

## Analyzing the House Ways & Means Budget for FY 2018

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The funding proposals in the House Ways and Means Committee budget would generally maintain existing service levels while making small targeted new investments in several areas including housing, education, and substance abuse prevention and treatment.

This budget also addresses a major fiscal challenge identified by the Governor: the increases in MassHealth costs related to declines in employer-provided health care and increases in private-sector employees receiving their health coverage through MassHealth. The Governor had proposed a \$2,000 per employee assessment on employers who failed to meet certain benchmarks for providing coverage to their employees. While this amount is significantly less than the \$5,000 or more it would generally cost employers to provide coverage for their employees directly, the assessment has been criticized by some in the business community. There have been particular complaints about the elements of the Governor’s proposal that would assess employers who cover less than 80 percent of their employees even in cases where the employees not receiving coverage from the employer are already covered by other private insurance – such as through a spouse or parent. The House Ways and Means budget supports the Governor’s proposal in principle, while creating a structure for the Administration to address these types of concerns and reducing the expected Fiscal Year (FY) 2018 revenue from \$300 million to \$180 million.

Among the highlights of the budget proposal is a funding increase to expand access to affordable housing through the Massachusetts Rental Voucher Program that provides subsidies to help low-income families and seniors to pay for housing. The

proposal for this program is \$13.5 million above the current level and \$2.5 million more than proposed by the Governor. The budget, however, would reduce funding for shelter for low-income families by \$20.5 million. The increased funding for affordable housing will likely reduce the need for shelter, but not likely by \$20.5 million. Since there is a legal right to shelter in Massachusetts, if the funding for that item is insufficient the Legislature will be required to provide supplemental funding later in the year. In recent years there has been a pattern of underfunding such accounts that has contributed to the mid-year fiscal challenges the state has faced.

The House Ways and Means budget also proposes a \$15 million increase to raise the rates paid to providers of early education and would provide local school districts with \$27.5 million more in Chapter 70 funds than was recommended by the Governor. The Chapter 70 increases include three elements: small steps towards updating the Chapter 70 education aid formula; a guarantee that every district will get at least \$30 per pupil in new aid; and funding for districts that were adversely affected by a change in how the state counts the number of low-income students in each district. The budget proposes funding levels for our institutions of higher education that are unlikely to keep pace with inflation and will likely lead to further tuition or fee increases.

To build on ongoing efforts to prevent and treat substance misuse and abuse, the budget proposes a \$2.4 million increase for services for substance use disorders at the Department of Public Health. This funding would create new family support recovery centers, expand access to the Access to Recovery assistance program, and provide extended-release naltrexone to help treat opioid addiction as well as additional doses of Narcan, the emergency medicine that can reverse an opioid overdose.

These relatively small increments to important programs will have significant benefits, but like the Governor's proposal and the budgets of recent years, this budget does not propose significant new funding to make progress on some of the big challenges our Commonwealth faces, such as significantly expanding early education; making higher education more affordable; making sure that our schools have the resources they need to provide high quality education for all children in the Commonwealth; or fixing our transportation infrastructure.

The rest of this *Budget Monitor* examines the House Ways and Means Committee proposals for major state programs in greater detail. Links from the Table of Contents below allow readers to jump quickly to specific sections. Each section also provides links to our on-line budget tools including our [Budget Browser](#) (which provides funding information for every line item in the state budget going back to FY 2001) and, where applicable, to our [Children's Budget](#) and [Jobs & Workforce Budget](#). When the proposals track the Governor's recommendations closely, we also provide links to the detailed descriptions of those proposals in our [Budget Monitor](#) describing the Governor's budget.

