

The Governor's Fiscal Year 2012 Budget

OVERVIEW

In the coming fiscal year (Fiscal Year 2012) the state is facing a budget gap of approximately \$1.9 billion between the cost of providing current services and the revenue projected to be available. The Governor's budget (House 1) proposes closing this gap with a combination of deep cuts, significant reforms, limited use of reserve funds and other temporary revenues, and modest revenue initiatives.

Overall the budget relies on cuts and savings to close \$1.3 billion of the budget gap, counts on \$360 million in temporary revenues (including \$200 million from the state stabilization fund), and anticipates \$244 million from modest tax reforms and other revenue initiatives. These temporary and ongoing revenue initiatives are described in the Revenue section of this *Monitor*.

The budget cuts recommended in the Governor's proposal include cuts to local aid, public safety, safety net programs, economic development programs, and higher education. The proposal also results in modest cuts in education aid to local districts – mostly because federal support that had been used to protect against cuts in recent years is phasing out. The budget also proposes significant reforms in public safety, health care, and housing policy. The details of all of these cuts and reforms are described in the appropriate sections of this *Monitor*.

In health care, the budget proposes spending close to a billion dollars less than the amount that would be required to provide the current level of services without payment reforms. Because the portion of these savings that comes from the MassHealth program is split with the federal government (which pays half of the costs of MassHealth), the net savings to the Commonwealth is approximately \$700 million. While some of this savings would be from service cuts, such as reducing day health services for frail elders and disabled adults, the vast majority is savings that the Governor hopes to achieve by reducing payments to health care providers and by health care purchasing reforms that aim to reduce costs. These proposals are described in the Health Care section of this *Monitor*.

The Commonwealth is entering the fourth year of a fiscal crisis brought on by the national economic crisis. Because of the severity of this crisis, and the structural budget problems the state has faced since cutting taxes deeply in the late 1990s, the challenge of crafting a budget that meets the core needs of the Commonwealth and its people is enormous. This budget proposal relies primarily on deep budget cuts, on top of \$3 billion in cuts already implemented in prior years, as well as on reform proposals and modest revenue initiatives.

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HOW TO READ THE TABLES

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

FY 2011 GAA with all Recovery Funds: The level of funding that was approved in the enacted budget (the “GAA,”) for FY 2011, plus the amount of federal recovery funds that were distributed after the GAA was adopted.

FY 2011 Current: This amount includes any subsequent additions to the approved funding levels through supplemental budgets.

FY 2012 Governor: This is the funding amount proposed by the Governor for FY 2012.

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

Specifically, in this *Budget Monitor*, the FY 2012 totals reflect the following adjustments (a detailed explanation of the following to tables is provided at the end of this report):

ACCOUNT	ACCOUNT NAME	Governor Adjustment
0330-0300	Office of the Chief Justice for Administration & Management	(31,388,157)
8940-0100	Department of Community Supervision	31,388,157
1595-6368	Mass. Transportation Trust Fund	(7,606,503)
8400-0100	Merit Rating Board	7,606,503
7003-0701	Workforce Training Fund (off-budget transfer)	19,900,000

In addition, this *Budget Monitor* adjusts funding levels for the University of Massachusetts, state colleges, and community colleges to include projected FY12 retained revenue amounts for each campus. The specific amounts are:

ACCOUNT	CAMPUS	Projected Retained Revenue
7100-0200	University of Massachusetts	429,540,642
7109-0100	Bridgewater State University	34,627,788
7110-0100	Fitchburg State University	24,046,089
7112-0100	Framingham State University	21,727,143
7114-0100	Salem State University	34,900,021
7115-0100	Westfield State University	20,396,882
7116-0100	Worcester State University	20,756,595
7502-0100	Berkshire Community College	8,075,090
7503-0100	Bristol Community College	13,943,689
7504-0100	Cape Cod Community College	9,961,483
7505-0100	Greenfield Community College	7,946,576
7506-0100	Holyoke Community College	16,142,400
7507-0100	Massachusetts Bay Community College	12,078,306
7508-0100	Massasoit Community College	17,521,081
7509-0100	Mount Wachusett Community College	11,047,988
7510-0100	Northern Essex Community College	16,502,174
7511-0100	North Shore Community College	17,737,591
7512-0100	Quinsigamond Community College	13,117,113
7514-0100	Springfield Technical Community College	21,256,565
7515-0100	Roxbury Community College	9,787,773
7516-0100	Middlesex Community College	17,284,270
7518-0100	Bunker Hill Community College	17,964,440

EDUCATION

FY 2011 GAA with all Recovery Funds	\$6,662,464,194
FY 2011 Current	\$6,662,464,194

FY 2012 Governor	\$6,619,455,965
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FY 2012 Governor (Adjusted)*	\$6,639,109,325
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Increase (decrease) from FY 2011 Current	\$(23,354,869)
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<i>Percent Change from FY 2011 Current</i>	<i>-0.4%</i>
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* In cases where the Governor has shifted line items between categories, we have made an adjustment to reflect FY 2011 categories in order to provide an apples-to-apples comparison. See "How to Read the Tables."

The Governor's budget proposes \$6.64 billion in Fiscal Year (FY) 2012 for programs within the *MassBudget* category of Education, which includes early education and care, elementary and secondary education, and the state's public institutions of higher education. This proposal represents a \$23.4 million decrease, or 0.4 percent, from the current FY 2011 funding levels.

In FY 2011, \$296 million in temporary federal recovery money is being used to help fund K-12 education and the state's public institutions of higher education. Since there are no new sources of federal recovery dollars available for FY 2012, an increase in the state's own contribution to education spending is proposed for FY 2012 in order to fend off deeper cuts.

EARLY EDUCATION & CARE

The Governor's budget proposes to fund programs within the *MassBudget* category of Early Education and Care at \$510.1 million, essentially level funding from the current FY 2011 budget.

Similar to last year, the Governor proposes consolidating funding for child care financial assistance from three line items to one. Included in this consolidation is the TANF Related Child Care line item for families that are current TAFDC recipients, the Supportive Child Care line item for families with active Department of Children and Families cases, and the Low-Income Child Care line item for low-income families that are not current or recent TAFDC recipients.¹ In total, the Governor proposes \$446.1 million for child care subsidy accounts, which represent the vast majority of funding within the *MassBudget* category of Early Education and Care, essentially level funding from current FY 2011 levels. Assuming 2 percent cost growth, the Governor's proposed FY 2012 funding level is roughly \$10 million below the actual costs for providing the same level of services as FY 2011.

Several programs within Early Education and Care are proposed to be level-funded from the current FY 2011 budget, including:

- Quality Program Supports for the improvement of early education and care programs at \$14.0 million.
- Healthy Families Home Visiting Program at \$10.5 million.

¹ For more information comparing child care rates paid by the state and rates paid by private payers, please see the Early Education and Care section in *MassBudget's* recent paper, *Quality, Cost, and Purpose: Comparisons of Government and Private Sector Payments for Similar Services*, available online at: <http://massbudget.org/doc/773>

- Grants to Head Start Programs at \$7.5 million.
- Universal Pre-Kindergarten at \$7.5 million.
- Family Support and Engagement at \$5 million.

K-12: CHAPTER 70 AID

House 1 proposes to fund Chapter 70 education aid to local and regional school districts at \$3.99 billion, a decrease of \$81.8 million, or 2.0 percent, from current FY 2011 funding levels (which include \$221.1 million in federal recovery money that was available to districts in FY 2011). Not counting this federal money, state funding for Chapter 70 was \$3.85 billion in FY 2011. Therefore, while the House 1 proposal is \$81.8 million *below* the total amount available in FY 2011, it is \$139.3 million *above* the state's FY 2011 appropriation, narrowly defined, which is how the House 1 budget describes this proposal.

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

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

This FY 2011 revenue picture is complicated by the fact that federal dollars distributed locally are not actually required to be spent fully during the fiscal year in which they are allocated. While essentially all of the \$20.7 million in SFSF money allocated to school districts will be spent during the current fiscal year, districts have until September 30, 2012 (the first quarter of FY 2013) to spend their Education Jobs Fund allocation. So far only \$88.1 million of the \$200.5 million in Education Jobs Fund money intended for use in FY 2011 has actually been claimed by local districts for this fiscal year; some districts have partially claimed their allocation for FY 2011, whereas 45 districts have chosen to defer their entire allocation to FY 2012 and/or the first quarter of FY 2013. Therefore, the \$4.07 billion budgeted amount for Chapter 70 aid in FY 2011 somewhat overstates resources actually being spent on education this year and, conversely, the Governor's \$3.99 billion proposed state contribution for FY 2012 somewhat understates the resources likely to be available next year.

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

Through the FY 2007 budget process a set of reforms to the Chapter 70 formula was planned to be phased in over five years, finishing in FY 2011.² Since these reforms require additional state funding, the Legislature chose to slow this phase in during FY 2010 and FY 2011 as the financial crisis strained state resources. Similar to the past two fiscal years, the Governor's FY 2012 budget proposes a

² For more information on the 2007 reform plan, please see the November 2006 *MassBudget* paper, *Public School Funding in Massachusetts: Where We Are, What Has Changed, and Options Ahead,* available here: http://www.massbudget.org/file_storage/documents/Public_School_Funding-Where_We_Are_What_Has_Changed_-_FINAL.pdf

continued freeze on phasing some reform provisions, and it partially phases in another: an additional reduction of required local contributions for districts above their target local contributions. Qualifying districts would have their local contribution reduced by 20 percent of the gap between their preliminary contribution and their target contribution, resulting in \$11.7 million more Chapter 70 aid for these districts.

