

The House Ways & Means Fiscal Year 2011 Budget

OVERVIEW

The House Ways & Means (HWM) budget proposal relies primarily on budget cuts and federal assistance to address a budget gap of approximately \$3 billion. The HWM proposal recommends over \$1 billion in budget cuts and more than \$1.5 billion in temporary revenue from the federal government, primarily stimulus funds from the American Recovery and Reinvestment Act (ARRA). Like the Governor’s proposal, the HWM budget recommends a number of cuts throughout state government. Unlike the Governor’s proposal, the HWM budget also recommends significant cuts to general local aid, local aid for education, and funding for higher education. The HWM proposal also rejects the Governor’s proposals to increase revenue by repealing various tax exemptions and by capping the motion picture tax credit. Finally, the HWM budget – unlike the Governor – does not withdraw money from the Commonwealth’s Stabilization Fund (the “Rainy Day Fund”).

One of the most significant sources of funding to address the state’s budget gap is federal revenue – specifically federal Recovery Act and related funding. To stimulate the national economy and protect state budgets, the federal government included significant fiscal relief for states in ARRA. The Commonwealth relied on close to \$1.8 billion of federal Recovery Act funds to balance the budget in FY 2010, and HWM counts on \$1.4 billion in similar revenue for FY 2011. These are temporary revenues for the Commonwealth, in that they will not be available after FY 2011.

This total includes an estimated \$690.1 million in increased reimbursements for the first half of the fiscal year for the state’s Medicaid program, \$96.1 million in funding for education, and \$25.5 million in increased federal funding for Transitional Assistance for Needy Families (TANF) and for adoption and foster care assistance. The HWM budget – like the Governor’s budget – also assumes that the federal government will extend the increased reimbursements for the Medicaid program providing additional funding for the second half of the fiscal year. The HWM budget counts on an estimated \$607.4 million from this additional fiscal relief. There is currently legislation that has separately passed the House and the Senate that has not yet become law that would make this funding available for FY 2011. If the legislation becomes law, it is possible that Massachusetts might receive close to \$80 million more than this estimated amount.

The HWM budget includes significant cuts across government, described in detail throughout this *Budget Monitor*. These include cuts to local aid and to education, as well as reductions in the

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MassHealth (Medicaid) program, and savings from re-structuring debt payments. It is important to remember that the MassHealth program is partially reimbursed by the federal government. Any cuts or savings in the MassHealth program therefore reduce the federal revenues the Commonwealth will receive. The \$256 million in budgeted MassHealth program savings will net the Commonwealth approximately \$111 million in savings.

Although the HWM budget does not recommend drawing money from the Commonwealth's Stabilization Fund (the "Rainy Day Fund"), HWM does take more than \$50 million from assorted unused trust funds. The HWM budget also, like the Governor's budget, shifts \$300 million in FY 2011 debt payments into future years. Of this \$300 million, \$200 million offsets an expected one-time spike in debt service costs, and the remaining \$100 million is a one-time savings. Finally, the HWM budget counts on \$160 million in federal revenue that the state hopes to receive as repayment for costs that were billed to the state Medicaid program that should have been paid for by the federal Medicare program. The Governor also assumes that these dollars will be forthcoming, but the federal government has not approved these payments as of now.

The House Ways & Means budget rejects the governor's proposed tax law changes, but does counts on \$58 million in new revenues primarily from a few departmental revenue changes and administrative provisions related to tax collection (see the "Revenue" section of this *Budget Monitor*).

HOW TO READ THE TABLES

The tables included at the beginning of each section provide an overview of the funding for each category and how it compares to funding in FY 2010. Here is an explanation of each item presented in these tables.

FY 2010 GAA: The level of funding that was approved in the enacted budget for FY 2010.

FY 2010 Current: This amount includes any subsequent additions or reductions to the approved funding level in the GAA, including supplemental budgets and any cuts that were made by the Governor in October of 2009 through the 9C process. (For more information on 9C cuts, see here: <http://massbudget.org/doc/632>)

FY 2011 House Ways & Means: This is the funding amount proposed by House Ways & Means for FY 2011.

FY 2011 House Ways & Means (Adjusted): In order to allow for accurate comparisons of FY 2011 budget proposals to FY 2010 budget totals, MassBudget “adjusts” budget totals when the FY 2011 proposal recommends departmental reorganizations. These adjustments allow the user to differentiate between changes in funding due to proposed cuts or expansions in funding, rather than due to organizational shifts.

Specifically, in this *Budget Monitor*, the FY 2011 totals reflect the following adjustments (a detailed explanation is provided at the end of this report):

ACCOUNT	ACCOUNT NAME	HWM Adjustment
1108-5200	Group Insurance Premium and Plan Costs	(120,300,000)
8910-0000	County Correctional Programs	27,000,000
	Off-budget adjustment	93,300,000
1599-1970	Mass. Turnpike Authority Contract Assistance	(100,000,000)
1595-6368	Mass. Transportation Trust Fund	100,000,000
2210-0105	Toxics Use Retained Revenue	(1,657,449)
7100-0200	University of Massachusetts	1,657,449
4590-0915	Public Health Hospitals	1,361,651
7004-0102	Homeless Individuals Assistance	(1,361,651)

EDUCATION

FY 2010 GAA	\$6,711,429,032
FY2010 Current	\$6,654,691,798

FY 2011 House Ways & Means	\$6,467,576,528
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FY 2011 House Ways & Means (Adjusted)*	\$6,469,233,977
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Increase (decrease) from FY 2010 GAA	\$(242,195,055)
<i>Percent Change from FY 2010 GAA</i>	<i>-3.6%</i>
Increase (decrease) from FY 2010 Current	\$(185,457,821)
<i>Percent Change from FY 2010 Current</i>	<i>-2.8%</i>

* In cases where House Ways & Means has shifted line items between categories, we have made an adjustment to reflect FY 2010 categories in order to provide an apples-to-apples comparison

The House Ways & Means FY 2011 budget proposal provides \$6.5 billion for education, a 2.8 percent decrease from FY 2010 current amounts, and 4 percent (\$265 million) less than the Governor's FY 2011 proposal. This category includes Chapter 70 aid, Early Education & Care, Elementary & Secondary Education, Higher Education, and School Building Assistance.

CHAPTER 70

The House Ways & Means FY 2011 budget proposal provides \$3.9 billion for Chapter 70 aid to municipal and regional school districts, which is \$116 million, or 3 percent, less than FY2010 current and GAA amounts. This total includes \$75 million in funding from the American Recovery and Reinvestment Act (ARRA), in addition to state funds.

Although the overall cut to the Chapter 70 appropriation is 3 percent, the proposal actually calls for a cut of *up to* 4 percent. This means that the cut impacts districts differently. If the full 4 percent cut would bring districts below their foundation level, the cut would be reduced in order to maintain all districts at the foundation budget amounts, as calculated by House Ways & Means.¹ Thus, some districts would receive a smaller reduction while others would receive the full 4 percent cut, resulting in a net reduction of 3 percent.

In FY 2009 and FY 2010, ARRA funding was used in combination with state funds in order to offset potential cuts to Chapter 70 aid. In FY 2011, however, ARRA funds are significantly reduced, requiring the state to contribute more of its own funds toward Chapter 70 aid. In FY 2010, \$172 million of ARRA funding was used for Chapter 70; in FY 2011, \$75 million would be used, according to the House proposal.

EARLY EDUCATION & CARE

The FY 2011 House Ways & Means budget proposal recommends \$517.6 million in total funding for the Department of Early Education and Care and the services it administers, \$3.3 million below current FY

¹ Like the Governor's FY 2011 proposal, the House Ways & Means proposal does not use foundation budgets that properly account for inflation. The law outlines that Chapter 70 aid should be calculated using the inflation rate for the four quarters ending September 30th in the prior year. In FY 2010, an inflation rate for a different time period was used that was lower than the period outlined in the statute. This resulted in the omission of a high-inflation quarter in FY 2010 from the Chapter 70 calculation, making foundation budgets artificially low. The House Ways & Means and Governor's proposals do not correct for this skipped inflation quarter. For a full discussion of this issue, see the *Budget Monitor* for the Governor's FY 2011 proposal at <http://massbudget.org/doc/720>, and *Budget Brief: Chapter 70 Funding Options for K-12 Education* at <http://massbudget.org/doc/613>.

2010 budget levels and \$19.7 million, or 3.7, percent below the FY 2010 GAA. The House Ways & Means proposal falls \$3.3 million below the FY 2011 Governor's proposal.

The FY 2011 House Ways & Means proposal includes a \$4.8 million decrease in overall funding for child care subsidies when compared to current FY 2010 budget levels, mirroring the Governor's \$4.8 million proposed decrease. The House Ways & Means proposal prioritizes funding for the two child care entitlement accounts in order to address caseload increases and anticipated FY 2010 budget shortfalls while decreasing funding for income eligible child care. More specifically, the House Ways & Means proposal:

- Increases child care funding for children with open abuse and neglect cases at the Department of Children and Families by \$12.4 million, or 16 percent, over current FY 2010 budget levels.
- Increases child care funding for families served by or transitioning from Transitional Aid to Families with Dependent Children (TAFDC) by \$11.1 million, or 10 percent, over current FY 2010 budget levels.
- Reduces child care funding for income-eligible families by \$28.3 million, or 11 percent, below current FY 2010 budget levels. This proposed reduction in income eligible child care will likely continue or even exacerbate long waiting lists for income-eligible families.

The House Ways & Means proposal does not adopt the Governor's recommendation to consolidate these three child care subsidy line items into one line item without earmarks.

Other notable aspects of the House Ways & Means budget proposal include:

- Level funding state grants to Head Start Programs and Universal Pre-Kindergarten grants when compared to current FY 2010 budget levels.
- Reducing funding for Early Childhood Mental Health by \$500,000, or 50 percent, when compared to current FY 2010 budget levels. The House Ways & Means proposals falls \$1 million below the Governor's proposal, which recommends \$1.5 million in funding for this program.
- \$15.4 million in funding for Child Care Quality Supports, an increase of \$1.3 million, or 10 percent, and level funding for Family Support and Engagement at \$5 million when compared to current FY 2010 budget levels. The House Ways & Means proposal does not adopt the Governor's recommendation to broaden the current scope of the Family Support and Engagement line item by shifting coordinated family and community engagement grants from the Child Care Quality Support line item into the Family Support and Engagement line (which the Governor renames Services for Infants and Parents) and expanding eligibility for parent support services to include families with school age children.

ELEMENTARY & SECONDARY EDUCATION

In addition to Chapter 70 funding for cities and towns, the House Ways & Means budget recommends spending \$436.2 million on grant programs for elementary and secondary education. This level is \$11.6 million, or 2.6 percent, below the FY 2010 GAA, but is \$151,000 more than FY 2010 current budgeted amounts.

The House Ways & Means budget recommends creating a new line item, funded with \$1.7 million that would provide funds to supplement federal grants to cities and towns that educate students living on

military bases. The budget does not include Governor Patrick's proposal to provide \$250,000 for a commission to study the Chapter 70 school funding formula.

The Committee recommends increasing funding above FY 2010 current amounts for a few elementary and secondary education programs, including:

- \$2.1 million increase for regional transportation for school districts to \$42.6 million. This funding is also \$2.1 million above the FY 2010 GAA. In October 2009 the Governor made \$18 million in cuts to this program but reversed that cut in January 2010 when state revenues came in higher than expected.
- \$1.9 million for special education reimbursements to cities and towns to \$135 million. This level is the same as the amount the Governor recommended in his budget. It is, however, is \$5.1 million less than the amount appropriated in the FY 2010 GAA. In October 2009 the Governor made \$7 million in 9C cuts to this program.

The Committee recommends reductions below FY2010 current budgeted amounts, including:

- \$850,000 cut for METCO to \$17.6 million.
- \$300,000 cut for state literacy programs to a total of \$3.9 million. The House Ways & Means budget also recommends taking \$800,000 out of the literacy programs account, which was created when several literacy programs were merged together in the FY 2010 GAA, and returning it to a separate account.
- \$500,000 from charter school reimbursements to \$74.1 million. This is \$5.7 million lower than the FY 2010 GAA. In October 2009 the Governor made \$5.2 million in 9C cuts to these reimbursements.
- \$750,000 from extended learning time grants to \$14.9 million. The FY 2010 GAA appropriated \$15.7 million for this program.
- \$134,000 less for targeted intervention for low-performing schools to \$6.7 million. The FY 2010 GAA appropriated \$6.9 million for this program and the Governor made about \$26,000 in 9C cuts.