## EDUCATION

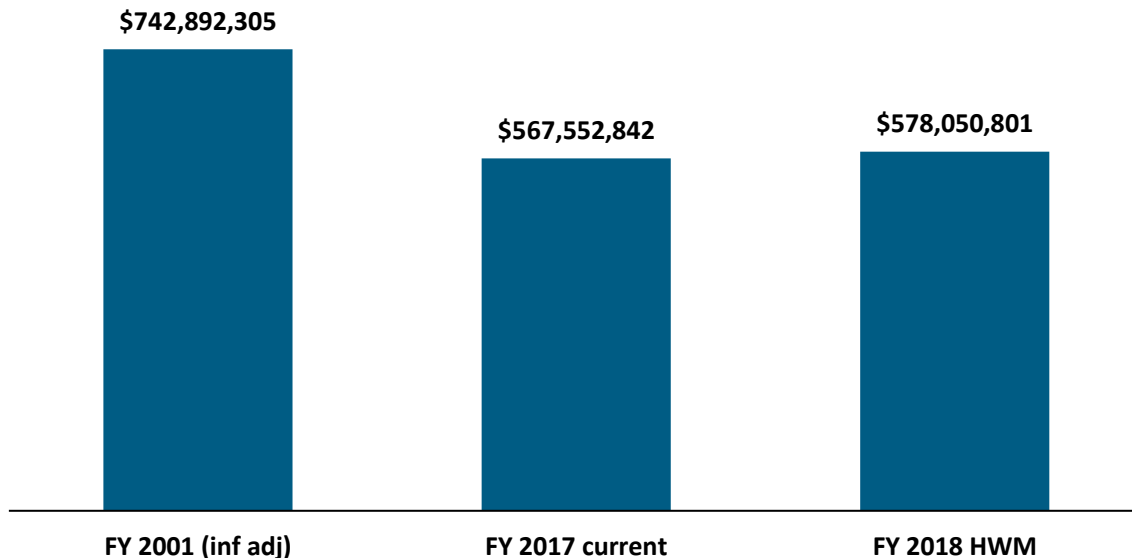
### Early Education & Care

Quality early education and care helps prepare our youngest children for future learning and to thrive more generally. Early education and care is also a critical support for parents with young children, by supporting safe and reliable child care for parents while they work.

The House Ways and Means (HWM) Committee's Fiscal Year (FY) 2018 budget allocates \$578.1 million for early education and care. This amount represents an increase of \$10.5 million (1.8 percent) above

current levels, roughly in line with the expected inflation rate. Over the longer-term, there have been significant cuts in early education after state tax cuts in the late 1990s and early 2000s. Funding for early education in the HWM Committee’s proposed FY 2018 budget would remain \$164.8 million (22.2 percent) below FY 2001 levels, adjusting for inflation (see chart below).

### Early Education Funding Down 22 Percent Since 2001



The HWM Committee’s FY 2018 budget proposal allocates \$223.2 million for [Supportive and TANF Child Care](#), \$3.8 million (1.7 percent) above current FY 2017 levels and in line with the Governor’s proposal. Supportive and TANF Child Care provides subsidies for children in the care of the Department of Children and Families and those receiving Transitional Aid to Families with Dependent Children (limited cash assistance and work training programs for low-income families).

The HWM Committee’s FY 2018 budget includes \$255.4 million for [Income Eligible Child Care](#). This amount is \$2.9 million (1.2 percent) above last year, slightly below the anticipated inflation rate. Income Eligible Child Care provides subsidies for low- and moderate-income working families who do not qualify for other child care assistance. With insufficient funding to meet demand, the waitlist for these subsidies contained 23,800 children as of January 2017. In FY 2015 and FY 2016, the state budget provided dedicated funding to reduce the waitlist. However, the HWM Committee’s FY 2018 budget proposal, like the current FY 2017 budget, does not contain specific funding to reduce the waitlist.

In March 2017, the Governor announced a 6.0 percent increase in the rates paid to early education providers by the state for children in subsidized early care, taking effect in FY 2018, and at a cost of \$28.6 million. In the same action, the administration announced that approximately 1,100 additional kids would be able to be served in early education programs in FY 2018 through newly issued vouchers. This estimate included an assumption that early education programs would at least receive the support outlined in the Governor’s FY 2018 proposal, including a \$7 million rate reserve, and that significant unused funding would be carried over from FY 2017.

However, no new funding was appropriated to support early education in the middle of FY 2017. In fact, \$1.1 million was removed through mid-year cuts. Thus, the announced rate increases and

additional subsidies are the result of repurposing of funds that were already approved for FY 2017 that would have otherwise reverted to the general fund. The administration noted that repurposed funding was available due to implementation of a new early education financial management system. Savings have been achieved due to a stricter enforcement of policies, regulations, and increased data monitoring, with excess funds identified in this process then being reinvested more efficiently into the rest of the early education system. Additionally some funds were available as the result of the underuse of some contracted spots in early education centers.

The HWM Committee FY 2018 budget proposal, like the Governor’s, does not directly authorize carrying over unused child care funds from FY 2017 into FY 2018. Therefore, the Legislature would need to authorize this through a supplemental budget or in the FY 2018 final budget.