K-12: NON-CHAPTER 70 AID

The Governor's budget proposes to fund non-Chapter 70 programs for elementary and secondary education at \$506.9 million, an increase of \$83.4 million, or 19.7 percent, from the current FY 2011 budget. Most of the programs within the *MassBudget* category of K-12: Non-Chapter 70 Aid are grant programs distributed to individual schools and/or school districts to advance specific priority initiatives. Programs recommended for increases by the Governor's budget include:

- \$213.1 million for the Special Education Circuit Breaker program, reflecting an increase of \$80.0 million from current FY 2011 levels. This proposed increase accounts for much of the total increase to non-Chapter 70 K-12 funding. The Governor's recommended funding level of \$213.1 million essentially restores the circuit breaker program to the FY 2009 funding level of \$215.5 million, although it is still \$21.3 million below the cost of fully restoring an equivalent level of services due to increasing program costs. While the circuit breaker was reduced to \$140.1 million in FY 2010 and to \$133.1 million in FY 2011, there was a separate infusion of additional temporary federal recovery money available in these years through the Individuals with Disabilities Education Act (IDEA), which also funds special education services and helped mitigate the affect of these cuts.
- \$9.7 million for MCAS Low-Scoring Student Support, an increase of \$561,000, or 6.2 percent, from the current FY 2011 budget.
- \$4.4 million for the School Breakfast Program, an increase of \$290,000, or 7.0 percent, from the current FY 2011 budget.
- \$7.7 million for Targeted Intervention in Underperforming Schools, an increase of \$951,000, or 14.1 percent, from the current FY 2011 budget.
- \$3 million to create a new fund for Executive Office of Education support of state achievement gap-related programs.

Programs recommended for level funding by the Governor's budget include:

- Literacy Programs at \$3.9 million. This funding level matches total funding for three separate line items in the current FY 2011 budget – Bay State Reading Institute, Targeted Tutorial Literacy Programs, and Literacy Programs – that are proposed to be consolidated into the Literacy Programs line item.
- Adult Basic Education at \$27.7 million.

HIGHER EDUCATION

The Governor's budget proposes to fund the full *MassBudget* category of Higher Education at \$953.4 million, a decrease of \$58.6 million, or 5.8 percent, from current FY 2011 levels, which include \$75.3 million in federal State Fiscal Stabilization Fund (SFSF) money. The effect of this cut is somewhat more severe when considered in the context of inflation, since the costs of providing baseline services rise year to year.

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

The vast majority of funding for Higher Education, almost 90 percent, goes to the state's campuses of public higher education, with most of the balance going to the state scholarship program (see below). The Governor's budget proposes to fund community colleges, state universities, and UMass campuses at \$839.4 million, a decrease of \$59.7 million, or 6.6 percent, from the current FY 2011 levels, which include \$75.3 million in SFSF money. Specifically, the Governor recommends:

- \$210.4 million for community colleges, a decrease of \$17.1 million, or 7.5 percent, from current FY 2011 levels.
- \$194.7 million for state universities, a decrease of \$12.4 million, or 6.0 percent, from current FY 2011 levels.
- \$434.3 million for UMass campuses, a decrease of \$30.3 million, or 7.0 percent, from current FY 2011 levels.

The Governor's budget proposes to fund the State Scholarship Program at \$88.3 million, a decrease of \$1.2 million from the current FY 2011 budget.

The Governor's budget proposes to create a new Performance Incentive Fund of \$7.5 million, to be distributed through a competitive process to the state's higher education campuses for advancing goals articulated by the Commonwealth's Vision Process.

SCHOOL BUILDING

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

ENVIRONMENT & RECREATION

FY 2011 GAA with all Recovery Funds	\$162,742,507
FY 2011 Current	\$164,977,138
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FY 2012 Governor	\$166,117,850
FY 2012 Governor (Adjusted)*	\$166,117,850
Increase (decrease) from FY 2011 Current	\$1,140,712
<i>Percent Change from FY 2011 Current</i>	<i>0.7%</i>

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

The Governor's Fiscal Year 2012 (FY 2012) budget recommends spending \$166.1 million on environment and recreation programs. This is an increase of a \$1.1 million, or 0.7 percent, above the amount budgeted for FY 2011.³ The Governor's FY 2012 budget proposal is \$3.4 million, or 2.1 percent, above the FY 2011 General Appropriations Act (GAA).

In outside section 25 of his FY 2012 proposal, the Governor recommends expanding the state's bottle bill to include water, juice, tea and coffee drinks which would raise \$20 million. The Governor's budget recommends providing some of the funding raised from this expansion to increase the budget for recycling and redemption centers.

ENVIRONMENT

The Governor's FY 2012 budget recommends providing \$77.1 million for environment programs⁴ in the state. This level is \$2.5 million, or 3.3 percent, more than the FY 2011 current budget and \$2.7 million, or 3.6 percent, above the amount funded in the FY 2011 GAA.

In his budget for environmental programs, the Governor recommends:

- Providing \$6.5 million to help municipalities expand their recycling and household hazardous waste programs. As mentioned above, the Governor's FY 2012 budget proposes expanding the bottle bill which would raise an additional \$20 million. The governor recommends using some of this increased revenue to expand funding for state and municipal recycling efforts from \$275,000 in the current FY 2011 budget to \$6.5 million in FY 2012.
- Reducing funding for the Department of Environmental Protection (DEP) administrative account by \$1.4 million below the FY 2011 current budget to \$24.3 million.
- Reducing funding for the hazardous waste cleanup program account by \$1.8 million below the FY 2011 current budget to \$12.1 million.

³ *MassBudget's* Environment & Recreation category no longer includes funding for agriculture. Agriculture programs have been split between the Human Services category, which now includes funding to support the regional food banks, and Infrastructure, Housing and Economic Development category which includes funding for all other agriculture programs.

⁴ *MassBudget* has merged the Environmental Protection and Environmental Administration subcategories into a single Environment subcategory.

FISH & GAME

The Governor's FY 2012 budget recommends spending \$17.7 million on fish and game programs. This is an increase of \$266,000 over the current FY 2011 budget.

PARKS & RECREATION

The Governor's FY 2012 budget recommends \$71.3 million for parks and recreation programs at the Department of Conservation and Recreation (DCR). This is \$1.6 million, or 2.2 percent, less than the current FY 2011 budget. During the course of FY 2011, the Legislature added \$2.1 million to the state parks and recreation account in a supplemental appropriation.

In his FY 2012 parks and recreation budget the Governor recommends:

- Reducing funding for beaches and pools managed by DCR and for seasonal employees who work at DCR's state parks, beaches and pools by \$1.2 million to \$11.2 million.
- Providing \$42.2 million for state parks and recreation, which is \$224,000 less than the current FY 2011 budget. In outside section 14 of his budget, the Governor recommends creating a single parks agency within DCR by merging the urban parks and recreation division into the division of state parks and recreation.

HEALTH CARE

FY 2011 GAA with all Recovery Funds	\$ 14,265,140,042
FY 2011 Current	\$ 14,569,376,310

FY 2012 Governor	\$ 14,293,291,376
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FY 2012 Governor (Adjusted)*	\$ 14,293,291,376
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Increase (decrease) from FY 2011 Current	\$ (276,084,934)
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<i>Percent Change from FY 2011 Current</i>	<i>-1.9%</i>
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** In cases where the Governor has shifted line items between categories, we have made an adjustment to reflect FY 2011 categories in order to provide an apples-to-apples comparison. See "How to Read the Tables."*

The Governor's Fiscal Year 2012 (FY 2012) budget proposal includes \$14.29 billion for health care, approximately \$1 billion below what it would cost to maintain current services and delivery systems. This total includes \$11.83 billion in funding for MassHealth (Medicaid) and other programs that support health care for the state's low- and moderate-income residents, \$607.0 million for mental health services, \$472.4 million for public health, and \$1.39 billion for state employee health insurance. Compared to current budgeted Fiscal Year 2011 totals, the Governor's budget is a 1.8 percent reduction, with essentially level funding to the MassHealth program and deep direct cuts made to public health. Nevertheless, given expected caseload growth and expected increases in health care cost inflation, even level funding in the MassHealth program will necessitate significant program cuts and aggressive savings measures over the course of the year to keep within the proposed budget levels.

MASSHEALTH (MEDICAID) AND HEALTH REFORM

The Governor's budget includes \$11.83 billion for MassHealth (Medicaid) and health reform programs. This is \$181.3 million less than FY 2011 current budgeted totals, and represents more than \$800 million less than what it would cost to maintain the MassHealth program in its current form, given expected caseload and enrollment growth. However, one of the largest budget shifts in the FY 2012 proposed budget comes from an expected reduction in an operating transfer to the Medical Assistance Trust Fund. Excluding the reduction in that fund (because none of its funding comes from the state's own resources), total MassHealth and Health Reform funding increases by \$111.4 million, a 1 percent increase above the FY 2011 current budget (see details below). Currently, the state's MassHealth program provides health care coverage for nearly 1.3 million residents of the Commonwealth, including more than 535,000 children. Commonwealth Care covers approximately 161,000. In addition to these programs, Massachusetts also provides coverage for close to 20,000 legal immigrants in a separate program referred to as the Commonwealth Care Bridge program. These programs continue to play an essential role in providing health care coverage for the Commonwealth's residents.