The Committee recommends funding some elementary and secondary programs at essentially the same level as FY 2010 current amounts, including:

- \$26 million for kindergarten expansion grants.
- \$9.3 million for MCAS support.
- \$2 million for after school and out of school grants.
- \$28 million for Adult Basic Education. The House Ways & Means budget recommends moving slightly more than \$100,000 from this account to the education technology line item.
- \$5.4 million for the school lunch program, which is also the same level as the FY 2010 GAA.
- \$4.1 million for the school breakfast program, which is \$56,417 less than the FY 2010 GAA and what the state expects to spend in FY 2010.

HIGHER EDUCATION

The House Ways & Means FY 2011 budget proposal provides \$944.6 million for higher education, a 12 percent decline from FY 2010 current amounts. Most significantly, funding for state and community colleges and the University of Massachusetts (UMass) is reduced by 14 percent (\$135 million). The amount allocated totals \$834.8 million, which includes \$20.8 million in funding from the American Recovery and Reinvestment Act (ARRA). This reduction is achieved through a 13 percent cut for each of the state colleges and community colleges and a 14.3 percent funding cut for UMass.

Since FY 2009, funding for these institutions had been kept at FY 2009 levels (totaling \$969 million) through the use of ARRA funding. State and community colleges and universities had been supported by \$54 million in ARRA funds (in addition to state appropriations) in FY 2009 and \$230 million in FY 2010. The \$20.8 million indicated in the House Ways & Means proposal is the remaining sum of ARRA funding, meaning that after FY 2011 there will be no further ARRA funding for higher education.

The Governor's FY 2011 budget proposal had included a consolidation of funding for state and community colleges into two line items. The House Ways & Means proposal does not consolidate state and community college line items into two line; rather, funding for each state and community college remains within distinct line items.

SCHOOL BUILDING

The House Ways & Means FY 2011 budget proposal provides \$644.3 million for the School Modernization and Reconstruction Trust (SMART), an increase of \$64.2 million over the FY 2010 current budgeted amounts. Each year the Commonwealth is required to contribute to this trust an amount equal to one penny of the state sales tax. The Governor's FY 2011 proposal had included an extension of the sales tax to candy, soda, and airplanes, making his contribution to the SMART fund 1.6 percent (\$10.6 million) greater than House Ways & Means. Thus, the FY 2011 House Ways & Means increase reflects anticipated increases in sales tax receipts due to economic growth, but not because of policy changes.

The FY 2010 GAA reflected a transfer of \$607.1 million from the General Fund into the School Modernization and Reconstruction Trust. During FY 2010, the \$607.1 million transfer was reduced by \$27 million to \$580.1 million. The GAA also transferred \$150 million that had been in the trust back to the General Fund. In the FY 2010 *Budget Monitor* MassBudget netted this transfer off of the transfer into the fund, showing it as a reduction in SMART funding. Official documents, however, treat this transfer to the general fund as new revenue rather than reduced spending. To be consistent with this treatment, the FY 2010 total in this *Monitor* does not reduce the FY 2010 transfer by \$150 million.

ENVIRONMENT & RECREATION

FY 2010 GAA	\$199,734,240
FY2010 Current	\$202,521,782

FY 2011 House Ways & Means	\$180,379,351
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FY 2011 House Ways & Means (Adjusted)*	\$178,721,902
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Increase (decrease) from FY 2010 GAA	\$ (21,012,338)
<i>Percent Change from FY 2010 GAA</i>	<i>-10.5%</i>
Increase (decrease) from FY 2010 Current	\$(23,799,880)
<i>Percent Change from FY 2010 Current</i>	<i>-11.8%</i>

** In cases where the House Ways & Means has shifted line items between categories, we have made an adjustment to reflect FY 2010 categories in order to provide an apples-to-apples comparison*

The House Ways & Means Committee budget recommends spending \$180,379,351 on state environment and recreation programs. This amount is \$22.1 million, or 11 percent, less than current funding, and \$19.4 million, or 9.7 percent, less than the FY 2010 GAA. However, in FY 2010, the state provided \$11 million in one-time supplemental funds to help communities stricken by a severe storm in December of 2008, creating a spike in the FY 2010 current amount. Therefore, a straight comparison of funding between FY 2010 and FY 2011 would not reflect actual trends. Removing this one-time appropriation the analysis shows that the FY 2011 House Ways & Means proposal is \$11.1 million, or 5.8 percent, less than FY 2010 current budgeted amounts. Also, during FY 2010 the Governor made about \$4.3 million in 9C reductions to these programs, some of which are itemized in this section. Since FY 2001 funding for state environmental and recreation programs has fallen by 36.9 percent, or \$105.6 million, in inflation-adjusted dollars.

The House Ways & Means budget proposal is about \$5 million less than the Governor's FY 2011 budget recommendation. In his budget for environment and recreation programs, Governor Patrick proposed expanding the bottle bill to cover juice, water, coffee and other drinks. He recommended using \$5 million of the \$20 million the state would raise through this expansion to increase funding for state recycling programs and redemption centers. The House Ways & Means budget did not include the Governor's proposal. Instead the budget provided \$405,811, about the same amount the state will spend in FY 2010, to help coordinate the state's recycling program. The House Ways & Means budget also proposes eliminating funding for the redemption centers, which received \$275,000 in the FY 2010 GAA.

AGRICULTURE

The House Ways & Means Committee recommends spending \$16.1 million on agriculture programs in the state which is essentially the same level as FY 2010. The House Ways & Means budget recommends funding the program to support regional food banks at \$11.5 million, which is the same level as both the Governor's recommendation and FY 2010 current budgeted amounts.

ENVIRONMENTAL ADMINISTRATION

The House Ways & Means committee recommends spending \$15.2 million on environmental administration. This is \$2.3 million less than the amount appropriated in the FY 2010 GAA and \$1.3 million less than FY 2010 current budgeted amounts.

The House Ways & Means budget recommends the following reductions in funding for environmental administration programs from FY 2010 current budgeted amounts:

- \$220,000 from the executive office of Executive Office of Energy and Environmental Affairs (EOEEA) to \$5.8 million. This is \$557,000 less than the amount appropriated in the FY 2010 GAA. In October the Governor made \$337,000 in 9C cuts from this program.
- \$377,000 from Environmental Law Enforcement to \$8.8 million. This is almost \$900,000 less than the amount appropriated in the FY 2010 GAA. In October the Governor made \$512,000 in 9C cuts to this program.

The House Ways & Means budget also proposes transferring more than \$550,000 from EOEEA's office of technical assistance to a new Toxic Use Reduction account within the Department of Environmental Protection (DEP) (see discussion below.)

ENVIRONMENTAL PROTECTION

The House Ways & Means Committee budget proposes spending \$60.2 million on environmental protection programs. This is \$5.6 million, or 8.5 percent, less than the FY 2010 GAA and \$2.5 million, or 4 percent, less than FY 2010 current budgeted amounts.

The House Ways & Means budget proposes a number of cuts to FY 2010 current budgeted amounts, including:

- \$275,000 from the state redemption centers which would eliminate this program.
- \$1.9 million from the Department of Environmental Protection (DEP) to \$26 million. The FY 2010GAA appropriated \$29.6 million for DEP, but funding for the department fell to \$27.9 million after the Governor made \$1.7 million in 9C cuts.
- \$1.5 million in cuts from the hazardous waste program, bringing the proposed funding to \$13.9 million.

In addition to cuts, the House Ways & Means Committee budget also proposes consolidating funding for the Toxic Use Reduction Act into a single account within the DEP. The Governor made a similar recommendation in his FY 2011 proposal. As part of the consolidation, \$562,567 is transferred from the EOEEA Office of Technical Assistance, \$1.7 million from the Toxic Use Reduction Institute at UMass Lowell, and \$831,000 from a Toxic Use Reduction Act account within DEP to a new Toxic Use Reduction line item. The House Ways & Means budget level funds activities for this new account at \$3.1 million.

FISH & GAME

The House Ways & Means Committee budget recommends spending \$16.7 million on fish and game programs. This is \$1.1 million less than the amount appropriated in the FY 2010 GAA and is \$722,000 less than FY 2010 current budgeted amount.

The House Ways & Means budget proposes cutting in half funding for purchasing wildlife habitats from \$1 million in the FY 2010 GAA to \$500,000 in FY 2011.

The HMW proposal includes the Governor's FY 2011 recommendation to create a saltwater sport fishing license. The Governor recommends funding the new account at \$50,000 while the House Ways & Means Committee recommends \$102,000.

PARKS & RECREATION

The House Ways & Means Committee recommends spending \$72.2 million on state parks and recreation programs. The House Ways & Means level is \$10.5 million, or 12.7 percent, less than the FY 2010 GAA and is \$6.6 million, or 8.4 percent, less than FY 2010 current budgeted amounts. (This analysis does not include \$11 million in supplemental funding that the state provided to towns stricken by the December 2008 ice storm.) Since FY 2001, the budget for state parks and recreation has fallen by \$57 million in inflation-adjusted dollars or 44.1 percent.

The House Ways & Means Committee recommends a number of cuts to environment and recreation programs from FY 2010 current budgeted amounts, including:

- \$3.6 million from state parks including urban parks and parkways to \$41.3 million. The FY 2010 budget merged funding for all state parks into a single line item and appropriated \$46.6 million in funding. In October the Governor made \$1.7 million in 9C cuts to the parks account.
- \$2.6 million in funding for snow and ice removal as well as for street lighting for state parkways. The House Ways & Means Committee proposes \$3.2 million for this account.
- \$600,000 from the account that funds state beaches, pools, and seasonal employees for all of the state's park and recreational facilities. The FY 2010 GAA appropriated \$13.1 million for this program. In October 2009 the Governor made slightly less than \$100,000 in 9C cuts. The House Ways & Means budget funds this account at \$12.4 million.
- \$214,000 from the watershed management program to \$1 million.

Due to the extensive flooding following 2010 spring rainstorms, the House Ways & Means budget recommends funding for the stormwater management and dam safety programs above the amount appropriated in FY 2010. In its budget proposal, the House Ways & Means Committee recommends:

- \$639,000 for the stormwater management program. While this amount is almost \$38,000 less than the FY 2010 GAA it is \$552,000 greater than the amount the state appropriated in FY 2010 after the Governor made \$590,000 in 9C cuts to this program.
- \$410,000 for the Office of Dam Safety. This level is about \$17,000 less than the FY 2010 GAA but is \$409,000 greater than the amount appropriated in FY 2010 after the Governor made \$426,000 in 9C cuts.

HEALTH CARE

FY 2010 GAA	\$12,658,724,991
FY2010 Current	\$12,772,285,193

FY 2011 House Ways & Means	\$13,837,183,934
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FY 2011 House Ways & Means (Adjusted)*	\$13,718,245,585
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Increase (decrease) from FY 2010 GAA	\$1,059,520,593
<i>Percent Change from FY 2010 GAA</i>	<i>8.4%</i>
Increase (decrease) from FY 2010 Current	\$945,960,391
<i>Percent Change from FY 2010 Current</i>	<i>7.4%</i>

** In cases where House Ways & Means has shifted line items between categories, we have made an adjustment to reflect FY 2010 categories in order to provide an apples-to-apples comparison*

The House Ways & Means budget proposal includes \$13.72 billion for health care. This total includes funding for MassHealth (Medicaid) and health reform, mental health, public health and state employee health benefits. This total is 8 percent above funding in the FY 2010 General Appropriation Act (GAA) and a 7 percent increase over the current health care budget in FY 2010. The increases compared to FY 2010 current budget totals are in the health insurance programs – MassHealth and health reform costs, and in the costs of state employee health benefits – whereas the House Ways & Means budget proposals for public health and mental health services are reductions from FY 2010 totals. There is, however, pending supplemental budget legislation passed by the Legislature and sent to the Governor on April 22 that would add close to \$200 million to the total health care budget in FY 2010, mostly added to MassHealth. With this addition to the FY 2010 total, the FY 2011 House Ways & Means budget represents a 6 percent increase.

MASS HEALTH (MEDICAID) & HEALTH REFORM

The House Ways & Means budget includes \$11.28 billion for MassHealth (Medicaid) and health reform (see table). Funding for MassHealth and health reform encompasses a number of health programs, the largest of which is MassHealth, the state's Medicaid program. The House Ways & Means proposal is 9 percent higher than the FY 2010 current budget. There is, however, pending legislation that would add approximately \$200 million to the FY 2010 MassHealth budget. With this additional funding in FY 2010, the House Ways & Means budget represents a 7 percent increase.