The HWM Committee’s FY 2018 budget proposal includes \$15.0 million for salary increases and professional development for early educators through a new line item **Center-Based Child Care Rate Increase**. This amount is \$2.5 million (20 percent) above what was available in a similar account (Early Education and Care Provider Rate Increase) in FY 2017. It is also \$8.0 million more than the Governor proposed for FY 2018. Salary and benefit increases along with professional development are key mechanisms to improve the quality of services available for young children.

Collectively, in the HWM Committee’s FY 2018 budget, funding for Income Eligible Child Care, and salary increases for early educators are funded at \$270.4 million, which is \$5.4 million (2.1 percent) above current FY 2017 levels (see chart below). Nevertheless, it appears almost certain that significant waitlists for early education and care services will persist through FY 2018. This will limit the ability of children and families, including those with acute needs, to access this support.

**FUNDING FOR INCOME ELIGIBLE EARLY EDUCATION**

Line Item #	Line Item Name	FY 2017 Current	FY 2018 HWM	Difference: FY18 HWM - FY17 Current
1599-0042	Early Ed and Care Provider Rate Increase	12,500,000	0	(12,500,000)
3000-1042	Center-Based Child Care Rate Increase	0	15,000,000	15,000,000
3000-4060	Income Eligible Child Care (Child Care Access)	252,453,572	255,389,342	2,935,923
<b>TOTAL</b>		<b>264,953,572</b>	<b>270,389,342</b>	<b>5,435,770</b>

In FY 2017, funding from several early education and care accounts was merged into a new [Quality Improvement](#) line item. In FY 2018, the HWM Committee’s budget proposes \$30.7 million in support for this line item, \$1.7 million below current levels and \$1.1 million below the Governor’s proposal. While this appears to be a lower funding amount, in fact the HWM Committee is moving funding for [Early Childhood Mental Health Consultation](#) out of the Quality Improvement account into its own line item and providing \$2.5 million. The Governor did not include separate funding for this program in his FY 2018 proposal.

## FUNDING FOR EARLY EDUCATION QUALITY IMPROVEMENT

Line Item #	Line Item Name	FY 2017 Current	FY 2018 Governor*	FY 2018 HWM	Difference: FY18 HWM - FY17 Current
3000-1020	Quality Improvement	32,396,637	31,762,455	30,712,455	(1,684,182)
3000-6075	EEC Mental Health Consult.	0	0	2,500,000	2,500,000
<b>TOTAL</b>		<b>32,396,637</b>	<b>31,762,455</b>	<b>33,212,455</b>	<b>815,818</b>

\*Budgets sometimes shift the allocation of funding among line items from one year to the next. The chart above presents the Governor's FY 2018 budget in the FY 2017 funding structure to make comparisons easier.

For information on funding for all Early Education and Care programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## K-12 Education

Providing an excellent education to all children helps support future generations in Massachusetts, while contributing to a stronger economy over the long term. Chapter 70 Education Aid is the Commonwealth's main program for delivering state support to local school districts, and ensuring that schools have sufficient resources to meet the educational needs of students. For further background on the state's education funding system, see [Demystifying the Chapter 70 Formula](#).

The House Ways and Means (HWM) Committee proposes increasing **Chapter 70 Aid** by \$118.9 million (2.6 percent) to \$4.75 billion for Fiscal Year (FY) 2018. This increase is \$27.5 million more than what the Governor proposed for FY 2018, based on including a reserve to support districts negatively affected by the recent change in the poverty calculation, a higher minimum aid amount, and larger increases to the employee benefit rate (see discussion below).

The HWM Committee FY 2018 budget contains a provision to support districts that otherwise receive less funding as a result of the recent change in the student poverty measure (for further discussion see [Analyzing the Governor's Budget for FY 2018](#)). The HWM Committee includes \$12.5 million in aid to help these districts through the **Education Reform Reserve** line item (7061-0011).

The HWM Committee's FY 2018 Chapter 70 proposal guarantees an increase of at least \$30 per-pupil to all districts, up from \$20 in the Governor's proposal. This would result in over \$5 million in additional aid. Because this minimum is provided regardless of local financial need, it tends to direct more money to more affluent districts.