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

	FY 2011 GAA with all Recovery Funds	FY 2011 Current	FY 2012 Governor (adj.)
MassHealth (Medicaid)			
MassHealth	10,009.3	10,267.3	10,338.3
MassHealth Administration	171.8	171.8	168.9
Sub-Total	10,181.1	10,439.1	10,507.2
Health Reform & Health Safety Net			
Prescription Advantage Pharmacy Program	31.5	31.5	21.7
Health Care Finance & Other Initiatives	22.2	22.2	22.4
<i>Commonwealth Care Trust*</i>	<i>807.0</i>	<i>842.0</i>	<i>879.5</i>
<i>Health Insurance Technology Trust</i>	<i>0.0</i>	<i>0.0</i>	<i>0.5</i>
<i>Medical Assistance Trust</i>	<i>686.7</i>	<i>686.7</i>	<i>394.0</i>
Sub-Total	1,547.4	1,582.4	1,318.1
Total	11,728.6	12,021.5	11,825.3

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

MassHealth

The Governor's budget includes \$10.51 billion for MassHealth programs, essentially level with current estimated spending – an increase of less than \$100 million. Most of the MassHealth programs, in the Governor's budget, receive funding at the estimated FY 2011 spending level, with just the managed care programs receiving a funding increase of \$100 million from \$3.77 billion to \$3.87 billion.

The Governor's budget proposal is built upon the assumption that the MassHealth caseload will grow by approximately 4.6 percent over the course of the year, adding 19,000 children and 41,000 adults. The administration estimates that MassHealth caseload will total 1.36 million people in FY 2012. In order to constrain MassHealth program costs to maintain spending level with FY 2011 totals (given expected caseload growth and anticipated health care cost inflation), the Governor proposes a range of cuts and savings to be implemented over the course of FY 2012. It is important to remember, however, that the federal government typically reimburses Massachusetts for approximately half of the costs of the MassHealth program. This means that cuts in MassHealth spending will result in reductions in federal revenues coming in to the state.

Significant cuts and savings in the Governor's MassHealth budget proposal include:

- **Adult Dental Benefits.** The Governor's proposal does not restore the adult dental benefits that had been eliminated in July 2010. Restorative services (such as fillings) were eliminated from MassHealth coverage for adults (with the exception of those adults who are clients of the Dept. of Developmental Services), requiring people to use hospital emergency rooms or the limited number of dental clinics at community health centers for care.
- **Adult Day Health Services for the Elderly and Disabled.** The Governor's proposal includes \$55 million in cuts to the adult day health program. The budget proposal estimates that by cutting benefits for 80 percent of the 7,000 very frail elders and disabled adults who receive these supports, the state will save approximately \$27 million. Only the most fragile persons with

complex medical needs will be able to continue receiving adult day health services. The adult day health program was designed to provide nursing care in community settings to people with significant medical needs so that they could avoid hospitalization or nursing home placement.

- **Co-payments.** The Governor's budget estimates that the state will save approximately \$5 million by charging \$2 co-payments for non-emergency transportation and increasing co-payments for medications. For most people, the drug co-payment would rise from \$3 to \$4, but for brand name drugs for people over 150 percent of the federal poverty level, the co-pay would increase to \$5.
- **Provider Payments.** The Governor's proposal will cut \$319 million in rates or payments to health care providers, for a net savings to the Commonwealth of approximately \$159 million. These cuts include: not paying hospitals for what are considered "preventable" readmissions that occur within 30 days; reducing the payment rates for acute care for certain hospitals; reducing payments for certain specific services; eliminating rate increases for managed care.
- **Provider Contracts and Coordinated Care.** The Governor expects that with aggressive contract negotiations with health care providers that will emphasize new models for care management, service delivery and payment, the program will be able to cut up to an additional \$351 million, netting the state \$175 million in savings.
- **Program Integration with Medicare.** The Governor's budget proposal estimates that the state will be able to net \$25 million in savings by better integrating health care for young disabled adults who are eligible for both Medicare and Medicaid. With approval from the federal government, the program will be designed to improve access to primary care and ensure better coordinated and integrated health care services.

Health Reform and the Health Safety Net

The Governor's budget estimates that the Commonwealth Care caseload will grow by approximately 8 percent over the course of the year, from about 160,800 members to an estimated 174,000. The Commonwealth Care program provides subsidized health care coverage for low- and moderate-income people not eligible for MassHealth. Like in the MassHealth program, the Governor's FY 2012 budget proposal expects that with aggressive cost controls and provider re-contracting, the program will be able to maintain current spending levels in spite of caseload growth and health care cost inflation.

The Governor proposes \$50 million to continue providing health care coverage for more than 20,000 legal immigrants currently receiving health care from the Commonwealth Care Bridge program. This program provides limited health care coverage to immigrants known as "aliens with special status," or AWSS. These are legal immigrants with green cards who have been in the country for fewer than five years, and the federal government will not currently reimburse Massachusetts for their care. Under the new federal health care law, however, the federal government will begin reimbursing states for these immigrants' care in 2014. Close to 19,000 low-income legal immigrants are still currently ineligible for MassHealth, Commonwealth Care or the Commonwealth Care Bridge program.

Other highlights in the Governor's budget include:

- **Pharmacy Coverage for Elders.** The Prescription Advantage pharmacy program, which provides elders with “wrap-around” pharmacy coverage for prescriptions not covered by Part D of the federal Medicare program, receives \$21.7 million in the Governor’s budget proposal. Although this is \$9.9 million less than funding in FY 2011, the administration anticipates that the FY 2012 funding would be sufficient to cover the needs of the program. With the implementation of federal health reform (the Affordable Care Act), part of the gap in prescription drug coverage in the Medicare program known as the “doughnut hole” would now be covered by Medicare.
- **Electronic Medical Records.** The Governor creates a special trust fund, the Health Insurance Technology Trust, to allow the state to apply for federal reimbursement for the development of electronic health records within the MassHealth program. Using \$500,000 of state “seed” money, Massachusetts could get full reimbursement for the costs of developing such a system. The Governor’s budget proposal states that up to \$50 million could be available for providers to implement electronic health record systems in FY 2012.
- **Commonwealth Care Trust Fund.** The Governor proposes transferring \$879.5 million into the Commonwealth Care Trust Fund, including \$759.5 million directly transferred from the General Fund, and \$120 million transferred into the trust fund from the cigarette excise tax. These funds go to support several health care programs: the Commonwealth Care health insurance program, the Commonwealth Care Bridge program, and the Health Safety Net, a program that partially reimburses hospitals and community health centers for health care provided to people without insurance. The Governor’s budget also includes language stating that \$7.5 million of this total be directed to small businesses that offer wellness incentive programs for their employees. In addition to these appropriated funds, the Commonwealth Care Trust Fund will receive \$14.9 million in what are referred to as the “fair share assessments” on certain employers who do not provide health care coverage for their employees, and \$15 million in tax penalties from persons not adhering to the individual mandate for health care coverage.
- **Medical Assistance Trust Fund.** The Governor proposes transferring \$394 million into the Medical Assistance Trust Fund. Through this trust, the state matches assessments received from specific health care providers with federal revenues in order to make payments to providers that care for a large share of low-income patients. In FY 2011 current budget, this fund receives \$686.7 million. It is important to realize, however, that the Medical Assistance Trust Fund is fully-funded by these assessments on providers and matching federal revenue. The reduction in funding between FY 2011 and FY 2012 does not “show up” in the state’s estimate of health care cuts for FY 2012 (because it reflects a change in assessments from providers and federal dollars, rather than a change in the use of the state’s own resources), but it does reflect a decrease in funding for the affected health care providers.

MENTAL HEALTH

The Governor’s budget includes \$607.0 million for mental health programs, a \$21.3 million or 3.4 percent cut from the current FY 2011 budget. The Governor’s mental health budget includes:

- \$69.8 million for children’s mental health services, a \$2.0 million cut from FY 2011 current budgeted totals, and close to \$2 million less than what it might cost to maintain current service levels. This cut will affect the child and adolescent flexible family support program.
- \$383.2 million for adult mental health services, a \$3.0 million cut from FY 2011 current budgeted totals, and approximately \$5 million less than what it might cost to maintain current service levels. This proposal will cut funding from the state’s 33 clubhouse programs, which provide community based supports for adults with mental illness.
- \$127.5 million for mental health facilities, a \$16.4 million cut from FY 2011 current budgeted totals, and an even larger cut from what it would cost to maintain the FY 2011 service levels in the hospitals. There are estimates that this proposal might cut 160 of the state’s current hospital capacity of 658 beds, and there is no comparable increase in community-based services to off-set the impact on services for people with mental illness who might lose facility-based services.

PUBLIC HEALTH

The Governor’s budget includes \$472.4 million for public health programs, a 4.9 percent cut from FY 2011 current budgeted totals. Not only are public health prevention, education and screening programs deeply cut, but funding within the central department is cut by more than one-fifth – \$3.7 million – significantly constraining the ability of the department to plan, evaluate or monitor its programs, and provide the regulatory support

Deep cuts to the Commonwealth’s public health infrastructure include:

- Elimination of the health promotion and disease prevention programs, a cut of \$6.0 million. Currently, these programs provide: breast and cervical cancer screening for close to 15,000 women in Massachusetts; grants in 13 communities for obesity prevention and wellness promotion; colorectal cancer screenings for 1500 people. Moreover, with the cut in state funding, the Commonwealth is at risk of losing \$6 million in matching federal grants to support these public health programs.
- Cutting funding for early intervention services by \$8.0 million, from \$29.4 million in the FY 2011 current budget, to \$21.5 million in the Governor’s proposal. This 27 percent cut could eliminate or reduce services for up to 15,000 of the 30,000 developmentally delayed infants and toddlers currently receiving the occupational, physical, speech or therapies provided by the program. The Department of Public Health anticipates that approximately 9,000 young children with significant delays would continue to receive services as funded by the federal government, while infants and children with slightly less severe disabilities would only be served as long as the state funding lasts.
- Cutting \$1.9 million from school health services, reducing funding from \$11.9 million to \$10.0 million. This 16 percent cut could affect the school-based health clinics and school nursing programs which are often essential gateways to primary care for at-risk young people.
- Cutting \$1.0 million in funding from family health services, a 21 percent cut from \$4.7 million to \$3.7 million. Family health services include comprehensive family planning, HIV counseling and testing, and community-based health education and outreach services.