The House Ways & Means budget includes \$9.76 billion for MassHealth programs and \$178 million for administration. Assuming supplemental budget legislation passed by Legislature on April 22 for FY 2010 is signed into law, the House Ways & Means recommendations for MassHealth programs represents a 6 percent increase in costs. The state's Medicaid program provides health insurance to more than 1.2 million low-income or disabled children and adults, and is the single-largest payer of elder long-term care costs. The increases in the House Ways & Means proposed MassHealth budget include an assumed 3 percent increase in MassHealth enrollment during FY 2011. Even though the percentage of people in Massachusetts without health insurance is very low (Massachusetts has highest rate of health insurance coverage in the nation at 97 percent), MassHealth enrollment grows during a recession. When people are out of work and lose their employer-based health insurance, they look to the publicly funded health insurance programs such as MassHealth or Commonwealth Care.

The Commonwealth Care insurance program provides health insurance to approximately 150,000 people with incomes under 300 percent of the federal poverty line who do not have access to employer-sponsored health insurance and who do not qualify for MassHealth. The House Ways & Means budget does not recommend changing program eligibility or increasing premiums, and anticipates that this budget will support an enrollment increase of approximately 20,000 additional people in Commonwealth Care.

In FY 2010, the Commonwealth created the “Commonwealth Care Bridge” program, to provide health insurance to legal immigrants who have resided in the United States for less than five years and who – due to program changes – are no longer eligible for MassHealth. The Governor’s FY 2011 budget had proposed \$75 million for this program, but House Ways & Means recommends only \$60 million. Furthermore, House Ways & Means restricts eligibility for the Commonwealth Bridge program only to the approximately 25,000 people who are already in the program. There may be as many as 13,000 individuals who could be eligible but have been restricted from enrolling.

The FY 2011 MassHealth budget includes the ramping up of the Children’s Behavioral Health Initiative, which is funding for children’s mental health services as mandated by what is known as the *Rosie D.* settlement. The House Ways & Means budget proposes \$21.1 million more than the total in FY 2010, but this recommendation is \$20 million less than proposed by the Governor. The Children’s Behavioral Health Initiative provides universal mental health screenings for children and adolescents, and then provides services for persons identified with “serious emotional disturbance.” In FY 2010, as this program was just getting started, funding totaled \$65.7 million. For FY 2011, the program will move towards full implementation, and the House Ways & Means budget recommends \$86.7 million.

It is also important to keep in mind that the MassHealth program in particular – and other health care programs that are eligible for Medicaid reimbursement – have significant impacts on revenues supporting the Commonwealth’s budget. The Commonwealth receives reimbursement from the federal government for a portion of spending on Medicaid, typically 50 percent. Because of the American Recovery and Reinvestment Act (ARRA, the Recovery Act), for the first half of FY 2011, Massachusetts will receive an enhanced federal Medicaid reimbursement rate. Accordingly, for every dollar spent on Medicaid services during the first half of FY 2011, the Commonwealth will receive on average 62 cents in federal revenues. It is likely that Congress will approve legislation to continue this enhanced reimbursement rate through the remainder of FY 2011. It is important to understand, therefore, that if the Commonwealth cuts \$100 from a MassHealth program, the state treasury only “nets” \$38 in actual savings from that \$100 worth of programmatic cuts.

Other highlights in the House Ways & Means budget proposal include:

- Authorization to restrict dental care for adults in the MassHealth and Commonwealth Care programs. Unlike in the Governor’s budget proposal, which restricted adult dental services to preventative care, the House Ways & Means budget does not specify the nature of the restrictions. The Governor’s proposal indicated that restorative dental care could be available at community health centers through the Commonwealth’s “health safety net,” but the House Ways & Means budget proposal is not explicit about this.
- Adopting the Governor’s MassHealth savings initiatives. Although the details are not currently available, the House Ways & Means budget proposal indicates that the MassHealth totals include \$174 million gross in reduced provider rates. This reduction should save anywhere from \$77 million to \$66 million, depending upon the reimbursement rate from federal revenues.

House Ways & Means also counts on \$58 million gross in programmatic changes (including the restructuring of adult dental services). With the \$23 million saved from other program “integrity enhancements” the Commonwealth could save anywhere from \$9 million to \$11 million. Among the changes the Governor had proposed, and presumably House Ways & Means recommends, are increasing the amounts retrieved from private health insurance and changes in billing practice.

- Transferring \$797 million into the Commonwealth Care Trust Fund, which along with existing funds remaining in that Trust, and the designated \$105 million in revenue from a cigarette excise tax, fund the Commonwealth Care program and the state’s Health Care Safety Net.
- \$31.5 million in funding for the Prescription Advantage program, a \$2.8 million cut from FY 2010 budget totals. This is essentially the same funding level recommended by the Governor. There is language in the House Ways & Means budget proposal stating that spending for Prescription Advantage would be reduced by prescription drug savings accruing to beneficiaries due to national health reform.

MassHealth (Medicaid) and Health Reform					
<i>(in Millions of Dollars)</i>					
	FY 2010 GAA	FY 2010 Current	FY 2010 adjusted*	FY 2011 Governor	FY 2011 HWM
MassHealth (Medicaid)					
MassHealth	8,923	8,990	9,190	9,788	9,755
MassHealth administration	184	178	178	183	178
Sub-Total	9,107	9,168	9,368	9,971	9,933
Health Reform and Health Safety Net					
Pharmacy Program	40	34	34	32	32
Health Care Finance & Other Initiatives	20	20	20	19	18
<i>Commonwealth Care Trust</i>	592	632	632	797	797
<i>Commonwealth Care Trust (pre-budget)</i>	105	105	105	120	105
<i>Medical Assistance Trust</i>	399	399	399	393	393
<i>Medical Security Trust</i>	0	30	30	0	0
Sub-Total	1,156	1,220	1,220	1,360	1,344
Total	10,263	10,388	10,588	11,331	11,277

* This total includes appropriations in a supplemental budget passed by the Legislature and sent to the Governor on April 22.

MENTAL HEALTH

Mental health services in the House Ways & Means budget proposal receive \$621.6 million. This is \$22.5 million less than in the FY 2010 GAA, and \$12.5 million less than in the FY 2010 current budget. Over the course of FY 2010, \$10.3 million has been cut from mental health services, and the FY 2011 House Ways & Means budget does not restore these cuts. The House Ways & Means budget total reflects the continuation of a philosophical shift: less funding for facility-based care, and more funding for community services. Specifically:

- Adult mental health services receive a total of \$388.2 million. This total is \$22.2 million more than in the FY 2010 current budget, a 6 percent increase.

- Children’s mental health services are funded at the same level as in FY 2010 (not adjusting for inflation), receiving \$72.2 million in the House Ways & Means proposal.
- Mental health facilities receive \$134 million, \$33.2 million less in the House Ways & Means proposal when compared to the FY 2010 current budget. This is a 20 percent cut. Furthermore, the House Ways & Means budget directs the Department of Mental Health to close psychiatric facilities and move residents into the community, but only if the residents can be guaranteed an equal or better level of care. The Governor’s budget did not include this language.

It is important to note that a significant portion of the Commonwealth’s mental health services for children are funded through the MassHealth program in what is known as the Children’s Behavioral Health Initiative (often referred to as the *Rosie D.* program.) This relatively new program mandates universal pediatric screening for mental health disorders and treatment for children with “serious emotional disturbance,” and will continue to expand towards full implementation in FY 2011. Funding for this program is included in the “MassHealth (Medicaid) and Health Reform” section of this *Budget Monitor*.

PUBLIC HEALTH

Public health services in the House Ways & Means budget proposal receive \$492.8 million, a \$13.2 million reduction from the FY 2010 GAA, and \$12.1 million less than the FY 2010 current budget total. (During FY 2010, \$4.6 million had been cut mid-year from public health funding.) The House Ways & Means budget proposal includes \$155.3 million for hospital-based public health services, and \$337.5 million for community and other services. The House Ways & Means budget proposal is essentially at the same level as the Governor’s budget proposal, with the House Ways & Means recommending slightly more funding for hospital-based public health services. Because the FY 2011 budgets propose shifting a homelessness assistance program from the Lemuel Shattuck public health hospital into a homelessness services program within the Department of Housing and Community Development, to allow for better year-to-year comparisons, this *Budget Monitor* adjusts the public health totals by adding the \$1.4 million for this program back into the public health hospital account.

Highlights of the House Ways & Means public health budget include:

- \$36.3 million for AIDS/HIV prevention and treatment. This is approximately \$500,000 less than in the FY 2010 current budget.
- \$25.4 million for early intervention. This is 8 percent less than in the FY 2010 current budget.
- \$4.7 million for family health services, level funding with FY 2010.
- \$52.1 million for immunizations, a \$2.8 million reduction from FY 2010 budget totals.
- \$11.7 million for school health services. This total does not restore cuts that had been made mid-year in FY 2010.
- \$8.1 million for sexual assault and domestic violence prevention services, a 4 percent reduction from the FY 2010 current budget. Although not included in this total, there is also \$21.1 million in the House Ways & Means budget for support services for people at risk of domestic violence within the Department of Children and Families.
- \$84.2 million for substance abuse services, level funding with FY 2010.
- \$4.5 million for smoking prevention, also level with FY 2010.

- \$2.4 million for teen pregnancy prevention, a 9 percent reduction from FY 2010 current totals.
- \$1.5 million for youth violence prevention. The House Ways & Means budget does not include funding for the “Youth-at-Risk” grants that had received an additional \$1.5 million in FY 2010, so the House Ways & Means recommendation is approximately half of the total for youth violence prevention programming in FY 2010.

The House Ways & Means budget does not follow the Governor’s recommendations for significant reorganizations within public health, so it is difficult to make direct comparisons between the House Ways & Means budget proposal and the Governor’s budget proposal. Adjusting for the Governor’s proposed consolidations, the most significant differences between the House Ways & Means budget recommendations and the Governor’s recommendations are that House Ways & Means proposes 4 percent more than the Governor for addiction control services, 2 percent less for health promotion, violence prevention and workforce expansion, and 6 percent less for health care safety and quality programs.

The House Ways & Means budget creates a new fund – the Substance Abuse Prevention and Treatment Fund – by dedicating existing sales tax revenues from the sale of alcoholic beverages. This fund would then be the source of funding for substance abuse programming. The House Ways & Means budget does not, however, follow the Governor’s recommendation to eliminate the sales tax exemptions on cigars or smokeless tobacco, or on sales of sodas and candy.

STATE EMPLOYEE HEALTH INSURANCE

The House Ways & Means budget proposal (like the Governor’s proposal) reorganizes the budget for certain employee health insurance costs, so it is not possible to make accurate year-to-year comparisons of state employee health insurance costs without making several adjustments. After making these adjustments (see discussion below), the House Ways & Means budget proposes \$1.33 billion for state employee health insurance. This total includes funding for the Group Insurance Commission (GIC), as well as additional state funding for employee health benefits. The total also includes funding transferred from the General Fund to a special State Retiree Benefits Trust designated to fund health care costs for retirees. The FY 2011 House Ways & Means budget proposal also incorporates costs that had in prior years been paid for elsewhere. For example, the House Ways & Means budget transfers to the GIC \$27 million from the county sheriffs’ offices to pay for the health insurance costs of their staff. In FY 2010, these costs had been incorporated into the county sheriff appropriations. Similarly, the House Ways & Means budget transfers \$85.7 million from the MBTA to cover the costs of health insurance for MBTA employees, and \$7.6 million from the Massachusetts Turnpike Authority to cover the costs of health insurance for their employees – costs which in prior years had not been included in budgeted appropriations at all, as they were directly covered by these transportation authorities. In order to allow for accurate year-to-year comparisons, the House Ways & Means (Adjusted) totals in this *Budget Monitor* subtract these FY 2011 health care costs from the state employee health insurance totals (see Appendix A, “What are the ‘adjustments’ made to the House Ways & Means budget proposals?” at the end of this *Monitor*.)

The total state employee health insurance costs are a function of the number of anticipated employees, and expected health care cost growth. The House Ways & Means budget does not propose any changes in the structure of state employee contributions to health insurance premiums.

It is also important to note that this state employee health insurance total also adjusts for the fact that more municipalities are opting to participate in the state's Group Insurance Commission health care plans. These increased costs in the Group Insurance Commission do not actually increase the state's health insurance costs, because they are reimbursed by the participating municipalities. The FY 2010 budget includes approximately \$203.5 million in fully-reimbursed municipal health care costs, and the FY 2011 budget includes approximately \$233.9 million in reimbursed municipal health care costs. In order to avoid an artificial distortion in the budget for state employee health insurance due to the increasing number of municipalities participating in the state's Group Insurance program, the totals in this *Budget Monitor* remove the full amount of these municipal health care costs.

