inspections was funded at \$5.3 million in the FY 2009 GAA. After accounting for shifts in information technology costs, in the FY 2011 budget it is funded at \$3.8 million, a cut of \$1.5 million. Adjusted for inflation, this is actually a cut of \$1.6 million, or 30 percent.

Military Division: \$1.6 million cut

The Military Division was funded at \$9.2 million in the FY 2009 GAA. After accounting for shifts in information technology costs, in the FY 2011 budget it is funded at \$7.8 million, a cut of \$1.4 million. Adjusted for inflation, this is actually a cut of \$1.6 million, or 17 percent.

Department of Public Safety: \$1.3 million cut

The Department of Public Safety was funded at \$2.8 million in the FY 2009 GAA. After accounting for shifts in information technology costs, in the FY 2011 budget it is funded at \$1.6 million, a cut of \$1.2 million. Adjusted for inflation, this is actually a cut of \$1.3 million, or 45 percent.

Massachusetts Emergency Management Agency: \$263,000 cut

The Massachusetts Emergency Management Agency was funded at \$1.5 million in the FY 2009 GAA. After accounting for shifts in information technology costs, in the FY 2011 budget it is funded at \$1.2 million, a cut of \$222,000. Adjusted for inflation, this is actually a cut of \$263,000 or 18 percent.

FISCAL FALLOUT: Cuts to Local Aid and Libraries

LOCAL AID

In the FY 2009 General Appropriations Act (GAA), local aid programs (not including Chapter 70 education aid) were funded at \$1.35 billion. Most, although not all, of this funding goes towards unrestricted local aid to cities and towns. The legislature began cutting these programs as the national fiscal crisis hit in the fall of 2008, early in the 2009 fiscal year. Local aid programs are now budgeted to receive a total of \$925.2 million for FY 2011. When adjusted for inflation, this funding level represents a cut of \$459.9 million (33 percent) over the course of the ongoing fiscal crisis.

Unrestricted Government Aid: \$453.4 million cut

In FY 2009, unrestricted government aid to cities and towns was funded at \$1.31 billion. For FY 2011, this allocation was reduced to \$899 million. When adjusted for inflation, this represents a cut of \$453.4 million (34 percent) over the course of the ongoing fiscal crisis.

Reimbursements to Cities in Lieu of Taxes on State Owned Land: \$5.9 million cut

In FY 2009, reimbursements to cities in lieu of taxes on state owned land were funded at \$30.3 million. For FY 2011, this allocation was reduced to \$25.3 million. When adjusted for inflation, this represents a cut of \$5.9 million (19 percent) over the course of the ongoing fiscal crisis.

LIBRARIES

The FY 2009 GAA appropriated \$34.1 million for state library programs including aid to local libraries and funding for the state's regional library systems. The FY 2011 budget provides \$21.1 million. After adjusting for inflation, libraries have been cut by \$14 million, or 40percent, since the FY 2009 GAA.

FISCAL FALLOUT: Adjustments to Budget Numbers

ADJUSTING FOR INFLATION

Where indicated, we have adjusted funding levels to reflect changes in inflation, or the rising price of goods and services over time. This allows for a meaningful comparison of funding levels between years by taking into account changes in the value of a dollar. In most areas of the budget, we use the Consumer Price Index (CPI), a standard inflation measure published regularly by the U.S. Bureau of Labor Statistics.

For Chapter 70 education aid, we use a different inflation index, known as the index for state and local government goods and services. The statutory formula for calculating Chapter 70 aid for school districts specifically uses this inflation measure.

In most instances, we do not directly use 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. Nevertheless, if the health care budget rises 3 percent, but health care cost inflation is actually closer to 5 or 10 percent annually, even that increased health care spending would require significant programmatic cuts.

INFORMATION TECHNOLOGY COST TRANSFERS

In FY 2010, the administration consolidated information technology costs into centralized budget accounts within each Executive Office. Prior to that, information technology costs were spread among the various line items that included an information technology component. In order to compare FY 2011 budget numbers in which information technology had been consolidated with FY 2009 budget numbers in which information technology had not been consolidated, we re-allocated centralized information technology costs in FY 2011 back into the various accounts from which they had come. 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. With this adjustment, the FY 2011 budget numbers can more accurately be compared to the FY 2009 numbers.