- Eliminating the academic detailing program and the primary care loan forgiveness program. These two small programs, funded in FY 2011 at \$93,000 and \$157,000 respectively, were a product of the state's health reform initiative. The idea behind these programs was that by supporting the provision of information to physicians about cost-effective prescription use (academic detailing) and by encouraging health professionals to choose primary care careers (the loan forgiveness program), the Commonwealth would be better able to begin to control health care costs. The Governor's proposed FY 2012 budget eliminates funding for these programs entirely.
- The Governor's budget narrative states that there is a particular commitment to funding programs to alleviate youth violence. Accordingly, one of the only public health initiatives that receives an increase in funding is grants for youth violence prevention. The Governor proposes level funding youth violence prevention grants at \$1.5 million, and increasing by \$200,000 the youth-at-risk grants, to a total of \$1.5 million.

STATE EMPLOYEE HEALTH INSURANCE

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

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

HUMAN SERVICES

FY 2011 GAA with all Recovery Funds	\$ 3,337,347,213
FY 2011 Current	\$ 3,345,047,213

FY 2012 Governor	\$ 3,337,531,735
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FY 2012 Governor (Adjusted)*	\$ 3,337,531,735
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Increase (decrease) from FY 2011 Current	\$ (7,515,478)
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<i>Percent Change from FY 2011 Current</i>	<i>-0.2%</i>
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** In cases where the Governor has shifted line items between categories, we have made an adjustment to reflect FY 2011 categories in order to provide an apples-to-apples comparison. See "How to Read the Tables."*

The Governor's Fiscal Year 2012 budget proposal provides \$3.34 billion for human services. While this is almost level funding compared to the FY 2011 GAA with recovery funds, this is a cut of \$7.5 million, or less than 1 percent, from the FY 2011 current budget. Also, as is explained in more detailed below, the actual amount needed for certain programs to provide the same level of services in FY 2012 is greater than the amount proposed by the Governor's budget. This category includes services for children, youth, and families; disability services; elder services; transitional assistance; and other human services.

CHILDREN, YOUTH, & FAMILIES

The Governor's FY 2012 budget proposes to fund the *MassBudget* category of Children, Youth, and Families at \$873.4 million, a decrease of \$14.3 million, or 1.6 percent, from the current FY 2011 budget. This category includes the Department of Children and Families (DCF) and the Department of Youth Services (DYS).

Programs within the Department of Children and Families are proposed to be funded at \$737.9 million, a decrease of \$5.8 million from current FY 2011 levels. Assuming 2 percent cost growth, the Governor's proposed FY 2012 funding level is roughly \$20 million below the actual costs for providing the same level of services as FY 2011. Specifically, the Governor proposes:

- \$242.5 million for Services for Children and Families – which funds family stabilization, unification, permanency, guardianship, and foster care – a decrease of \$4.9 million from current FY 2011 levels.
- \$40.0 million for Family Support and Stabilization, a decrease of 961,000 from current FY 2011 levels.
- \$192.4 million for Group Care Services for children in DCF custody, a decrease of \$9.2 million from current FY 2011 levels.

Programs within the Department of Youth Services are proposed to be funded at \$135.6 million, a decrease of \$8.5 million from current FY 2011 levels. Assuming 2 percent cost growth, the Governor's proposed FY 2012 funding level is roughly \$11 million below the actual costs for providing the same level of services as FY 2011. Specifically, the Governor proposes:

- \$93.6 million for Residential Services for Committed Population, a decrease of \$2.8 million from current FY 2011 levels.
- \$13.8 million for Residential Services for Detained Population, a decrease of \$5.5 million from current FY 2011 levels.

DISABILITY SERVICES

Services for the disabled are funded at \$1.36 billion in the Governor's FY 2012 budget proposal, a 1.4 percent increase compared to current FY 2011 budgeted levels. Nevertheless, the Governor's budget proposed budget is insufficient to continue funding current programs at their current service levels.

Services for the developmentally disabled, on the surface, might appear to have been spared from deep cuts in the Governor's budget. Funding to the Department of Developmental Services receives \$1.3 billion in the Governor's budget, a \$20.8 million increase over the FY 2011 current budget. The FY 2011 appropriated budget, however, is currently approximately \$8.6 million below anticipated spending levels for the year, and there are estimates that it could cost as much as \$30 million more to maintain current service levels into FY 2012. Accordingly, the Governor's budget proposal does not represent a real increase in funding, but will necessitate closer to a \$24 million effective cut in services.

Key issues in the Governor's funding for developmental services include:

- Continuing in the commitment to close the larger state-run institutions (state schools) for the developmentally disabled, the Governor transfers \$6.0 million from funding for institutional care to the account funding the state-operated group homes. State facilities receive \$142.6 million in the Governor's budget (compared to \$150 million in FY 2011); the state-operated group homes receive \$164.8 million (compared to \$147.5 million in FY 2011). Adjusting for the \$6.0 million transfer, both of these accounts are funded at a level that would not require cuts in services for existing clients.
- The Turning 22 account receives \$5.0 million in the Governor's proposal, level with the current FY 2011 budget. Although the Governor's budget does not represent this appropriation as a cut in services, it is not clear that this funding would be sufficient to provide transition services for the estimated 700 disabled young adults who will be leaving secondary schools in 2012 and eligible for supports from the Department.
- Family supports and respite services are cut by \$13.9 million in the Governor's budget proposal, a 30 percent cut. These services - for which there is already a high wait list - offer families with disabled children flexible community-based supports that are particularly important for helping keep children with disabilities out of residential schools. The Governor's budget recommends a total of \$32.6 million, compared to \$46.5 million in the current FY 2011 budget.

Funding for services for the blind and visually impaired receive \$18.1 million in the Governor's budget, \$450,000 less than current budget totals. Funding for rehabilitation services is \$40.3 million, \$898,300 less than current budget totals. Services for the deaf and hard of hearing receive \$4.7 million, \$112,100 less than current budget totals.

ELDER SERVICES

The Governor's budget recommends a total of \$216.0 million for services for elders, a \$4.2 million or 1.9 percent cut from FY 2011 current budgeted totals. Most of the cuts in the Governor's budget are borne by the community home care program. (For information on the Prescription Advantage elder pharmacy program or funding for elders under the MassHealth program, see the "Health Care" section of this *Budget Monitor*.)

- The Governor cuts \$4.9 million (3.6 percent) from the elder home care program to \$132.5 million, level-funding the case management account at \$35.7 million, and cutting the home care purchased services account from \$101.7 million to \$96.8 million. These community-based long term care services are crucial for helping frail elders remain in their homes in the community, and avoid nursing home placement.
- The Governor level-funds the enhanced home care program at \$45.8 million, but this is a slight cut below what it might cost to maintain current FY 2011 levels of service.
- The Governor level funds the elder protective services program at \$15.3 million, which is a 2 percent cut from what it might cost to keep the program at its current service levels. As it is, the program is challenged in keeping up with the demand for full investigation of accusations of abuse or neglect of elders in the community.
- The Governor level funds services in housing sites, including \$1.5 million for congregate housing programs, and \$4.0 million for services in elder housing complexes. The Governor also level funds meals on wheels and congregate lunch programs at \$6.3 million, and level funds local councils on aging at \$7.9 million.
- The Governor proposes \$750,000 for a new program funded by the federal government for elderly veterans called the Veterans Independence Plus Initiative.

TRANSITIONAL ASSISTANCE

The Governor's FY 2012 budget proposal provides \$756.8 million for the Department of Transitional Assistance and the services that it administers. This is a reduction of \$11.0 million, or 1.4 percent, from the FY 2011 current budget. The major cuts include eliminating the Transitional Aid for Families with Dependent Children (TAFDC) clothing allowance, eliminating the Employment Services Program, and level funding Emergency Aid to the Elderly, Disabled, and Children (EAEDC) in the face of rising enrolments.

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

The Governor's budget proposal for transitional assistance also includes:

- Eliminating the Employment Services Program (ESP), which provides job training and placement services to recipients of TAFDC assistance. ESP was funded at \$15.0 million in FY 2011.
- Level funding for EAEDC, at \$89.0 million. If cost and caseload growth is assumed at about 5.5 percent, it would actually require an additional \$4.9 million to provide the same level of services in FY 2012.
- \$900,000 in funding for the Supplemental Nutritional Program (SNAP), which supplements the federal food stamp program. This program had not been provided funding through the state budget in FY 2011 because it was receiving federal recovery funds. These federal provisions will expire at the end of FY 2011.

OTHER HUMAN SERVICES

The Governor's FY 2012 budget proposal provides \$131.2 million for other human services, which includes veterans' services, emergency food assistance (food banks), citizenship and various other programs. This is an increase of \$3.6 million from the FY 2011 current budget, or 2.8 percent. In order to provide the same level of services in FY 2012, however, an additional \$1.3 million in funding would be needed.

Specifically, the Governor's FY 2012 budget proposal includes:

- Level funding for the Soldiers' Home in Massachusetts, at \$25.9 million. Assuming cost growth of about 4 percent, the total cut from the amount needed to provide the same level of services in FY 2012 is actually \$1.0 million.
- \$19.5 million in funding for the Soldiers' Home in Holyoke. This is an increase of \$101,000 from the FY 2011 current budget, but a cut of \$466,000 from the amount needed to account for cost increases.
- \$60.0 million in funding for veterans' benefits and qualified parents and spouses of veterans. This is a \$3.2 million, or 5.6 percent, increase from the FY 2011 current budget.