After all of these adjustments, the House Ways & Means state employee health insurance totals are 7 percent above the current FY 2010 total. This is essentially the same as the Governor's proposed total.

HUMAN SERVICES

FY 2010 GAA	\$3,361,492,631
FY2010 Current	\$3,331,368,995

FY 2011 House Ways & Means	\$3,320,165,967
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FY 2011 House Ways & Means (Adjusted)*	\$3,320,165,967
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Increase (decrease) from FY 2010 GAA	\$(41,326,663)
<i>Percent Change from FY 2010 GAA</i>	<i>-1.2%</i>
Increase (decrease) from FY 2010 Current	\$(11,203,027)
<i>Percent Change from FY 2010 Current</i>	<i>-0.3%</i>

* In cases where House Ways & Means has shifted line items between categories, we have made an adjustment to reflect FY 2010 categories in order to provide an apples-to-apples comparison

The FY 2011 House Ways & Means budget proposal provides \$3.3 billion in funding for human services. The House Ways & Means budget proposal falls \$41.3 million below FY 2010 GAA funding levels and \$26.9 million below the Governor's FY 2011 budget recommendation.

The FY 2011 House Ways & Means budget recommends cuts to the Department of Children and Families and the Department of Youth Services and provides slight increases for the Department of Transitional Assistance.

In this analysis "human services" include services for children and families, transitional assistance for low-income families, services to the adults with developmental disabilities, and other human services detailed below. For information about mental health services, please see the health care portion of this *Budget Monitor*.

CHILDREN & FAMILIES (FORMERLY DEPARTMENT OF SOCIAL SERVICES)

The FY 2011 House Ways & Means budget provides \$743.2 million in funding for the Department of Children and Families (DCF) and the child and family services it administers. This recommendation maintains \$9.6 million in FY 2010 9C reductions and cuts an additional \$22.9 million, for a total reduction of \$32.5 million from current FY 2010 budget levels. The House Ways & Means proposal falls \$40.6 million, or 5 percent, below FY 2010 GAA funding levels and \$16.8 million below the FY 2011 Governor's budget proposal.

Some specific aspects of the House Ways & Means recommendations include:

- A \$20.2 million, or 9 percent, reduction in funding for Group Care Services for children in the state's custody when compared to current FY 2010 budget levels.
- A \$3 million, or 4 percent, reduction to the DCF administration line item when compared to current FY 2010 budget levels.
- Elimination of the DCF Regional Administration line item, which currently receives \$7 million in the FY 2010 budget. The House Ways & Means budget does not transfer this funding to another administration line.
- \$44.1 million in funding for family support and stabilization services through a new dedicated line item. This level of funding represents the amount currently allocated by DCF for such

services. In FY 2010, the funding for family support and stabilization was included in the Services for Children and Families line item.

House Ways & Means does not adopt the Governor's recommendations to consolidate the following:

- Group care for children in the state's custody, juvenile offender placement and sexual abuse intervention network, into the broader Services for Children and Families line item.
- Social worker case management, DCF regional administration and foster care review into the central DCF administration line item.

DEVELOPMENTAL SERVICES (FORMERLY THE DEPARTMENT OF MENTAL RETARDATION)

The FY 2011 House Ways and Mean budget proposal recommends \$1.26 billion in funding for the Department of Developmental Services (DDS), \$4.5 million above current FY 2010 budget levels but below funding needed to maintain current services. Further, the House Ways & Means proposal for DDS falls \$11.3 million below the Governor's FY 2011 budget recommendation.

Some specific aspects of the House Ways & Means recommendations include:

- Level funding for community transportation services and transitional services for adults (turning 22) when compared to current FY 2010 budget levels.
- Consolidation of community and state sponsored residential supports into one line item, which aligns with the Governor's FY 2011 recommendation. The House Ways & Means budget proposal provides a \$24.4 million increase over current FY 2010 budget levels. This increase, however, is not sufficient to maintain current levels of service; the House Ways & Means proposal falls \$11 million below the Governor's FY 2011 proposal for the same services.
- \$149.9 million for state institutional care, representing an \$11.6 million, or 7 percent, reduction in funding when compared to current FY 2010 budget levels. The House Ways & Means recommendation falls only slightly below the Governor's recommendation of \$150.2 million.
- Level funding for transitional services for adults (turning 22) when compared to both the current FY 2010 budget and FY 2010 GAA. The House Ways & Means FY 2011 recommendation falls \$3.7 million or 43 percent below FY 2001 GAA funding levels, when adjusted for inflation.

House Ways & Means does not adopt the Governor's recommendation to consolidate line items for community day and work programs for adults, transportation services, and respite and intensive family supports into one "Community Programs for the Intellectually Disabled" line item.

ELDER SERVICES

The House Ways and Means (HWM) budget proposal includes \$219.5 million for elder services. This total is \$1.6 million less than in the FY 2010 GAA, and is essentially level-funding compared to FY 2010 current budget totals. (For funding for the Prescription Advantage program, funding for nursing homes, and funding for MassHealth Senior Care, see the "MassHealth (Medicaid) and Health Reform" section of this *Budget Monitor*.) It is important to remember that by level-funding elder services, HWM is not restoring funding that had been cut last fall or during FY 2009 by the mid-year 9C reductions.

- The elder home care program, which provides community-based long term care services allowing elders to remain in the community and helps keep them from moving into nursing homes, receives a total of \$136.3 million in the HWM budget. The enhanced home care program for more frail elders receives \$45.8 million. Both of these proposals are level with the Governor's funding recommendations and with the FY 2010 current budget totals. There are currently close to 2,500 elders waiting for home care services, and with these funding levels it is possible that there will be waiting lists for the enhanced home care program in FY 2011 as well.
- The protective services program, which provides services for elders at risk of neglect or abuse, receives \$15.3 million in the HWM budget. In the FY 2010 GAA, protective services were funded at \$16.3 million, but there were 9C cuts of \$1 million during the fall. Both the Governor's and HWM FY 2011 budget proposals continue this reduced funding, which will require reductions in service for these vulnerable elders.
- Elder housing programs, including funding for homeless elders, receive \$1.6 million in the HWM budget proposal. This also is level funding compared to FY 2010 current budget levels.

TRANSITIONAL ASSISTANCE

The FY 2011 House Ways and Means budget proposal recommends \$776.7 million in funding for the Department of Transitional Assistance (DTA) and the programs it administers. This proposal represents a \$17.4 million, or 2 percent, increase over current FY 2010 budget levels. The House Ways & Means proposal is \$3.3 million above the Governor's FY 2011 recommendation.

Some specific aspects of the House Ways & Means recommendations include:

- \$319.2 million for TAFDC (Transitional Aid to Families with Dependent Children) grant payments, \$12.2 million, or 4 percent, above current FY 2010 budget levels.
- \$23 million for the Employment Services Program (ESP), \$1.1 million above current FY 2010 budget levels. The House Ways & Means proposal recommends \$10 million more in funding than the Governor's proposal.
- \$84.7 million for Emergency Aid to Elders, the Disabled, and Children (EAEDC), \$1.2 million above current FY 2010 budget levels. The House Ways & Means recommendation falls \$4.2 million below the Governor's proposal.
- Eliminates the Supplemental Nutritional Program, which currently receives \$800,000 in the FY 2010 budget.

House Ways & Means did not adopt the Governor's recommendation to consolidate line items for Food Stamp Participation Rates, Domestic Violence Specialists, and Casework Salaries and Benefits into the central DTA administration line item.

OTHER HUMAN SERVICES

"Other Human Services" includes numerous departments and services, such as the Department of Youth Services, 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 funding changes proposed in the Governor's budget include:

- \$143.3 million in total funding for the Department of Youth Services and the programs it administers. This is \$8.8 million, or 6 percent, below the FY 2010 GAA. The House Ways & Means proposal is only slightly below the Governor's recommendation of \$143.7 million.
- \$18.9 million in funding for the Soldier's Home in Holyoke, \$1 million below current FY 2010 budget levels. The House Ways & Means recommendation falls \$505,125 below the Governor's proposal.

House Ways & Means does not adopt the Governor's recommendations to consolidate the following:

- Annuities to Qualified Disabled Veterans and Gold Star Parents and Spouses into the Veterans' Benefits line item.
- Community Services for the Blind, transition into adult services, and Vocation Rehabilitation for the Blind into the Massachusetts Commission for the Blind Administration line item.
- Line items pertaining to veterans shelters and veterans outreach centers into a dedicated line item.
- Employment assistance for the disabled, independent living for the multi-disabled, transition into adult services, and home care services for the disabled into the Massachusetts Rehabilitation Commission administration line item.

INFRASTRUCTURE, HOUSING & ECONOMIC DEVELOPMENT

FY 2010 GAA	\$1,625,366,862
FY2010 Current	\$1,658,475,716

FY 2011 House Ways & Means \$1,542,886,075

FY 2011 House Ways & Means (Adjusted)* \$1,641,524,424

Increase (decrease) from FY 2010 GAA	\$16,157,561
<i>Percent Change from FY 2010 GAA</i>	<i>1.0%</i>
Increase (decrease) from FY 2010 Current	\$(16,951,293)
<i>Percent Change from FY 2010 Current</i>	<i>-1.0%</i>

** In cases where House Ways & Means has shifted line items between categories, we have made an adjustment to reflect FY 2010 categories in order to provide an apples-to-apples comparison*

The House Ways & Means FY 2011 budget proposal provides \$1.64 billion for infrastructure, housing, and economic development programs and services. This is a 1 percent decrease from FY 2010 current amounts, but is 1.4 percent, or \$22 million, greater than the Governor’s FY 2011 proposal.

ECONOMIC DEVELOPMENT

The House Ways & Means budget provides \$21.2 million for economic development programs, a \$17.6 million, or 46 percent, reduction from the FY 2010 current budgeted amounts. The Massachusetts Life Sciences Investment Fund, which is funded through budget surpluses, could receive \$10 million in the course of FY11; however, because it is not an appropriation and is contingent on surpluses, there is no funding currently allocated for this fund for FY 2011.

The single largest cut occurs with the Massachusetts Office of Travel and Tourism totaling \$4.2 million, a 70 percent reduction compared to the FY 2010 current amounts. The House Ways & Means budget proposal also level funds certain programs at current budgeted amounts, which maintain the Governor’s 9C cuts. These programs are thus funded at less than 50 percent of the FY 2010 GAA amount:

- Financial assistance for Local Tourist Councils is reduced by \$2.3 million, or 50 percent.
- Funding for the Massachusetts Sports and Entertainment Commission is reduced by \$650,000, or 52 percent.
- Funding for the Massachusetts International Trade Council is reduced by \$125,000, or 50 percent.

Other noteworthy elements of the House Ways & Means economic development include:

- Level funding (\$750,000) for Individual Training Grants, as compared to FY 2010 current amounts and GAA. The Governor’s budget proposal had reduced funding for these grants to \$350,000, or by 53 percent.
- A 19 percent, or \$40,000, increase in funding for the Biotech Research Institute.
- Restored funding for the Massachusetts Manufacturing Extension Partnership, back to FY 2010 GAA levels (\$450,000). The Governor’s budget proposal had maintained the \$125,000 cut to this program.

- Eliminating state subsidies for Regional Economic Development Grants, a competitive grant program that supports the state's eight regional economic development corporations, councils and partnerships. The amount appropriated for these grants in the FY 2010 GAA was \$800,000, which had been already reduced to \$0 through the Governor's 9C cuts in October.
- Merging the State Office of Minority and Women Business Assistance into a new line item for the Supplier Diversity Office, with funding reduced by almost \$8,000.

HOUSING & COMMUNITY DEVELOPMENT

The House Ways & Means Committee budget recommends spending \$277,938,984 on housing programs which is \$ 29.5 million, or 11.9 percent, more than the amount appropriated in the FY 2010 GAA but is \$19.3 million, or 6.5 percent, less than what the state expects to spend in FY 2010. There is a supplemental appropriation passed by the Legislature and sent to the Governor on April 22 that would provide \$18.2 million in additional assistance for homeless families (see discussion on Emergency Assistance below). If the Legislature approves this appropriation, the House Ways & Means budget proposal for housing programs could be as much as \$40 million less than the total appropriation for housing programs in FY 2010.