The HWM Committee's Chapter 70 proposal, like the Governor's proposal for FY 2018, includes a modest step to implement [recommendations](#) made by the Foundation Budget Review Commission (FBRC) in 2015. The Commission found that, according to the state's estimate of what it takes to educate children (called the "foundation budget"), school districts are significantly under-funded. The Commission noted that this underfunding reduces the capacity of schools across our state to provide educational services and supports to help all children succeed at school.

The foundation budget is based on estimated costs for each element of a school budget that were determined in the Education Reform Act of 1993 and adjusted for inflation since then. The FBRC found that the costs in the formula fail to reflect actual costs in particular areas, especially employee health

care and special education. The HWM Committee's proposal for FY 2018 addresses one of these deficiencies. The proposal contains increases to the foundation budget rates of between roughly 8 and 19 percent, depending on grade level and student category, for employee benefits, the school spending category which includes health care. This is greater than the 6 to 13 percent increases the Governor proposed in this area for FY 2018.

The larger increase to the employee benefit rates in the House Ways and Means Committee's budget would generate \$27 million in new aid for school districts, roughly \$10 million more than the Governor's FY 2018 proposal. This remains an incremental step relative to fully implementing the FBRC recommendations. For example, legislation that passed the Senate in 2016, found that in order to fully implement the FBRC recommendations, \$200 million per year in additional Chapter 70 aid would be required annually for seven years (\$1.4 billion in total).

An outside section of the FY 2017 budget directed the state, under the lead of the Department of Elementary and Secondary Education (DESE) to develop a report addressing improvements to direct certification for free meals and counting economically disadvantaged students. This report was filed in February 2017. It recommended several steps including continued improvement of the matching process and expansion of outreach efforts to enroll eligible families in assistance programs. The report also recommended establishing a new task force to study the unique issues of supporting refugee and immigrant students. This task force has formed and is currently deliberating on its work in order to inform the FY 2019 budget.

The HWM proposal also affects funding connected to the number of students considered economically disadvantaged by somewhat limiting which children count under this category. The HWM budget proposal, like the Governor's, directs DESE to calculate how many kids are in poverty using the "programs and categories of assistance used to match for the FY 2017 budget." However, DESE has pursued improvements over the course of FY 2017 that could allow the state to undertake a more comprehensive poverty count. This link to last year's process may therefore impede the state from counting more kids through their participation in additional assistance programs, such as MassHealth programs which were not included in last year's matching process.

For more detail on the shift in the process for counting kids, the implications for this shift in the FY 2018 budget, and how these processes can be improved, see [Counting Kids at School: 6 Steps to Better Numbers](#), [Direct Certification for School Meals: Feeding Students, Counting Kids, Funding Schools](#), and [Analyzing the Governor's Budget for FY 2018](#).

The House Ways and Means Committee's FY 2018 budget does not follow the Governor's proposed consolidation of four line items - [Literacy Programs](#), [English Language Acquisition](#), [Extended Learning Time Grants](#), and [After-School and Out-of-School Time Grants](#), into [Targeted Intervention in Underperforming Schools](#) (7061-9408). In total, these five line-items are funded at \$25.4 million, \$1.8 million below what they received in FY 2017 and \$2.5 million below the Governor's proposal. As an adjustment to make comparisons easier, the Governor's FY 2018 proposal is presented below in the FY 2017 funding structure, as opposed to the larger consolidated line item.

### FUNDING FOR TARGETED INTERVENTION, LITERACY, ADDED LEARNING TIME & ENGLISH ACQUISITION

Line Item #	Line Item Name	FY 2017 Current	FY 2018 Gov. Adjusted*	FY 2018 HWM	Difference: FY18 HWM - FY17 Curr.
7010-0033	Literacy Programs	1,620,000	1,549,389	1,549,389	(70,611)
7027-1004	English Language Acquisition	1,743,981	881,954	881,953	(862,028)
7061-9408	Targeted Intervention	7,391,120	9,352,168	7,307,165	(83,955)
7061-9412	Extended Learning Time Grants	14,174,528	14,175,592	14,175,592	1,064
7061-9611	After-School Grants	2,240,001	1,999,154	1,499,154	(740,847)
<b>TOTAL</b>		<b>27,169,630</b>	<b>27,958,257</b>	<b>25,413,253</b>	<b>(1,756,377)</b>

\*Budgets sometimes shift the allocation of funding among line items from one year to the next. The chart above presents these line items in the current FY 2017 funding structure to make comparisons easier.