INFRASTRUCTURE, HOUSING & ECONOMIC DEVELOPMENT

FY 2011 GAA with all Recovery Funds	\$ 1,577,462,957
FY 2011 Current	\$ 1,604,112,957

FY 2012 Governor	\$ 1,551,164,087
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FY 2012 Governor (Adjusted)*	\$ 1,563,457,584
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Increase (decrease) from FY 2011 Current	\$ (40,655,373)
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<i>Percent Change from FY 2011 Current</i>	<i>-2.5%</i>
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** In cases where the Governor has shifted line items between categories, we have made an adjustment to reflect FY 2011 categories in order to provide an apples-to-apples comparison. See "How to Read the Tables."*

The Governor's Fiscal Year 2012 budget proposal provides \$1.56 billion for infrastructure, housing, and economic development programs. This is a \$40.7 million, or 2.5 percent, cut from the FY 2011 current budget. In some cases, as discussed below, the cuts to programs and services are even greater than the amount needed to provide the same level of services in FY 2012, after taking into account increases in costs and caseloads. Also, the Governor's proposal reflects reorganizations that occurred in economic development, housing, and transportation. These changes are explained in more detail within each sub-category.

ECONOMIC DEVELOPMENT

The Governor's FY 2012 budget proposal provides \$80.0 million for economic development programs. This is \$16.1 million, or 16.8 percent, less than the FY 2011 current budget for economic development programs. This sub-category also includes community development, cultural and arts, and workforce development programs.

The Governor's proposed budget implements a reorganization of economic development programs that had been enacted by the Legislature in August of 2010. A new agency, the Massachusetts Marketing Partnership (MMP), was created to coordinate economic development and promotional efforts related to tourism, entertainment, sports, and international trade. The Governor's proposal for FY 2012 includes three new line items for the MMP, which consolidate several existing line items dedicated to these functions.

The first is a new line item for the Massachusetts Office of Travel and Tourism, which consolidates the former Massachusetts Office of Travel and Tourism and the Massachusetts Sports and Entertainment Commission. The Sports and Entertainment Commission includes the Massachusetts Film Office and the Massachusetts Sports Partnership, both of which will become separate entities under the umbrella of the Massachusetts Office of Travel and Tourism. The Governor proposes \$1.8 million in funding for the new Massachusetts Office of Travel and Tourism. This is \$346,000 less than the FY 2011 current budget for the existing line items. The Governor's budget proposal also anticipates a \$5,000,000 contribution from the Massachusetts Convention Center Authority for tourism promotion and marketing, which would be additional funding for the Massachusetts Office of Travel and Tourism. However, because this is an outside commitment for funding, *MassBudget* does not include this in the state's funding totals.

The second new line item under the MMP is for the Massachusetts International Trade Office, which consolidates the existing Massachusetts Office of International Trade and Investment. The Governor proposes \$100,000 in funding for FY 2012 for this new line item, which is level funded from FY 2011 current amounts. Once again, however, the Governor anticipates an outside commitment of \$600,000 from the Massachusetts Technology Collaborative and the Massachusetts Port Authority for the International Trade Office.

Finally, funding for Local Tourist Councils is shifted into a new line item. Although they are not officially a part of the MMP, because funding grants for these councils are administered by the MMP, they are listed in the Governor's budget proposal as the third new line item for the MMP. The Governor proposes \$1.8 million for Local Tourist Councils, which is \$700,000, or 28 percent, below the FY 2011 current budget. However, when compared to the estimate of actual spending for FY 2011, this is only a \$200,000, or 10 percent, reduction.

The economic development reorganization also identifies the Massachusetts Office of Business Development as the lead business development agency. This office would absorb the Office of Small Business and Entrepreneurship. The existing Department of Business Development would no longer exist and the funding associated with this department is moved to the Executive Office of Housing and Economic Development and the Massachusetts Office of Business Development. The Governor proposes \$1.6 million for the Massachusetts Office of Business Development, which is \$277,000 above the FY 11 current budget. An additional \$700,000 would be provided to the Office of Small Business through an outside commitment from the Growth Capital Corporation.

The Governor's FY 2012 budget proposal also includes:

- Moving \$19.9 million in funding for the Workforce Training Fund to an off-budget trust fund.
- Eliminating funding for District Local Technical Grants, which are formula-based grants to Regional Planning Agencies (RPAs) that provide technical assistance to municipalities for various land use, zoning, planning and regionalization initiatives. This was funded at \$2 million in FY 2011. The Governor proposes a new fund, the Municipal Regionalization and Efficiencies Incentive Reserve, which would provide funding for some of the same initiatives; however it would be a competitive grant program that both municipalities and RPAs would be able to apply for, rather than a formula-based grant allocated to RPAs. Further explanation of this new fund is included in the *MassBudget* category for Local Aid.
- Eliminating the program to fund workforce training for former dog track workers. This is funded at \$2 million in the FY 2011 current budget.

HOUSING

The Governor's Fiscal Year 2012 (FY 2012) budget recommends spending \$299.1 million for affordable housing programs. The Governor's proposal is \$23.5 million or 7.3 percent less than the FY 2011 current budget. Along with his budget, the Governor filed legislation that would provide an additional \$6 million in FY 2011 for the Emergency Assistance program (EA) for homeless families. If this legislation is passed, the Governor's FY 2012 proposal is \$29.5 million or 9 percent less than what the state expects to spend on housing programs in FY 2011.

The Governor's FY 2012 budget proposal reduces funding for assistance to homeless families living at or below 115 percent of poverty by \$23.0 million. The Governor's budget also reorganizes how services are provided to these families. Under the current system, eligible homeless families receive shelter and services through the Emergency Assistance program (EA). Under the Governor's FY 2012 proposal, described in more detail below, eligible homeless families would either be provided with shelter through the EA program or by a new Home Base program depending on their circumstances. As shown in the table below, the Governor's FY 2012 budget recommends providing \$136.4 million in funding for these two programs which is \$23.0 million less than what the state expects to spend in FY 2011. According to documents accompanying the Governor's budget proposal, the state expects to serve the same number of families (7,000) in FY 2012 as it did in FY 2011 with this lower level of funding because under the Governor's plan, many families will no longer be eligible to stay in family shelters, which cost on average \$30,000 per year. Instead, these families will receive assistance up to \$8,000 per year to stay in their current housing or to find new, permanent housing.

State Funding for Homeless Families

Program	FY 2011 GAA	FY 2011 Estimated Spending	FY 2012 Governor (adj.)
Emergency Assistance	\$137,360,773	\$159,375,116	\$97,797,200
HomeBase	-	-	\$38,561,732
Total	\$137,360,773	\$159,375,116	\$136,358,932

As part of Massachusetts' Housing First initiative, the Governor's FY 2012 budget proposal reorganizes how the state helps low-income, homeless families. The Governor's budget recommends:

- \$97.8 million for shelter and services through the EA program. Under this proposal, only certain homeless families will be eligible for shelter and assistance including those who are homeless due to domestic violence, emergencies including fires or other natural disasters and those whose head of household is 21 years or younger. Other low-income families, who live at or below 115 percent of poverty and are homeless or at risk of becoming homeless, will no longer be provided with shelter through the EA program.
- \$38.6 million for the new Massachusetts Short Term Housing Transition Program (Home Base). Families, living at or below 115 percent of poverty, who are homeless or at risk of becoming homeless and are not eligible for EA shelter and services, would be provided assistance through the Home Base program. Working through a network of regional housing agencies, Home Base would provide transitional assistance to try and help these families find and stay in permanent housing. Home Base would provide these families with up to three years of temporary assistance of no more than \$8,000 per year (or \$667 per month) per family for the first year, and 5 percent less for each of the next two years. The funding would be used to help with rent or to cover arrearages, utility bills or security deposits. It is unclear whether the monthly allowance for rent of \$667 under the Home Base program will be sufficient to help low-income families who live in Greater Boston find adequate housing.

For other affordable housing programs the Governor recommends:

- Increasing state funding for the Massachusetts Rental Voucher Program (MRVP) to \$35.9 million which is \$1.6 million more than the FY 2011 current budget and \$2.7 million more

than the FY 2011 GAA. In FY 2011 MassHousing contributed \$2.7 million to MRVP in addition to the \$33.2 million appropriated in the FY 2011 GAA. Because it is unclear whether MassHousing will provide the same contribution in FY 2012,⁵ the Governor's budget recommends that the state make up the loss of MassHousing funds. If MassHousing does not provide any contributions to this program in FY 2012, the Governor's recommendation will be \$1.1 million less than total funding in FY 2011 because the state provided an additional \$1.1 million in supplemental appropriations for MRVP during the course of FY 2011.

- Level funding the homeless individuals account at \$37.3 million and the Home and Healthy for Good program at \$1.2 million. While this is the same amount provided to programs that provide shelter and services to homeless individuals in FY 2011, it may be less than what is needed to provide the same level of services in FY 2012.
- Level funding subsidies to public housing authorities at \$62.5 million. While this is the same amount provided to public housing authorities in FY 2011, it may be less than these authorities need to provide the same level of services in FY 2012.
- Level funding voucher programs for the disabled and clients of the Department of Mental Health at \$3.5 million and \$4 million respectively.
- Level-funding the program that provides Residential Assistance to Families in Transition (RAFT) at \$260,000.
- No funding for the Soft Second Loan Program which is the same as the FY 2011 budget. The Governor's FY 2012 budget, however, recommends that the Massachusetts Housing Partnership (MHP) contribute \$2 million to this program in FY 2012, the same amount it contributed in FY 2011.⁶

TRANSPORTATION

The Governor's FY 2012 budget proposal provides \$1.14 billion for transportation services. This is a decrease of \$2.0 million from the FY 2011 current budget. The Governor's proposal reflects the second year of implementing the transportation reorganization that created the Massachusetts Department of Transportation (MassDOT).