The largest change in housing funding is due to the economic crisis and the growing need among low-income homeless families for shelter and services.² The FY 2010 budget moved homelessness assistance programs from the Department of Transitional Assistance (DTA) to the Department of Housing and Community Development (DHCD) to provide homeless families and individuals with better access to affordable housing and to reduce the need for shelters and services. The House Ways & Means budget recommendations for homelessness assistance programs include:

- \$4 million for a new Housing Stabilization Initiative for homeless families. This new program, which provides housing vouchers to help families move out of shelters and hotels/motels into more permanent housing, is expected to reduce reliance on the Emergency Assistance program (see below).
- \$112.9 million for the Emergency Assistance (EA) Program which provides shelter and services to homeless families. This is \$20.1 million less than has been appropriated so far this year and \$39 million below the amount likely to be spent by the end of FY 2010. While the FY 2010 GAA appropriated only \$91.6 million for this program, the deterioration of the economy led to increased homelessness and more families needing to access shelters. To pay for the added costs of serving these families, the Legislature appropriated \$41.9 million in December and now there is a supplemental budget passed by the Legislature and sent to the Governor on April 22 that will add another \$18.2 million to meet current costs. In FY 2010, as demand for services to homeless families increased, the state lowered eligibility for EA services from 130 percent of poverty to 115 percent in order to reduce costs. The House Ways & Means budget keeps this lower eligibility requirement. Its proposal also requires that the administration give the Legislature 60 days notice of any changes to regulations or eligibility requirements or if the amount appropriated by the Legislature is insufficient to meet the programs needs. The budget also requires that DHCD continue to keep track of the services it provides to homeless families under the program and to keep track of the effectiveness of those services in helping homeless families move to more permanent housing.

² DHCD information on homeless individual and homeless family caseloads is available here: <http://www.mass.gov/Ehed/docs/dhcd/hs/homelessnumberchart.pdf>

- \$5.2 million for caseworkers who provide assistance to homeless families and individuals. This level is \$400,000 more than the FY 2010 GAA but is \$60,000 less than the Governor's recommendation for FY 2011.
- \$37.6 million for assistance to homeless individuals. This is level funding because the House Ways & Means budget recommends transferring \$1.4 million in health care services provided to the homeless from the public hospitals account to the account for homelessness individuals. The Governor's budget includes the same transfer, but it recommends moving \$1 million.
- \$1.2 million for the Home and Healthy for Good program; this funding is the same level as the FY 2010 GAA.

The House Ways & Means budget recommends level funding most of the state's affordable housing programs including: \$62.5 million for subsidies to public housing authorities. This is the same level as the FY 2010 GAA and is also the amount the Governor recommended in his FY 2011 budget.

- \$35.4 million for Massachusetts Rental Voucher Program (MRVP). While this level is \$5.4 million more than the FY 2010 GAA it is the same amount the state expects to spend in FY 2010. In his mid-year 9C cuts the Governor transferred \$2.9 million from Residential Assistance to Families in Transition program (RAFT) to MRVP (see below for a discussion of RAFT). In addition an outside section of the FY 2010 budget required that MassHousing provide \$2.5 million to support the vouchers.
- \$3.5 million for the Alternative Rental Voucher program and \$4 million for vouchers provided to clients of the Department of Mental Health. These levels are the same as the FY 2010 GAA and the Governor's FY 2011 budget proposal.
- \$1.5 million for housing counseling, the same level as what the state expects to spend in FY 2010 as well as the Governor's FY 2011 budget proposal. The amount is \$100,000 less than the FY 2010 because of a 9C cut made in October of 2009.

Residential Assurances to Families in Transition (RAFT), which provides one-time vouchers to families who have become homeless or are at risk of becoming homeless was essentially eliminated in FY 2010. The House Ways & Means proposal recommends providing \$260,000 to RAFT which received \$2.8 million in the FY 2010 GAA. When he made his 9C cuts in October 2009, the Governor moved \$2.9 million in funding from RAFT to MRVP (see above) leaving \$160,000 in the RAFT account for FY 2010. The state is using the Homelessness Prevention and Rapid Rehousing funding, included in the federal American Recovery and Reinvestment Act for FY 2010 and a portion of FY 2011, to provide short-term assistance to homeless families and to families at risk of becoming homeless. Once the federal assistance is spent by February 2011, the state will have to reassess funding for RAFT.

TRANSPORTATION

The House Ways & Means FY 2011 budget proposes \$1.24 billion for transportation funding, representing a 1.5 percent increase from FY 2010 current amounts. This includes \$200 million for the newly formed Massachusetts Transportation Trust Fund (MTTF), \$160 million for the Massachusetts Bay Transportation Authority (MBTA), \$15 million for Regional Transit Authorities (RTA), and \$767.1 million in tax revenues set aside for the MBTA.

The 1.5 percent increase is due to an increase in funding for transportation programs and services, which were funded by individual line items in FY 2010 but are consolidated under the new

Massachusetts Department of Transportation (MassDOT) in FY 2011. In the FY 2010 GAA, state transportation funding consisted of \$275 million from the Commonwealth Transportation Fund, in addition to \$194.7 million in individual line items for various transportation agencies and programs. These line items were cut by \$13.6 million, or 6 percent, through the Governor's 9C reductions. The current funding amount for these line item appropriations is now at \$182 million. In the House Ways and Means proposal for FY 2011, funding for these transportation line items is increased to \$200 million (the amount allocated for the MTTF). The MTTF funds would be administered through MassDOT, which would then distribute funding to the various programs and agencies. It is important to note, however, that \$17.2 million of this increase will be for fringe and other indirect costs that the transportation department had previously not been responsible for, but will be assessed on MassDOT. Thus, the remaining amount for former transportation line items (\$182 million) is level with FY 2010 current amounts and would essentially maintain the Governor's 9C reductions.

As previously mentioned, the Commonwealth Transportation Fund totaled \$275 million in FY 2010. In the FY 2011 House Ways & Means proposal, \$160 million and \$15 million of this amount would be allocated to the MBTA and RTAs respectively. The remaining \$100 million of the Commonwealth Transportation Fund was contract assistance payments to the Massachusetts Turnpike Authority in FY 2010. The House Ways & Means proposal shifts this \$100 million to a different line item administered by the Department of Administration and Finance. However, this *Budget Monitor* counts the \$100 million for the Turnpike Authority within the overall funding for transportation. This is reflected as an adjustment to the MTTF and is incorporated in the House Ways & Means FY 2011 Budget Adjusted number for this section.

WORKFORCE & LABOR

The House Ways & Means FY 2011 budget proposal provides \$50.3 million for workforce and labor programs, a 4 percent increase from FY 2010 current amounts and almost 26 percent increase from FY 2010 GAA. It is also almost 30 percent, or \$11.2 million, greater than the Governor's proposal.

The most significant changes occur with the Workforce Training Fund and the One-Stop Career Centers. The Workforce Training Program is level funded compared to the FY 2010 current amount, at \$21 million. This fund had been allocated \$10 million through the FY 2010 GAA, but had also received supplemental funds in the middle of the year that increased the funding level to \$21 million. This supplemental increase has occurred every year and has been used to fund ongoing obligations, such as multi-year contracts that are approved in one year but are paid out over two or three years. This fund is also set to expire at the end of calendar year 2010.

One-Stop Career Centers had been funded at nearly \$5 million in the FY 2010 GAA but had been reduced to \$3 million after the Governor's 9C cuts. The Governor's FY 2011 budget proposal had maintained these cuts. The House Ways & Means proposal restores funding back to the FY 2010 GAA amount, at \$5 million, which is a 67 percent increase over current budgeted amounts.

Funding reductions for the Apprentice Training Program through the 9C cuts are maintained in the House Ways & Means budget. This program is provided \$291,034, which is a decrease of 23 percent from the FY 2010 GAA but level with FY 2010 current budgeted amounts.

LAW & PUBLIC SAFETY

FY 2010 GAA	\$2,141,956,951
FY2010 Current	\$2,376,515,080

FY 2011 House Ways & Means	\$2,253,785,472
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FY 2011 House Ways & Means (Adjusted)*	\$2,280,785,472
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Increase (decrease) from FY 2010 GAA	\$138,828,521
<i>Percent Change from FY 2010 GAA</i>	6.5%
Increase (decrease) from FY 2010 Current	\$(95,729,608)
<i>Percent Change from FY 2010 Current</i>	-4.0%

* In cases where House Ways & Means has shifted line items between categories, we have made an adjustment to reflect FY 2010 categories in order to provide an apples-to-apples comparison

The House Ways & Means FY 2011 budget provides \$2.28 billion in funding for law and public safety. This total is \$95.7 million (or 4.0 percent) less than the current FY 2010 budget levels for law and public safety programs.

The most notable elements of House Ways & Means FY 2011 with regards to Law and Public Safety include:

- Continued changes (from those begun in FY 2010) related to reorganizing state funding for seven of the Commonwealth's fourteen county sheriff's departments
- A modest reduction in funding for the Department of State Police Operations

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

COURTS & LEGAL ASSISTANCE

In total, the HWM budget recommends \$608.6 million in funding for Courts and Legal Assistance, representing a reduction of \$1.8 million, or 0.3 percent, from current FY 2010 budget levels (\$610.4 million). It is possible, however, that FY 2010 funding for Courts and Legal Assistance will be \$20.1 million higher (\$630.5 million) than it is at present if proposed supplemental funding for "Private Counsel Compensation for Criminal and Civil Cases" is approved later in the year. The Governor has recommended a total of \$600.0 million for Courts and Legal Assistance programs.

Unlike the Governor's FY 2011 budget - which proposes consolidating the trial courts' funding into a single line item - the House Ways & Means budget retains the current structure, funding each trial court independently. House Ways & Means also eliminates authorization for the trial courts to retain \$53 million in revenues from the fees they collect. In FY 2010, the chief justice for administration and management was given discretion to expend these revenues directly for operations throughout the trial court system. House Ways & Means eliminates this discretionary ability, instead directly appropriating \$39.1 million in additional funding to specific trial court line items in FY 2011.

LAW ENFORCEMENT

House Ways & Means FY2011 provides \$4 million less than current FY 2010 appropriations for Law Enforcement, a reduction of 1.2 percent. The House Ways & Means figure is \$11.8 million below the amount proposed by the Governor.

The largest decrease is in the account for Department of State Police Operations (line item 8100-0000), which House Ways & Means reduces by \$7.8 million, or 3.3 percent, relative to current FY 2010 appropriations, where the Governor proposes flat funding for this department. Like the Governor's proposal, the House Ways & Means FY 2011 budget provides \$5 million for the Quinn Bill which provides reimbursements to officers for attending college courses. This is a reduction from the current FY 2010 appropriation of \$10 million. HWM funds anti-gang initiatives (also known as the Shannon Grants) at \$6.5 million, which is \$2 million more than current FY 2010 funding levels, but the same amount as was provided in the FY10 GAA budget.

PRISONS, PROBATION & PAROLE

Relative to current FY 2010 appropriations (\$1.24 billion), House Ways & Means reduces FY 2011 appropriations to line items in the Prisons, Probations and Parole subcategory by \$64.3 million (or 5.2 percent). House Ways & Means appropriates a total of \$1.17 billion for these line items. Some portion of this \$64.3 million, however, does not represent a real decrease in funding for these programs. Instead, funding for employee pensions and debt service for the county sheriffs' departments – which in past years was provided directly by those departments – now will be paid for by the state retirement fund and state debt service accounts (see discussion, below). Therefore, while the precise amount is uncertain at this time, approximately \$45 million of this \$64.3 million “decrease” does not in fact represent a true decrease in spending on Prisons, Probations and Parole. Working with the \$45 million estimate, the effective decrease in House Ways & Means FY 2011 funding relative to current FY 2010 appropriations would be closer to \$20 million, or 1.6 percent.

The most notable elements of the House Ways & Means budget in this subcategory pertain to ongoing changes in the funding structure for county sheriff's departments. As with the Governor's FY 2011 budget recommendations, the House Ways & Means budget continues the FY 2010 budget change of funding all fourteen county sheriff departments through “on-budget” appropriations. In years prior to FY 2010, seven of these sheriff's departments (for the counties of Barnstable, Bristol, Dukes, Nantucket, Norfolk, Plymouth and Suffolk) had been funded by the state through off-budget allocations that made their funding less transparent and accountable. Halfway through FY2010, funding for these seven previously “off-budget” sheriff's departments was moved on-budget. Some of the particulars of the FY 2011 budget proposal include:

- Providing \$181.5 million (not including retained revenue accounts) in combined funding to the seven sheriffs' offices (for the counties of Barnstable, Bristol, Dukes, Nantucket, Norfolk, Plymouth and Suffolk). This represents a 2 percent cut in funding from FY 2010.
- Eliminating a Shattuck Hospital line item that provides health services to inmates held by four sheriffs' departments (Barnstable, Norfolk, Plymouth and Suffolk) and distributing those \$2 million directly into those sheriffs' departments' accounts. (These distributions are included in the \$181.5 million total for the sheriffs mentioned above.)
- Transferring health, retirement and debt service costs from the county sheriffs' departments to the state. For FY 2011, this transfer includes \$27 million to the Group Insurance Commission (GIC) to cover employee benefit costs; about \$40 million to the state retirement fund; and about

\$5 million in debt service payments. (Note: At present, the pension and debt service transfers are only rough estimates, and hence *MassBudget* adjusts only for the GIC transfer, including this expenditure in the County Correctional Programs line item. Making this adjustment allows for a more meaningful comparison of FY11 appropriations with those of prior years.)

State funding for the other seven Massachusetts county sheriff's departments has been on-budget for many years. Under both the House Ways & Means proposal and the Governor's recommendations, in FY 2011 these sheriff's departments also will see an across the board cut of 2 percent relative to current FY10 appropriations.

In addition to the above changes, House Ways & Means redistributes to the 14 county sheriff's departments funding for county jails that previously was appropriated through the separate County Correctional Program account. Funding for county jails now will occur as part of the single, direct appropriation provided to each of the individual sheriff's departments.

Finally, House Ways & Means appropriates \$9.4 million less for the Department of Corrections Facility Operations than the \$514.6 million provided in current FY 2010 appropriations (a 1.8 percent decrease). The House Ways & Means budget proposes \$7.7 million less than the Governor has recommended. An unspecified amount of this \$9.4 million reduction, however, is simply being shifted from the Department of Corrections Facility Operations line item to another account, where it will continue to fund IT services at the Department of Corrections.

PROSECUTORS

The House Ways & Means FY 2011 budget proposes overall spending for prosecutors of \$131.5 million, a reduction of \$1.1 million or 0.8 percent relative to current FY 2010 appropriations. The Governor has recommended essentially flat funding for prosecutors in FY2011.

The overwhelming majority of the House Ways & Means's reduction occurs due to a 3.1 percent (\$731,265) reduction in funding for the Office of the Attorney General, and a 12.1 percent (\$402,104) reduction for the Wage Enforcement Program.

OTHER LAW & PUBLIC SAFETY

The House Ways & Means FY 2011 budget reduces funding for Other Law and Public Safety programs by \$3.5 million from current FY 2010 appropriation levels. House Ways & Means provides \$41.3 million for accounts in this category. Not included in this comparison is the one-time FY 2010 infusion of \$21 million to the Executive Office of Public Safety and Security through the federal American Recovery and Reinvestment Act. This money will not be available again in FY 2011.

The House Ways & Means budget, as well as the Governor's recommendations, consolidates funding for the Division of Inspectors into the Department of Public Safety. Both budgets reduce the combined funding for these line items by \$1.4 million (or 22 percent) relative to current FY 2010 appropriations.

Other notable changes in the House Ways & Means budget compared to current FY 2010 appropriations are a \$1.2 million (8.7 percent) reduction in funding for the Department of Fire Services Administration, a \$580,000 (7 percent) reduction to the Military Division, and a \$236,000 (16.3 percent) reduction to the Massachusetts Emergency Management Agency.

LOCAL AID

FY 2010 GAA	\$964,825,140
FY2010 Current	\$964,886,803

FY 2011 House Ways & Means	\$927,401,295
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FY 2011 House Ways & Means (Adjusted)*	\$927,401,295
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Increase (decrease) from FY 2010 GAA	\$(37,423,845)
<i>Percent Change from FY 2010 GAA</i>	<i>-3.9%</i>
Increase (decrease) from FY 2010 Current	\$(37,485,508)
<i>Percent Change from FY 2010 Current</i>	<i>-3.9%</i>

** In cases where House Ways & Means has shifted line items between categories, we have made an adjustment to reflect FY 2010 categories in order to provide an apples-to-apples comparison*

The House Ways & Means FY 2011 budget provides \$927.4 million in local aid to cities and towns, a reduction of \$37.4 million, or 4 percent. This category includes the unrestricted aid provided to cities and towns to fund their municipal budgets, not including Chapter 70 and other local education aid. The primary cut occurs through a 4 percent, or \$37 million, cut in the unrestricted aid to municipalities, which totals \$899 million in the House Ways & Means proposal. Since FY 2001, total funding for local aid has decreased significantly by 42 percent, or \$679 million (after adjusting for inflation).

In FY 2010, the two major categories of Local Aid, lottery aid (the revenue generated by the state lottery that is distributed to cities and towns) and additional assistance, were combined into a new category called Unrestricted Government Aid. This consolidation continues for FY 2011 in both the Governor's and House Ways & Means budget proposals.

OTHER

FY 2010 GAA	\$4,029,673,779
FY2010 Current	\$3,997,658,939

FY 2011 House Ways & Means	\$4,057,053,225
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FY 2011 House Ways & Means (Adjusted)*	\$3,957,053,225
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Increase (decrease) from FY 2010 GAA	\$(72,620,554)
<i>Percent Change from FY 2010 GAA</i>	<i>-1.8%</i>
Increase (decrease) from FY 2010 Current	\$(40,605,714)
<i>Percent Change from FY 2010 Current</i>	<i>-1.0%</i>

* In cases where House Ways & Means has shifted line items between categories, we have made an adjustment to reflect FY 2010 categories in order to provide an apples-to-apples comparison

The House Ways & Means FY 2011 budget provides \$4 billion for various other programs and services funded through the state. This amount reflects a \$40 million, or 1 percent, decrease from FY 2010 current budgeted amounts. This category includes Constitutional Offices, Debt Service, Libraries, and Pensions, as well as executive, legislative, and other administrative line items.

DEBT SERVICE

The House Ways & Means budget follows the proposal laid out in the Governor's FY 2011 budget recommendations. House Ways & Means FY 2011 includes \$1.96 billion in debt service appropriations, a 5.3 percent reduction from the FY 2010 current debt service amount. However, the difference will actually be lower because the estimated spending for FY 2010 is approximately \$11 million less than what is currently indicated in the budget.

Due to a one-time spike in some debt service accounts in FY 2011, it is estimated that debt service for those accounts that are not contract assistance obligations would increase from \$1.96 billion (the FY 2010 current cost) to \$2.16 billion in FY 2011, an increase of \$200 million. To make up this difference, House Ways & Means and the Governor propose to refinance \$200 million of the debt service for these accounts in order to level debt service costs. House Ways & Means and the Governor also propose refinancing of an additional \$100 million, which would generate current year savings by lowering the debt service for these accounts down to \$1.86 billion.

In sum, the proposed debt service would be \$299.4 million less than the projected cost of debt service for FY 2011. The refinancing strategy would reduce debt service for these accounts by \$97.8 million, or 5 percent, compared to current budgeted amounts, and lead to an overall reduction of debt service (for all accounts) by 4.8 percent. The repayment costs, however, would be shifted to future years.

PENSIONS

The House Ways & Means FY 2011 budget appropriates \$1.442 billion to the Pension Reserves Investment Trust Fund. This is the same amount as the Governor has recommended and \$65.2 million (or 4.7 percent) more than the current FY 2010 appropriation. This annual appropriation is in accordance with the 1988 state law that requires the Commonwealth to set aside money in the present in order to fund the future pension costs of current public employees.

For many years prior to 1988, the Commonwealth failed to fund adequately future public employee pension costs, ultimately accruing a significant unfunded liability estimated by the Public Employee Retirement Administration Commission at \$22.1 billion as of January 2009 (the most recent valuation). The 1988 law requires the Commonwealth to reduce this liability to zero by June 30, 2025. In order to achieve this goal, every three years the Secretary of Administration and Finance produces a schedule of contributions the state will need to make annually in order to fund these future liabilities. The figure of \$1.442 billion is the amount stipulated for FY 2011 under the most recent set of estimates (March 2009) produced by the Secretary of Administration and Finance.

LIBRARIES

The Committee recommends providing \$21.1 million to libraries in the state which is \$3.6 million, or 14.5 percent, below FY 2010 current amounts and \$3.9 million or 15.5 percent below the FY 2010 GAA. Since FY 2001 funding for libraries has fallen by \$22.4 million in inflation-adjusted dollars, or 51.5 percent.

The HWM committee recommends:

- \$8.8 million for aid to regional libraries which is a \$3.6 million reduction from FY 2010 current budgeted amounts. The HWM committee acknowledges that cuts will require the “consolidation of six regional library systems into one centralized system.”³
- \$6.8 million for aid to public libraries. This is the same FY 2010 current amounts but is \$284,000 less than the FY 2010 GAA.

³ An executive summary of the House Ways and Means budget is available at:
http://www.mass.gov/legis/11budget/house/html/wm_executivesummary.htm

REVENUE

TAX REVENUES

The House Ways & Means budget rejects the Governor's proposals to change tax laws in order to generate additional revenues. While the recommendations made by the Governor included some \$230 million in new tax revenues to be raised through measures such as capping the Film Tax Credit at \$50 million a year and extending the sales tax to soda and candy, the House Ways & Means budget relies on a far more modest \$55 million in new tax revenues. House Ways & Means generates these revenues not through changes to tax law, but by adopting several of the Governor's proposals to enhance tax enforcement and administration, and by funding additional auditors. These proposals include the following:

- Providing just under \$1 million of additional funding to the Department of Revenue to hire more auditors, a move that is expected to net an added \$20 million in FY 2011 revenues
- Drawing on the \$5 million made available as a result of the Administration's decision to cap the FY 2011 Life Sciences Credit awards
- Making administrative improvements to tax collection and child support collection at the Department of Revenue, changes that are expected to raise an added \$30.5 million (also recommended in the Governor's budget)

NON-TAX REVENUE

The House Ways and Means (HWM) budget counts on \$2.55 billion⁴ in departmental revenues (fees, assessments, etc.) and \$8.88 billion in federal revenue. The HWM budget also counts on \$1.86 billion in transfers from other funds, such as funding from the state lottery and from payments to states from a settlement with tobacco companies

In departmental revenues, like the Governor's budget, the HWM budget counts on \$15 million from expanded efforts to recover funds from fraud and abuse efforts, and increases an assessment on managed care organizations (\$18.3 million). The HWM budget does not expand the bottle bill, or count on expanded sales or use of state property.

For federal revenues, the HWM budget – like the Governor's budget – counts on more than \$1.6 billion in anticipated increased federal revenue. The bulk of this anticipated increased federal revenue is from the American Recovery and Reinvestment Act (ARRA) and from pending federal legislation that could extend Recovery Act funding. The anticipated increased federal revenue includes:

- \$690.1 million in enhanced federal reimbursement for the Medicaid program during the first half of the fiscal year. In general, the federal government reimburses Massachusetts for 50 percent of Medicaid spending. The Recovery Act increased that reimbursement rate to approximately 62 percent through December 2010.
- \$607.4 million in enhanced federal reimbursement for the Medicaid program for the period January 2011 through June 2011. The Recovery Act's enhanced Medicaid reimbursement rate expires December 2010, but there is pending federal legislation that could extend this

⁴ This total excludes \$233.9 million in departmental revenues that are assessments paid by municipalities to cover the costs of their employees' health care costs within the state's Group Insurance Commission. This *Budget Monitor* does not include the municipal health insurance costs in the totals for the Group Insurance Commission within the state employee health insurance sub-category, so the revenues associated with those costs are not included in the departmental revenue totals either.

reimbursement enhancement through the end of the state fiscal year. The HWM currently estimates that this extension could generate \$607.4 million in additional federal revenue for Massachusetts, although the total could be as much as \$80 million more than that.

- \$96.1 million in Recovery Act education funds. In addition to enhanced Medicaid reimbursement, the Recovery Act provided billions of dollars to states for “state fiscal stabilization,” largely to target education spending. The HWM budget counts on the remainder of these funds, \$96.1 million. Massachusetts has already spent \$892.2 million of these funds.
- \$25.5 million in Recovery Act funds for transitional assistance for needy families (TANF) and adoption and foster care assistance.
- \$160 million in additional federal funds, assuming that the federal government will reimburse the state for health care costs for certain recipients of Social Security Disability Insurance (SSDI), who had been paid for by the Massachusetts Medicaid program over the years, rather than the federal Medicare program. The Governor’s budget also included this estimate, but it is not certain that this reimbursement will be forthcoming.