MassDOT allocates funding for transportation services and programs through four divisions that were created during FY 2011: Highway, Mass Transit (which oversees the Massachusetts Bay Transportation Authority (MBTA) and Regional Transit Authorities (RTAs), as well as other freight and passenger rail), Aeronautics, and the Registry of Motor Vehicles (RMV). The Massachusetts Transportation Trust Fund (MTTF), which funds MassDOT, is allocated \$195.6 million in the Governor's FY 2012 proposal. This includes \$15 million in funding for RTAs, which was moved from a dedicated operating transfer

⁵ Documents accompanying the Governor's FY 2012 budget proposal state that MassHousing will contribute \$8.4 million to MRVP in FY 2012. According to the Executive Office of Administration and Finance, while MassHousing will provide this money to support state affordable housing programs in FY 2012, it is not yet clear how this money will be distributed. The list of contributions by quasi-public agencies is available on the Governor's budget website at:

http://www.mass.gov/bb/h1/fy12h1/exec_12/hbuddevsol.htm

⁶ Ibid.

to the line item for the MTTF. RTAs were funded at \$15 million in FY 2011 also. The remaining amount, \$180.6 million, would be allocated to various transportation programs and services. This represents a \$14.5 million, or 7.4 percent, reduction from the FY 2011 current budget.

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

LAW & PUBLIC SAFETY

FY 2011 GAA with all Recovery Funds	\$ 2,269,660,093
FY 2011 Current	\$ 2,279,400,928

FY 2012 Governor	\$ 2,236,796,171
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FY 2012 Governor (Adjusted)*	\$ 2,244,402,674
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Increase (decrease) from FY 2011 Current	\$ (34,998,254)
<i>Percent Change from FY 2011 Current</i>	<i>-1.5%</i>

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

After adjusting for significant line item consolidations and reorganizations, the Governor's Fiscal Year 2012 budget provides \$2.24 billion in funding for law and public safety. This total is \$35.0 million (or 1.5 percent) less than the FY 2011 current budget levels for law and public safety programs. The Governor's budget documents, however, show projected final FY 2011 spending at \$2.32 billion. Assuming cost growth of 2 percent to provide similar services in FY 2012, the Governor's FY 2012 budget would provide some \$130 million less than required to maintain current levels of service.

The Governor, however, proposes significant reorganization of some state agencies, affecting several areas of law and public safety. The Governor's budget documents suggest that one of the effects of these changes will be the ability to provide similar levels of service at lower cost. Some notable changes include:

- Restructuring of probation and parole. This restructuring proposal has two major features. First, a new Department of Community Supervision would be established and would assume responsibility for most probation and parole functions. Second, the new department would be housed within the executive branch, thus moving ultimate authority for management and oversight of most probation and parole activities to the Administration and out of the hands of the Judiciary
- Consolidation of the administration of the trial courts under the authority of the Chief Justice for Administration and Management (CJAM). Funding for the trial courts would occur through a single appropriation to the CJAM account rather than providing separate funding to each of the trial courts directly.
- Elimination of the Committee for Public Counsel Services, replacing it with a new Department of Public Counsel to oversee indigent legal defense. The new department would be housed within the Executive branch, thus moving ultimate authority for management and oversight of indigent defense activities to the administration and out of the hands of the Judiciary.

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 Governor's budget recommends \$586.9 million in funding for Courts and Legal Assistance, representing a decrease of \$11.6 million (or 1.9 percent) from current FY 2011 budget levels, and a decrease of \$54.0 million from the Governor's estimated final FY 2011 spending tallies (although the Governor's budget documents also indicate that some \$45 million of this estimated additional \$54 million is due to an increase in indigent defense costs beyond current FY 2011 spending levels). Notable elements include:

- In part to help control indigent defense costs in the future, the Governor recommends transitioning away from the practice of paying private attorneys to represent defendants who cannot afford to hire their own attorney. According to the administration, private attorneys currently cover 90 percent of the caseload for these defendants, while salaried public defenders carry the remaining 10 percent of cases. As part of this change, the Governor recommends eliminating the Committee for Public Counsel Services, replacing it with a new Department of Public Counsel that would hire salaried attorneys to act as public defenders. The new department would be housed within the executive branch, thus moving ultimate authority for management and oversight of most probation and parole activities to the administration and out of the hands of the judiciary.
- The Governor's budget documents suggest that providing indigent defense services through public attorneys rather than with private counsel will save the Commonwealth \$45 million in FY 2012. The Governor recommends \$162.7 million in funding for the new Department of Public Counsel in FY 2012, a \$45.3 million reduction from the Governor's budget document estimates of total spending requirements (\$208.0 million) for these services in FY 2011.
- The Governor also recommends significant consolidation of line items pertaining to the trial courts, shifting funding to the Chief Justice for Administration and Management (CJAM). This includes the operation of the Superior Court, District Court, Probate and Family Court, Land Court, Boston Municipal Court, Housing Court, and Juvenile Court. In total, the Governor's recommendation of \$341.5 million for all affected line items falls \$9.1 million (or 2.6 percent) below currently budgeted amounts for FY 11 (these figures include a downward adjustment of \$31.4 million in these accounts made by *MassBudget* in order to keep all probation related funding in the subcategory "Prisons, Probation, and Parole," thereby allowing for proper apples-to-apples comparisons with prior year funding levels). Assuming an average 4 percent cost growth above current FY 2011 costs for providing these services in FY 2012, the Governor's FY 2012 budget proposal falls some \$20 million below this maintenance funding level.

PRISONS, PROBATION & PAROLE

The Governor's FY 2012 budget recommends \$1.15 billion for prisons, probation and parole, a decrease of \$29.6 million (or 2.5 percent) relative to current FY 2011 levels and \$35.5 million (or 3.0 percent) less than anticipated final FY 2011 spending of \$1.18 billion presented in the Governor's budget documents. The Governor's FY 2012 recommended total therefore is some \$60 million below the costs for providing these services in FY 2012, assuming 2 percent cost growth above the final expected FY 2011 spending total. Notable elements include:

- The Governor's FY 2012 budget transfers most of the responsibility and funding for probations oversight to a new Department of Community Supervision, while leaving a smaller portion of probation related responsibilities under the authority of the Chief Justice for Administration and Management (CJAM). In addition to oversight of most probation related activities, the new Department of Community Supervision also would provide oversight for most of the state's parole functions.
- Of the \$146.6 million in total funding for probation and parole related activities recommended by the Governor in FY 2012, \$115.2 million would be appropriated to the new Department of Community Supervision in the Executive branch, with \$97.5 million allocated to probation and \$16.5 million to parole functions (another \$1.2 million would remain with the Parole Board). The remaining \$31.4 million would be appropriated to the CJAM, primarily for managing Juvenile Court and Family Court related juvenile probation activities (MassBudget, however, assigns this funding to our category of "Prisons, Probations, and Parole", maintaining consistency with our past adjustment practices, thus allowing for continued apples-to-apples comparison of probation and parole funding levels between years). The Governor's recommended funding level (\$146.6 million) for probation and parole is \$13.0 million (or 8.1 percent) below current FY 2011 levels.
- For the Department of Corrections Operations (DOC), the Governor's FY 2012 budget recommends \$519.4 million in funding. The Governor proposes consolidating several substance abuse programs into the DOC appropriation as well. Taking this recommendation for consolidation into account, the Governor's FY 2012 budget recommendation constitutes a reduction of \$3.6 million (or 0.7 percent) from current FY 2011 levels for combined DOC and related substance abuse services. Given normal year-to-year cost growth, the gap between the Governor's FY 2012 recommended funding level for DOC and the cost of providing the same level of services as was provided in FY 2011 would be substantially more than \$3.6 million.

LAW ENFORCEMENT

In total, the Governor's FY 2012 budget includes \$326.1 million in funding for law enforcement. This represents an increase of \$1.8 million (or 0.5 percent) over current FY 2011 budget levels.

- Of this total (\$326.1 million), the Governor recommends \$227.6 million be appropriated for State Police Operations, a reduction of \$6.1 million from current FY 2011 levels.
- As in the Governor's FY 2011 budget, his FY 2012 budget proposes to fund police training through an automobile insurance surcharge. The surcharge would be applied to private auto insurance and cost \$2.50 - \$2.75 per policy per year. The \$4 million in estimated proceeds would help to fund the Municipal Police Training Committee and an annual state police class which together would receive a total of \$8 million in the Governor's budget.
- The Governor's budget also recommends increased funding for gang violence prevention grants, or Shannon Grants. FY 2012 funding would increase to \$8.0 million, a \$3.5 million increase over the FY 2011 appropriation of \$4.5 million. This additional funding would be provided in two disbursements. The Governor's FY 2012 budget recommends an increase to \$5.5 million. The Governor, however, includes an additional \$2.5 million for this program in a mid-year FY 2011 supplemental request (*MassBudget* counts this as FY 2011 funding, and thus it

does not appear in the FY 2012 totals for the category Law and Public Safety). Under the Governor's proposal, this FY 2011 supplemental funding would be used in FY 2012, thus bringing the total FY 2012 funding to \$8 million. The Shannon Grant Program distributes grants to communities to reduce gang and youth violence through prevention and intervention, providing programs such as job skills workshops, outreach to at-risk youth, and prisoner reentry programs.

PROSECUTORS

The Governor's FY 2012 budget includes \$136.2 million in funding for prosecutorial services including administration of the Office of the Attorney General, District Attorneys, fraud investigation and prosecution, and victim and witness protection. This represents an increase of \$4.4 million (or 3.4 percent) over current FY 2011 budget levels. Notable elements of the Governor's recommendations relative to FY 2011 current spending include:

- An across the board increase in funding for District Attorneys offices of 5 percent.
- An increase of \$250,000 (or 6.6 percent) in funding for the Medicaid Fraud Control Unit to \$4.1 million.
- A decrease of \$454,100 (or 2.0 percent) to \$22.3 million in funding for the Office of the Attorney General.