One of the significant differences between the HWM budget proposal and the Governor’s budget proposal is that the HWM does not withdrawn money from the Commonwealth Stabilization Fund (the “Rainy Day Fund”). The Governor had proposed at first a \$175 million withdrawal, which he then reduced to \$146 million. The HWM budget also counts on approximately \$52.8 million in funds “swept” from unused trust funds. The Governor’s budget proposal captured \$35 million from unused trusts.

APPENDIX A: What are the “adjustments” made to House Ways & Means budget proposals?

In order to allow for accurate comparisons of FY 2011 budget proposals to FY 2010 budget totals, *MassBudget* “adjusts” budget totals when the FY 2011 proposal recommends departmental reorganizations. These adjustments allow the user to differentiate between changes in funding due to proposed cuts or expansions in funding, rather than due to organizational shifts.

Specifically, in this *Budget Monitor*, the FY 2011 totals reflect the following adjustments:

HIGHER EDUCATION

7100-0200: University of Massachusetts. The FY 2011 House Ways & Means budget funds the Toxics Use Reduction Institute in an account at the Department of Environmental Protection (2210-0105). In FY 2010, the Toxics Use Reduction Institute had been funded within the University of Massachusetts (7100-0200). In order to allow for accurate year-to-year comparisons, the FY 2011 adjusted total adds \$1.7 million in funding for the institute back into the University of Massachusetts, and removes it from the environmental protection account.

ENVIRONMENTAL PROTECTION

2210-0105: Toxics Use Retained Revenue. The FY 2011 House Ways & Means budget funds the Toxics Use Reduction Institute in an account at the Department of Environmental Protection (2210-0105). In FY 2010, the Toxics Use Reduction Institute had been funded within the University of Massachusetts (7100-0200). In order to allow for accurate year-to-year comparisons, the FY 2011 adjusted total adds \$1.7 million in funding for the institute back into the University of Massachusetts, and removes it from the environmental protection account.

PUBLIC HEALTH

4590-0915: Public Health Hospitals. The FY 2011 House Ways & Means budget funds a program for homeless individuals at the Lemuel Shattuck Hospital in the Homeless Individuals Assistance account (7004-0102) within the Department of Housing and Community Development. In FY 2010, this program had been funded with the Public Health Hospitals account (4590-0915) within the Department of Public Health. In order to allow for accurate year-to-year comparisons, the FY 2011 adjusted total adds \$1.4 million in funding for this program back into the public health hospital account, and removes it from the homeless individuals assistance account.

STATE EMPLOYEE HEALTH BENEFITS

1108-5200: Group Insurance Premiums and Plan Costs. The FY 2011 budget includes funding in the Group Insurance Premiums account for county sheriff, MBTA and Massachusetts Turnpike Authority employees. In FY 2010 budget, these health insurance costs were included elsewhere in the budget or were paid for by authorities that are off-budget. In order to allow for accurate year-to-year comparisons, the FY 2011 adjusted total subtracts from the Group Insurance total \$27 million for the costs of the county sheriff employees, and adds this amount to County Correctional Programs (8900-0000). The FY 2011 adjusted totals also subtracts \$93.3 million for the costs of health insurance for MBTA and Turnpike Authority employees from the Group Insurance total. (This \$93.3 million is not added back elsewhere into the budget, since in FY 2010, these costs were carried “off-budget” by the

authorities. This particular adjustment reduces the appropriations total in the House Ways and Means budget proposal by \$93.3 million.)

HOUSING AND COMMUNITY DEVELOPMENT

7004-0102: Homeless Individuals Assistance. The FY 2011 House Ways & Means budget funds a program for homeless individuals at the Lemuel Shattuck Hospital in the Homeless Individuals Assistance account (7004-0102) within the Department of Housing and Community Development. In FY 2010, this program had been funded with the Public Health Hospitals account (4590-0915) within the Department of Public Health. In order to allow for accurate year-to-year comparisons, the FY 2011 adjusted total adds \$1.4 million in funding for this program back into the public health hospital account, and removes it from the homeless individuals assistance account.

TRANSPORTATION

1595-6368: Massachusetts Transportation Trust. The FY 2011 House Ways & Means budget funds a portion of the costs of Massachusetts Turnpike Authority debt in the Massachusetts Turnpike Authority Contract Assistance debt service account (1599-1970). In FY 2010, these costs had been funded within the Massachusetts Transportation Trust. In order to allow for accurate year-to-year comparisons, the FY 2011 adjusted total adds \$100 million back into the Transportation Trust, and removes it from the debt service account.

PRISONS, PROBATION AND PAROLE

8910-0000: County Correctional Programs. The FY 2011 budget includes funding in the Group Insurance Premiums account (1108-5200) for county sheriff, MBTA and Massachusetts Turnpike Authority employees. In the FY 2010 budget, these health insurance costs were included in the County Correctional Programs account (8910-0000). In order to allow for accurate year-to-year comparisons, the FY 2011 adjusted total adds \$27 million back into the County Correctional Programs, and removes it from the Group Insurance account.

DEBT SERVICE

1599-1970: Massachusetts Turnpike Authority Contract Assistance. The FY 2011 House Ways & Means budget funds a portion of the costs of Massachusetts Turnpike Authority debt in the Massachusetts Turnpike Authority Contract Assistance debt service account (1599-1970). In FY 2010, these costs had been funded within the Massachusetts Transportation Trust. In order to allow for accurate year-to-year comparisons, the FY 2011 adjusted total adds \$100 million back into the Transportation Trust, and removes it from the debt service account.

APPENDIX B: BUDGET BY CATEGORY AND SUBCATEGORY

BUDGET BY CATEGORY SUMMARY (Numbers in Millions)	FY 2010		FY 2011 ²			FY 2011 HWM (Adjusted) Compared to	
	GAA	Current ¹	Governor (Adjusted)	HWM	HWM (Adjusted)	FY 2010 Current	FY 2011 Gov.
Budgeted Appropriations	28,545.1	28,854.6	29,914.1	29,628.2	29,534.9	680.3	(379.2)
<i>Line-Item Appropriations</i>	27,386.2	27,613.6	28,086.4	27,898.4	27,705.1	91.4	(381.3)
<i>Transfers and Adjustments*</i>	1,158.9	1,240.9	1,827.8	1,729.9	1,829.9	588.9	2.1
Pre-Budget Transfers	3,148.1	3,103.8	2,983.9	2,958.2	2,958.2	(145.6)	(25.7)
Total Appropriations and Transfers	31,693.2	31,958.4	32,898.0	32,586.4	32,493.1	534.7	(404.9)
BUDGET BY CATEGORY DETAIL (Numbers in Millions)	FY 2010		FY 2011 ²			FY 2011 HWM (Adjusted) Compared to	
	GAA	Current ¹	Governor (Adjusted)	HWM	HWM (Adjusted)	FY 2010 Current	FY 2011 Gov.
Education	6,711.4	6,654.7	6,732.8	6,467.6	6,469.2	(185.5)	(263.6)
Chapter 70	4,042.0	4,042.0	4,048.3	3,926.5	3,926.5	(115.6)	(121.9)
Early Education and Care	537.3	520.8	520.8	517.6	517.6	(3.3)	(3.3)
Elementary and Secondary Education	447.8	436.1	436.9	436.2	436.2	0.2	(0.6)
Higher Education	1,077.2	1,075.6	1,071.8	943.0	944.6	(131.0)	(127.2)
School Building	607.1	580.1	655.0	644.3	644.3	64.2	(10.7)
Environment and Recreation	199.7	202.5	185.7	180.4	178.7	(23.8)	(7.0)
Agriculture	16.0	16.1	16.1	16.1	16.1	(0.0)	(0.0)
Environmental Administration	17.5	16.5	20.6	15.2	15.2	(1.3)	(5.4)
Environmental Protection	65.8	62.7	59.4	60.2	58.5	(4.2)	(0.9)
Fish and Game	17.8	17.4	17.5	16.7	16.7	(0.7)	(0.8)
Parks and Recreation	82.7	89.8	72.2	72.2	72.2	(17.6)	0.1
Health Care*	12,658.7	12,772.3	13,775.5	13,837.2	13,718.2	946.0	(57.3)
MassHealth (Medicaid) and Health Reform ³	10,262.7	10,388.3	11,330.9	11,277.4	11,277.4	889.1	(53.5)
Mental Health	644.1	634.0	621.7	621.6	621.6	(12.5)	(0.2)
Public Health	506.1	504.9	492.3	491.5	492.8	(13.4)	0.5
State Employee Health Insurance*	1,245.9	1,245.1	1,330.6	1,446.7	1,326.4	201.7	(4.2)
Human Services	3,361.5	3,331.4	3,347.1	3,320.2	3,320.2	(11.2)	(26.9)
Children and Families	783.8	775.7	760.0	743.2	743.2	(32.5)	(16.8)
Developmental Services	1,260.4	1,252.6	1,268.4	1,257.1	1,257.1	4.5	(11.3)
Elder Services	221.1	219.6	219.5	219.5	219.5	(0.1)	(0.0)
Transitional Assistance	767.1	759.4	773.4	776.7	776.7	17.4	3.3
Other Human Services ⁴	329.2	324.2	325.8	323.6	323.6	(0.5)	(2.1)
Infrastructure, Housing & Economic Development	1,625.4	1,658.5	1,620.5	1,542.9	1,641.5	(17.0)	21.1
Economic Development	32.3	38.7	20.4	21.2	21.2	(17.6)	0.8
Housing and Community Development	248.4	297.3	270.4	277.9	276.6	(20.7)	6.2
Regulatory Entities	50.6	50.2	48.5	51.3	51.3	1.1	2.8
Transportation	1,254.0	1,224.1	1,242.2	1,142.2	1,242.2	18.1	(0.0)
Workforce and Labor	40.0	48.2	39.0	50.3	50.3	2.1	11.3
Law and Public Safety	2,142.0	2,376.5	2,299.1	2,253.8	2,280.8	(95.7)	(18.3)
Courts and Legal Assistance	607.0	610.4	600.1	608.6	608.6	(1.8)	8.5
Law Enforcement	330.1	328.6	336.3	324.5	324.5	(4.0)	(11.8)
Prisons, Probation and Parole	1,026.8	1,239.2	1,185.5	1,147.9	1,174.9	(64.3)	(10.5)
Prosecutors	132.5	132.6	132.2	131.5	131.5	(1.1)	(0.7)
Other Law and Public Safety	45.6	65.8	45.0	41.3	41.3	(24.5)	(3.7)
Local Aid	964.8	964.9	964.7	927.4	927.4	(37.5)	(37.3)
General Local Aid	936.4	936.4	936.4	899.0	899.0	(37.5)	(37.5)
Other Local Aid	28.4	28.4	28.2	28.4	28.4	(0.0)	0.2
Other	4,029.7	3,997.7	3,972.6	4,057.1	3,957.1	(40.6)	(15.5)
Constitutional Officers	71.4	77.0	75.4	75.3	75.3	(1.8)	(0.2)
Debt Service	2,088.4	2,064.8	1,956.0	2,055.4	1,955.4	(109.3)	(0.6)
Executive and Legislative	58.9	58.5	58.5	59.1	59.1	0.6	0.6
Libraries	25.0	24.7	21.1	21.1	21.1	(3.6)	(0.0)
Pensions	1,376.6	1,376.6	1,441.8	1,441.8	1,441.8	65.2	0.0
Other Administrative	409.4	396.0	419.7	404.3	404.3	8.3	(15.4)
Total Appropriations and Transfers*	31,693.2	31,958.4	32,898.0	32,586.4	32,493.1	534.7	(404.9)

* please see notes on following page

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

NOTES:

1. *The FY 2010 Current total includes funding in the GAA plus any supplementals passed during the year, less October cuts, and funding from the American Recovery and*
2. *FY 2011 totals include American Recovery and Reinvestment Act (ARRA) funding. Governor (Adjusted) includes March 5 revisions. Both Governor (Adjusted) and HWM (Adjusted) adjust Education, Environment, Health Care, Infrastructure, Law and Public Safety and Other to allow for year-to-year comparisons given proposed reorganizations.*
3. *Includes a variety of state health programs including the elder pharmacy program, costs associated with health care finance, the Health Safety Net, and other costs associated*
4. *Includes Veterans Affairs, Commission for the Blind, Mass. Rehabilitation Commission, Commission for the Deaf and Hard of Hearing, Soldiers' Homes, Dept. of Youth Services, and certain programs within the office of the Executive Office of Health and Human Services.*

APPENDIX C: SOURCES AND USES

(in millions of dollars)

SOURCES	FY 2011 House Ways & Means (Adjusted)		
	Temporary	Recurring	Total
Tax Revenues	5.0	19,205.5	19,210.5
Baseline tax revenue		19,050.0	19,050.0
Cigarette excise tax		105.0	105.0
Proposed tax law changes	5.0		5.0
<i>Limit life sciences tax credits</i>	5.0		
Tax enforcement and administrative improvements		30.5	30.5
Annualized value of additional auditors		20.0	20.0
Federal Revenues	1,608.5	7,275.4	8,883.9
Baseline federal revenue		7,275.4	7,275.4
Anticipated increased federal revenue	1,608.5		1,608.5
<i>Enhanced FMAP 7/10-12/10</i>	690.1		
<i>Anticipated enhanced FMAP 1/11-6/11</i>	607.4		
<i>ARRA Fiscal Stabilization Funds</i>	96.1		
<i>ARRA Transitional Assistance for Needy Families Funds</i>	22.6		
<i>ARRA Adoption and Foster Care</i>	2.9		
<i>Reimbursement from Medicare for SSDI Medicaid</i>	160.0		
<i>Federal revenue associated with proposed managed care assessment</i>	29.4		
Departmental Revenues		2,548.6	2,548.6
Baseline departmental revenue		2,515.3	2,515.3
Proposed increased departmental revenue		33.3	33.3
<i>Expansion of fraud and abuse recoveries</i>		15.0	
<i>Managed care organizations assessment</i>		18.3	
Transfers into the General Fund from Other Funds	52.8	1,805.6	1,858.4
Transfer lottery proceeds from Lottery Funds		963.0	
Transfer tobacco settlement from Health Care Security Fund		294.3	
Transfer proceeds from other sources		548.2	
Proposed increased transfers	52.8		
<i>Transfer unused funds from various trusts</i>	52.8		
TOTAL SOURCES	1,666.3	30,835.1	32,501.4
USES	FY 2011 House Ways & Means (Adjusted)		
	Temporary	Recurring	Total
Appropriations and Transfers from the General Fund	(100.0)	32,593.1	32,493.1
Education		6,469.2	
Environment and Recreation		178.7	
Health Care		13,718.2	
Human Services		3,320.2	
Infrastructure, Housing & Economic Development		1,641.5	
Law and Public Safety		2,280.8	
Local Aid		927.4	
Other	(100.0)	4,057.1	
TOTAL USES	(100.0)	32,593.1	32,493.1
BALANCE	FY 2011 House Ways & Means (Adjusted)		
	Temporary	Recurring	Total
BALANCE	1,766.3	(1,758.0)	8.2

Appendix C: Sources and Uses (Detailed Explanation)

This appendix provides detailed descriptions of the sources and uses of funds included in the House Ways and Means budget proposal (see above chart).

SOURCES

There are four main sources of money that fund the state budget: taxes, money from the federal government, fees and assessments, and money withdrawn from special trust funds – “savings accounts” – for use in the current year. When the Governor and the Legislature publish their budget proposals, they include these totals in “Section 1A - Revenue by Source and Fund.”

TAX REVENUES

There are five components of tax revenues in the FY 2011 HWM budget: total taxes as estimated by what is known as the Administration’s “consensus” or “baseline” revenue estimate; estimated taxes brought in by an increase in the cigarette excise tax; estimates of how much tax law changes proposed in the budget would bring in; totals from increased tax enforcement and other administrative improvements; and totals due to an increase in tax auditors.

- *Baseline Tax Revenue.* In January 2010 the Administration determined that the baseline consensus tax revenue total for FY 2011 is \$19.05 billion.
- *Cigarette Excise Tax.* In January 2010 the Administration estimated that the 2008 increase in the cigarette excise tax will generate \$105 million in FY 2011. This tax increase is dedicated to paying for a portion of the state’s health care costs.
- *Proposed Tax Law Changes and Other.* The HWM budget recognizes \$5 million that would be brought in by temporarily limiting tax credits for the life sciences, and a total of \$50.5 million with improvements and expansions within the Department of Revenue.

FEDERAL REVENUES

The largest share of federal revenue that helps pay for the state budget comes from federal Medicaid dollars that support the Commonwealth’s health care programs. With the passage of the American Recovery and Reinvestment Act (the “Recovery Act” or ARRA) in February 2009, the federal government has also provided billions of dollars in additional temporary federal dollars to help balance the state’s budget.

The HWM budget uses several types of ARRA funding to balance the budget. The Recovery Act provides a more generous – but temporary – reimbursement for Medicaid services. This is known as “enhanced Federal Medical Assistance Percentage (FMAP).” HWM estimates that \$690.1 million in ARRA funds will be available from this enhanced FMAP through December 31, 2010. The HWM budget also counts on an additional six months of enhanced FMAP. Both the U.S. House and Senate have now approved legislation providing for that extension, but the extension has not yet become law. The HWM budget estimates that this extension would generate an additional \$607.4 million in federal revenue for the Commonwealth, but current estimates suggest this extension could bring in as much as \$84 million more than that. The Recovery Act also includes funding to support state budgets by providing what is known as State Fiscal Stabilization Funds. Most of these funds were used in the FY 2009 and FY 2010 budgets, but the HWM budget directs \$96.1 million of the remaining funds to support education funding in the coming fiscal year. The HWM budget also assumes that \$22.6 million

in ARRA funding will be available for transitional assistance to needy families programs, and \$2.9 million will be available to support the state's foster care and adoption programs for needy children and families.

The HWM budget also assumes that the federal Medicare program will reimburse states for the health care costs associated with certain persons eligible for the Social Security Disability Insurance Program (SSDI). It is unclear at this time whether the federal government will go forward with this reimbursement. Without these funds, the HWM revenue totals could be short by \$160 million.

DEPARTMENTAL REVENUES

Many state government departments and programs charge fees for their services. These fees, premiums and assessments are called "departmental revenues" because the money is generated by department activities. These revenues include such items as fees generated by the Registry of Motor Vehicles, a variety of other permitting fees, special assessments paid by certain health care providers, and health insurance premiums paid by retired teachers who participate in the state's Group Insurance health plan.

The HWM budget includes \$33.3 million in new fees. The budget also estimates that there will be \$15 million in new revenue from enhanced efforts to eliminate fraud and abuse throughout state government. The HWM budget also extends an assessment for the costs of the health safety net currently paid by hospitals and insurance companies to managed care organizations. The HWM budget proposes that this assessment total \$18.3 million in new departmental revenues. This assessment could in turn generate an additional \$29.4 million in federal Medicaid reimbursements.

TRANSFERS INTO THE GENERAL FUND FROM OTHER FUNDS

The budget documents provided by HWM include a total referred to as "Consolidated Transfers." Transfers of funds are "sources" of funding when the transfer moves money into the General Fund for use in the budget. There are four major categories of transfers into the Commonwealth's General Fund.

- *Transfer lottery proceeds from Lottery Funds.* The HWM budget estimates that \$963 million would be transferred into the General Fund from Lottery proceeds in FY 2011. This total includes \$787.5 million that will then be available for distribution to cities and towns, and \$175.5 million to support the administration of the Lottery, the Massachusetts Cultural Council, and other specified purposes.
- *Transfer tobacco settlement proceeds from Health Care Security Fund.* In FY 2011, the HWM budget counts on approximately \$294.3 million distributed to Massachusetts from the proceeds of the Tobacco Settlement agreement that requires tobacco companies to make payments to states for the health care costs associated with tobacco use. This total is \$35.6 million less than in the Governor's budgeted revenue estimates.
- *Transfer proceeds from other sources.* Other transfer sources include funds associated with reimbursements to the General Fund from federal grants for the payment of grant-associated fringe benefits, proceeds from the disbursal of abandoned property, revenues from the State Racing Commission, and assorted other sources. In the HWM budget, these total \$548.2 million.
- *Proposed increased transfers.* The HWM budget relies on several new transfers out of other trust funds into the General Fund. Withdrawing funds to pay for ongoing expenses with dollars that had been previously set aside for specific purposes is another example of using non-recurring or temporary funding to balance the budget. The HWM budget proposes "sweeping" \$52.8

million in unused funds from a variety of trust funds. Unlike in the Governor's budget proposal, the HWM budget proposal does not include withdrawing funds from the Commonwealth's Stabilization Fund (the "Rainy Day" Fund).

TOTAL SOURCES

The HWM budget includes \$32.5 billion in total revenues and other sources of funds. It is important to remember that the transfers from trust funds are temporary or non-recurring sources of revenue, as are federal ARRA funds. It is also important to remember that many of the revenues included in this budget proposal are projections. The economy will change over the course of the year, and that will have a significant impact on income tax revenues, projected sale tax revenues, fees, etc. Moreover, a portion of the HWM estimated temporary federal revenues are dependent upon decisions that have yet to be made at the federal level.

USES

The total "bottom line" for a budget includes line item appropriations, and other appropriations such as transfers out of budgeted funds, and various other uses of funds. This total gives the best picture of the Commonwealth's budget, because it comprises all of the uses of funding for which there must be revenue available over the course of the year. Most references to the budget, however, show a smaller total, since they typically include only the total from line item appropriations.

APPROPRIATIONS & TRANSFERS FROM THE GENERAL FUND

- *Line Item Appropriations.* The HWM budget includes "Line Item Appropriations" itemized in Section 2A of the budget. One of the savings proposed in the HWM budget is the refinancing of \$100 million in debt service, thereby postponing payment of \$100 million in debt service costs. In this *Budget Monitor*, this one-time saving is reflected by increasing the debt service amount in the "Recurring" budget total by \$100 million to reflect what the total would have been without this one-time saving, and then showing this \$100 million as a one-time saving in the "Temporary" column. The HWM budget also proposes "smoothing out" the payment of an additional \$200 million in debt service. This number is not reflected as a one-time savings here, although it would be reasonable to do so. (Debt service is included in the "Other" category.) Total line item appropriations are the largest component of spending (or "uses").
- *Other Appropriations and Transfers.* In addition to the line-item appropriations, the HWM budget proposal includes a new Section 2E which itemizes operating transfers, directing the transfer of funds from the General Fund to specific trusts for certain designated uses. Accordingly, these transfers are a type of spending ("uses") of funds.

There are three transfers related to health care spending: a transfer into the Commonwealth Care Trust; a transfer into the Medical Assistance Trust; and a transfer into the State Retiree Benefits Trust. The first two of these trusts help fund the Commonwealth's health reform efforts, and the third helps pay for retired state employee health benefits. There are also three transfers related to the state's transportation costs: a transfer into the Mass. Transportation Trust Fund, and transfers to fund the Mass. Bay Transit Authority and a transfer for regional transportation authorities.

There are also four particular transfers of state revenue that state law requires the Commonwealth makes prior to any appropriation. The budget documents show these transfers

in the form of direct subtractions from the consensus tax revenue total. This *Budget Monitor* refers to these transfers as “pre-budget transfers.” The pre-budget transfers are: the transfer of one percentage point (“one penny”) of the sales tax to the School Modernization and Reconstruction Trust for school building assistance; the transfer of a portion of the Commonwealth’s excise tax on cigarettes into the Commonwealth Care Trust Fund to support health care costs ; the transfer of one percentage point (“one penny”) of the sales tax and certain special assessments to the Massachusetts Bay Transit Authority State and Local Contribution Trust for public transportation costs; and the legislatively scheduled transfer of funding into the Pension Reserves Investment Trust to fund the state’s pension system.

OTHER USES

State law (M.G.L. Chapter 29, Section 5c) requires that “1/2 of 1 per cent of the total revenue from taxes in the preceding fiscal year shall be transferred to the Stabilization Fund.” The HWM budget includes language in Outside Section 42 that would suspend in FY 2011 the required deposit into the Stabilization Fund. In so doing, the HWM budget forgoes using, or “saves,” the amount of the required transfer. This would be a one-time saving, but since it is associated with the transfer of a surplus once the budget is balanced, it is not included here. The HWM budget also includes language in Outside Section 10 that proposes depositing a certain portion of capital gains revenue into the Commonwealth’s Stabilization Fund. There are no amounts included with this proposal. For simplicity’s sake, this *Budget Monitor* does not include these uses of funds in its totals.

TOTAL USES

Appropriations and other uses in the HWM budget total \$32.5 billion.

BALANCE

Based on the best available information, the HWM FY 2011 budget shows approximately \$8.2 million more in total sources than in total uses. The HWM budget, however, relies on close to \$1.67 billion in non-recurring or temporary revenues, and the difference between recurring sources and recurring uses is \$1.77 billion. Taking into account the \$8.2 million surplus, the HWM budget has a structural deficit of \$1.76 billion.