OTHER LAW & PUBLIC SAFETY

The Governor's FY 2012 budget includes \$47.9 million in funding for other law and public safety programs, which include the Massachusetts Emergency Management Agency, the state's military division, the Department of Fire Services Administration, the Department of Public Safety and other emergency relief. This represents a very small increase of \$46,500 over current FY 2011 funding levels.

The Governor recommends consolidating the Division of Inspections into the Department of Public Safety. When funding for the two accounts is looked at together, the Governor's FY 2012 budget recommends \$4.6 million or \$311,700 less than current FY 2011 funding levels. In FY 2012, the Executive Office of Public Safety and Security will see a reduction of \$37,600 to \$1.8 million from FY 2011 current spending levels. The Governor also recommends transferring funding for the Merit Rating Board to the Massachusetts Transportation Trust Fund, a shift of \$7.6 million between these accounts (*MassBudget* adjusts accordingly in order to continue to track this funding as part of Other Law and Public Safety rather than Transportation funding). Funding for the Massachusetts Emergency Management Agency is recommended to increase by \$273,200 (or 22.5 percent) in FY 2012 to \$1.5 million.

LOCAL AID

FY 2011 GAA with all Recovery Funds	\$ 925,212,293
FY 2011 Current	\$ 925,212,293

FY 2012 Governor	\$ 870,400,293
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FY 2012 Governor (Adjusted)*	\$ 870,400,293
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Increase (decrease) from FY 2011 Current	\$ (54,812,000)
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<i>Percent Change from FY 2011 Current</i>	<i>-5.9%</i>
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** In cases where the Governor has shifted line items between categories, we have made an adjustment to reflect FY 2011 categories in order to provide an apples-to-apples comparison. See "How to Read the Tables."*

The Governor's budget proposes to fund the full *MassBudget* category of Local Aid at \$870.4 million, a decrease of \$54.8 million, or 5.9 percent, from current Fiscal Year (FY) 2011 levels. This category includes unrestricted aid provided to cities and towns to fund their municipal budgets, not including Chapter 70 education aid. Local aid to cities and towns has been cut significantly over time, with the Governor's FY 2012 proposal representing a 46.4 percent decrease from FY 2001, after adjusting for inflation.

- House 1 proposes to fund local aid to cities and towns (Unrestricted General Government Local Aid) at \$834.0 million, a decrease of \$65.0 million, or 7.2 percent, from the current FY 2011 budget. The effect of this cut is somewhat more severe when considered in the context of inflation, since the costs of providing baseline municipal services rise year to year.
- House 1 proposes the creation of a new \$9.7 million Regionalization and Efficiency Incentive Grant Program designed to help support municipalities seeking efficiencies in the delivery of local services.
- House 1 proposes the creation of a new \$300,000 fund for the development of a program to enhance performance management, accountability, and transparency for local governments.
- House 1 proposes to fund Payments to Cities and Towns for Local Share of Racing Tax Revenue at \$1.2 million, an increase of \$188,000, or 19.5 percent, from the current FY 2011 budget.

OTHER

FY 2011 GAA with all Recovery Funds	\$ 4,107,948,045
FY 2011 Current	\$ 4,120,534,001
<hr/>	
FY 2012 Governor	\$ 4,228,484,310
FY 2012 Governor (Adjusted)*	\$ 4,228,484,310
Increase (decrease) from FY 2011 Current	\$ 107,950,309
<i>Percent Change from FY 2011 Current</i>	<i>2.6%</i>

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

DEBT SERVICE

The Governor's FY 2012 budget recommends appropriating \$2.07 billion for debt service costs, an increase of \$153.4 million (or 8.0 percent) from the \$1.91 billion provided in current FY 2011 spending. Additional measures were taken last year, however, to shift a portion of FY 2011 debt service costs into future years in order to reduce FY 2011 budgetary demands (see below). Comparison with last year's debt service costs therefore gives a somewhat distorted view of the year-over-year cost growth.

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

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

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

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

LIBRARIES

The Governor's FY 2012 budget recommends \$21.0 million for libraries which is \$420,900 or 2.0 percent less than the current budget for FY 2011.

In his budget for libraries the Governor recommends:

- Reducing funding by \$350,000 from the FY 2011 current budget for the Boston Public Library (BPL), also known as the library of last recourse. Historically the BPL has received funding through the account that provides state aid to local libraries. A supplemental appropriations bill signed by the Governor in January created a new account for the BPL and provided \$350,000 in addition to the \$1.9 million in funding it received through the local library aid account in FY 2011. The Governor's FY 2012 budget recommends moving \$1.9 million out of the local aid to libraries into the new BPL account which is the same amount it received in the FY 2011 GAA but is \$350,000 less than the amount it received in the FY 2011 current budget.
- Providing \$6.9 million in state aid to local libraries other than the Boston Public Library which is the same level as the FY 2011 current budget.
- Merging the Talking Book Programs in Worcester and Watertown into a single program and recommending that these programs receive \$2.7 million which is the same level as the current FY 2011 budget.

PENSIONS

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

The primary change has been to extend the pension funding schedule from 2025 to 2040. By extending the schedule by 15 years, the annual appropriation for each year is reduced. However, because the appropriation for pensions was cut by \$155.5 million in FY 2009, provisions are also in place to provide increases to the appropriation in the short term to make up for this cut, and to ensure an adequate level of funding in the long term. Between FY 2013 and FY 2017, the annual appropriation will increase 5 to 6 percent. Thereafter, the state appropriation could not be reduced even if there are investment gains that would otherwise lower the annual appropriation. Instead, any gains in the pension fund could be used to shorten the funding schedule.

REVENUE

The Fiscal Year 2012 consensus tax revenue figure agreed to by the administration, the House and the Senate is \$20.53 billion, an amount 3.7 percent above the recently revised FY 2011 revenue estimate of \$19.78 billion. The Governor's FY 2012 budget does not propose broad-based tax increases, but there are several tax and other revenue initiatives totaling an estimated \$629.7 million in FY 2012. Of this total, \$385.2 million would come from one-time sources, while the remaining \$244.5 million would come from changes that would produce ongoing additional revenue in future years. The resources include:

ONE-TIME RESOURCES

- Making a \$200 million withdrawal from the Stabilization Fund ("rainy day fund").
- Raising \$99 million from liquidation of abandoned private property and an additional \$15 million from the sale of underutilized state-owned properties.
- Delaying implementation of a provision included in the Commonwealth's 2008 package of reforms to corporate taxation. This provision relates to the interaction of Federal Accounting Standard 109 (or "FAS 109") and the 2008 reform package. The Governor estimates that delaying implementation of this provision will save the Commonwealth \$45.9 million in FY 2012.
- Negotiating contributions (or, effectively reductions in the share of operating costs covered by the Commonwealth) totaling \$25.3 million from the quasi-public agencies with which the state partners for a variety of activities, including some focused on economic development, on development of affordable housing, on promotion of the arts and wellness, and others. *MassBudget* counts this \$25.3 million as cuts in state funding for the affected programs as the negotiated contributions are used to fill holes created by direct reductions in state funding.

ONGOING RESOURCES

- Pursuing a \$78 million increase in federal Medicaid reimbursements potentially available to the Commonwealth under the terms of the state's waiver that provides increased funding based on novel improvements in the Massachusetts has implemented in its health care delivery system. The additional funding must be approved by the US Centers for Medicare and Medicaid Services (CMS).
- Enhancing revenue collections by expanding the number of employees directly performing tax examination, audit and appeals functions (at an additional cost of \$1.2 million in FY 2012). The new employees will allow DOR to crackdown on tax evasion, both individual and corporate, and collect the taxes that are legally due to the Commonwealth. The administration estimates that this initiative will generate \$61.5 million in additional collections for the Commonwealth annually, primarily through increased assessments and collections from taxpayers.

Governor's FY 2012 Additional Revenue Recommendations	
	(\$ in millions)
<i>One time resources:</i>	
Use of Stabilization Fund reserves	200
Abandoned property and sale of underutilized land	114
Delay of FAS 109 provision	45.9
Quasi-public contributions	25.3
<i>Subtotal =</i>	385.2
<i>Ongoing resources:</i>	
Federal Medicaid waiver reimbursement	78
Enhanced DOR collections	61.5
Revenue maximization	40
Fix corporate excise sales factor	20
Expand bottle bill	20
Enhance medical support compliance for child support cases	8
Enforce room occupancy tax on hotel room resellers	8
Cap Life Sciences Credit	5
Automobile insurance policy surcharge	4
<i>Subtotal =</i>	244.5
<i>Total =</i>	629.7

- Maximize the revenue-generating activities of state agencies, particularly with regards to federal revenue claiming. The administration estimates this effort would raise an additional \$40 million annually.
- Changing the share of profits of certain multi-state corporations that will be apportioned to Massachusetts for tax purposes. One of the factors that determine the share of a corporation's profits that are taxed in Massachusetts is the share of its sales nationally that occur in Massachusetts. Under current law, sales of services are sometimes treated as occurring outside Massachusetts even though the purchaser is in Massachusetts and the service is used in Massachusetts. Under the Governor's proposal, sales of services to Massachusetts consumers would count as Massachusetts sales and thus would increase the share of the company's income that would be taxed in Massachusetts. The Governor estimates the change would raise \$20 million in FY 2012.
- Expanding the bottle bill to include non-carbonated drinks such as water, juice and sports drinks. Under this proposal, consumers would pay a redemption fee of five cents per container at the cash register (which is remitted to the state), but could reclaim this money when they return their bottles to a redemption center. Some containers, however, are not returned to redemption centers by consumers, and the state thus retains this revenue. The Governor estimates the proposed change would generate some \$20 million in additional annual revenue (\$6.5 million of which would be dedicated to recycling programs).

- Creating a new legal requirement for noncustodial parents (for whom private health insurance is not available) to make cash contributions toward the cost of their children's health insurance. DOR estimates that this added parental contribution in cases in which health insurance is provided to the child through the state would generate \$8 million in FY 2012 revenue and - once fully implemented and as new or revisited child support cases steadily move through the courts under the new provisions - revenue collections would rise to between \$17 million and \$23 million annually in FY 2013 and beyond.
- Enforcing collection by and remittance of the full Room Occupancy Tax on the part of Internet room resellers based on the reseller's markup price. At present, some internet room sellers collect and remit the tax only on the portion of the total bill paid by the consumer that arises directly from the cost of the room itself, neglecting to collect tax on the portion of the total bill that reflects the internet seller's service fee. Massachusetts hotels and motels, however, collect and remit tax on the full amount they are actually paid. Enforcement efforts by DOR would help to equalize the tax costs associated with renting a room online or directly from a bricks and mortar operation here in Massachusetts. The administration estimates that the revenue impact from this proposal in fiscal year 2012 would be \$8 million (with an August 1st effective date) and \$8.7 million for the state when fully annualized.
- Capping the value of the Life Sciences Credit at \$20 million in total forgone revenues rather than the usual \$25 million. This would save \$5 million in FY 2012.
- Applying a surcharge to the purchase of private auto insurance, costing \$2.50 - \$2.75 per policy per year. This surcharge would raise an estimated \$4 million annually.

APPENDIX A: What are the “adjustments” made to the Governor’s FY 2012 budget proposal?

In order to allow for accurate comparisons of FY 2012 budget proposals to FY 2011 budget totals, *MassBudget* “adjusts” budget totals when the FY 2012 proposal recommends departmental reorganizations. 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 2012 totals reflect the following adjustments:

Higher Education

Community Colleges, State Universities, and UMass Campuses. The FY 2012 Governor’s budget proposal for higher education reflects the Legislature’s plan to allow all campuses of public higher education to begin retaining tuition payments from out-of-state students, rather than remitting that revenue back to the state. *MassBudget* adjusts upwards the Governor’s campus allocations by these projected amounts to allow for accurate comparisons of resources available at an individual campus to previous years when tuition had to be remitted to the state. For a listing of the specific amounts, please see the “How to Read the Tables” on page 2.

Economic Development

7003-0701 Workforce Training Fund. In FY 2011, the Workforce Training Fund is administered through the Department of Workforce Development. The Governor’s FY 2012 budget proposal shifts this fund into an off-budget trust fund. In order to allow for an accurate comparison to FY 2011, *MassBudget* adjusts this account by moving the funding back into line item 7003-0701.

Other Law and Public Safety

8400-0100 Merit Rating Board. In FY 2011, the Merit Rating Board is funded through the Executive Office of Public Safety and Security, which is categorized by *MassBudget* as “Other Law and Public Safety.” The Governor’s FY 2012 budget proposal consolidates funding for the Merit Rating Board with the Massachusetts Transportation Trust Fund (1595-6368), which is listed in the *MassBudget* subcategory “Transportation.” In order to allow for accurate comparison between FY 2011 and the Governor’s FY 2012 proposal, *MassBudget* adjusts this account by retaining the funding in line item 8400-0100.

Transportation

1595-6368 Massachusetts Transportation Trust Fund. The Governor’s FY 2012 budget proposal consolidates funding for the Merit Rating Board (8400-0100), in the *MassBudget* subcategory “Other Law and Public Safety.” with the Massachusetts Transportation Trust Fund, in the *MassBudget* subcategory “Transportation.” In order to allow for an accurate comparison between FY 2011 and the Governor’s FY 2012 proposal, *MassBudget* adjusts this account by moving the Merit Board Rating funds back into line item 8400-0100.

Courts and Legal Assistance

0330-0300 Office of the Chief Justice of Administration. In FY 2011, probation functions were funded through the Department of Probation within the Judiciary under line items 0339-1001, 0339-1003, and 0339-1009, while parole functions were funded through the Department of Parole (8950-0001). *MassBudget*, however, grouped these together under one subcategory, “Prisons, Probation, and Parole.” In his FY 2012 budget, the Governor proposes reorganizing probation and parole functions and

funding. The majority of probation and parole functions now would be funded through a new Department of Re-entry and Community Supervision (line item 8940-0100) which is listed in the *MassBudget* subcategory "Prisons, Probation, and Parole." A portion of the money (\$31,388,157) previously available to support probation functions, however, would be transferred, under the Governor's FY 2012 proposal, to the Chief Justice for Administration and Management (0330-0300) (specifically for administering juvenile probation functions through the Family Court and Juvenile Court). To allow for accurate comparisons with past years, *MassBudget* adjusts to show this funding as occurring within the subcategory "Prisons, Probations, and Parole."

Prisons, Probation and Parole

8940-0100 Department of Community Supervision. In FY 2011, probation functions were funded through the Department of Probation within the Judiciary under line items 0339-1001, 0339-1003, and 0339-1009, while parole functions were funded through the Department of Parole (8950-0001). *MassBudget*, however, grouped these together under one subcategory, "Prisons, Probation, and Parole." In his FY 2012 budget, the Governor proposes reorganizing probation and parole functions and funding. The majority of probation and parole functions now would be funded through a new Department of Re-entry and Community Supervision (line item 8940-0100) which is listed in the *MassBudget* subcategory "Prisons, Probation, and Parole." A portion of the money (\$31,388,157) previously available to support probation functions, however, would be transferred, under the Governor's FY 2012 proposal, to the Chief Justice for Administration and Management (0330-0300) (specifically for administering juvenile probation functions through the Family Court and Juvenile Court). To allow for accurate comparisons with past years, *MassBudget* adjusts to show this funding as occurring within the subcategory "Prisons, Probations, and Parole."

APPENDIX B: Budget by Category and Subcategory

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

CATEGORY (in millions)	FY 2011		FY 2012		FY 2012 Gov. (adj.) compared to FY 2011 Current
	GAA with federal recovery funds	Current	Governor	Governor (adj.)	
Education	6,662.5	6,662.5	6,619.5	6,639.1	-0.4%
Early Education and Care	510.2	510.2	510.1	510.1	0.0%
Higher Education	1,012.0	1,012.0	933.7	953.4	-5.8%
K-12: Chapter 70 Aid	4,072.3	4,072.3	3,990.5	3,990.5	-2.0%
K-12: Non-Chapter 70 Aid	423.5	423.5	506.9	506.9	19.7%
K-12: School Building	644.3	644.3	678.1	678.1	5.2%
Environment & Recreation	162.7	165.0	166.1	166.1	0.7%
Environment	74.4	74.6	77.1	77.1	3.3%
Fish and Game	17.6	17.4	17.7	17.7	1.5%
Parks and Recreation	70.7	73.0	71.3	71.3	-2.2%
Health Care*	14,265.1	14,569.4	14,293.3	14,293.3	-1.9%
MassHealth (Medicaid) and Health Reform	11,728.6	12,021.5	11,825.3	11,825.3	-1.6%
Mental Health	628.3	628.3	607.0	607.0	-3.4%
Public Health	492.3	496.7	472.4	472.4	-4.9%
State Employee Health Insurance	1,416.0	1,422.8	1,388.6	1,388.6	-2.4%
Human Services	3,337.3	3,345.0	3,337.5	3,337.5	-0.2%
Children, Youth, and Families	886.7	887.7	873.4	873.4	-1.6%
Disability Services	1,341.8	1,341.8	1,360.1	1,360.1	1.4%
Elder Services	217.8	220.2	216.0	216.0	-1.9%
Transitional Assistance	763.5	767.8	756.8	756.8	-1.4%
Other Human Services	127.6	127.6	131.2	131.2	2.8%
Infrastructure, Housing & Economic Development	1,577.5	1,604.1	1,551.2	1,563.5	-2.5%
Commercial Regulatory Entities	48.3	48.3	49.2	49.2	1.9%
Economic Development	94.8	96.1	60.1	80.0	-16.8%
Housing	297.2	322.6	299.1	299.1	-7.3%
Transportation	1,137.2	1,137.2	1,142.8	1,135.2	-0.2%
Law & Public Safety	2,269.7	2,279.4	2,236.8	2,244.4	-1.5%
Courts and Legal Assistance	598.4	598.4	618.3	586.9	-1.9%
Law Enforcement	324.3	324.3	326.1	326.1	0.5%
Prisons, Probation and Parole	1,167.5	1,177.0	1,116.0	1,147.4	-2.5%
Prosecutors	131.5	131.7	136.2	136.2	3.4%
Other Law and Public Safety	48.0	48.0	40.3	47.9	-0.1%
Local Aid	925.2	925.2	870.4	870.4	-5.9%
General Local Aid	899.0	899.0	834.0	834.0	-7.2%
Other Local Aid	26.2	26.2	36.4	36.4	38.8%
Other	4,107.9	4,120.5	4,228.5	4,228.5	2.6%
Constitutional Officers	82.0	82.0	67.6	67.6	-17.5%
Debt Service	2,104.7	2,104.7	2,260.2	2,260.2	7.4%
Executive and Legislative	55.5	65.5	62.8	62.8	-4.2%
Libraries	21.1	21.5	21.0	21.0	-2.0%
Pensions	1,441.8	1,441.8	1,478.0	1,478.0	2.5%
Other Administrative	402.8	405.0	338.9	338.9	-16.3%
Total Appropriations & Transfers*	33,308.0	33,671.1	33,303.2	33,342.8	-1.0%

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