An outside section of the HWM Committee's FY 2018 budget proposal directs the state's Operational Services Division to make an annual inflation increase to the rates paid by schools to private special education providers who educate students with severe disabilities. This contrasts with the Governor's FY 2018 proposal to hold these rates at FY 2017 levels. The HWM provision would result in a 1.5 percent increase in these special education rates for FY 2018.

The HWM Committee's budget proposal for FY 2018 includes \$80.5 million for [Charter School Reimbursements](#), in line with current FY 2017 levels. When fully funded, this program is intended to reimburse 100 percent of outgoing student funding in the first year and 25 percent of this amount for each of the subsequent five years. However, according to recent projections from DESE, the formula is currently only 60 percent funded, and would require nearly \$55 million in additional support to be fully resourced in FY 2017. This gap could increase as additional charter school seats are added in FY 2018 and districts claim more reimbursements from this fund. The current FY 2017 funding level supports 92 percent of first year reimbursements, but does not reimburse school districts for students who left in the five years prior to FY 2017, as charter school law intended. For additional detail on charter school funding, recent proposals to alter the reimbursement system, and the impact of recent underfunding, see [Charter School Funding, Explained](#).

[Kindergarten Expansion Grants](#), which were eliminated in the FY 2017 budget, are not funded in the HWM Committee FY 2018 proposal.

Under the HWM Committee's FY 2018 budget proposal, the [Special Education Circuit Breaker](#) is funded at \$281.3 million, 1.4 percent above current FY 2017 levels, and what the Governor proposed for FY 2018. The circuit breaker reimburses school districts for a portion of their costs for educating students with severe disabilities.

The HWM Committee's FY 2018 budget proposal moves the administration of [Inclusive Concurrent Enrollment](#) from DESE to the Department of Higher Education, and moves it into a new line item (7066-9600). This program assists youth with severe disabilities to succeed in college courses, gain employment, and develop life skills to thrive as adults. Funding for this program is decreased slightly to \$1.1 million, 1.9 percent below current FY 2017 levels.

For information on funding for all K-12 grant programs going back to FY 2001, please see MassBudget's [Budget Browser here](#).

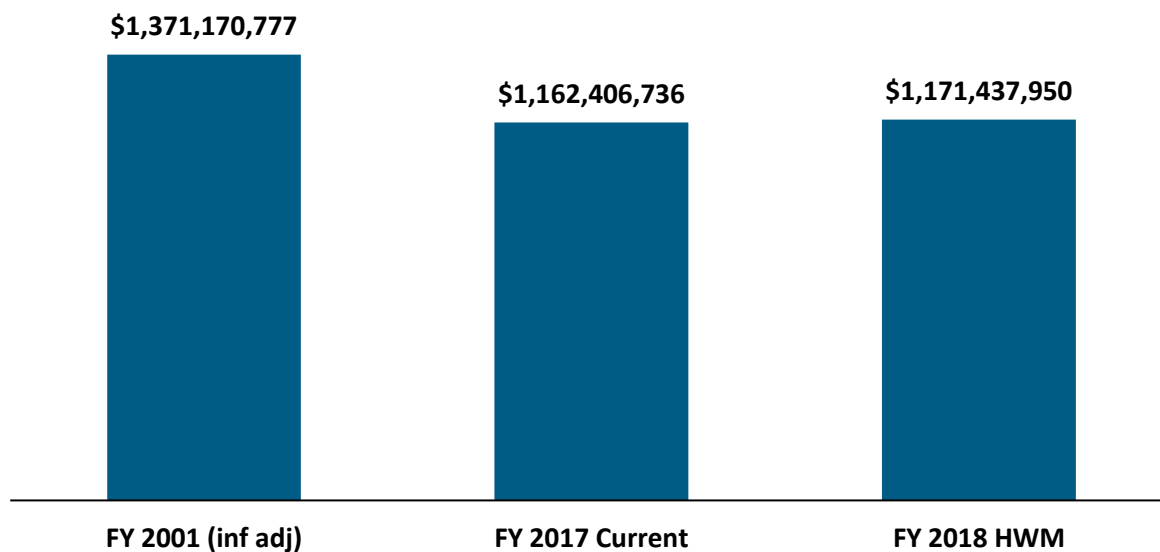
## Higher Education

Higher education helps residents of Massachusetts gain the skills to succeed in our knowledge-driven economy. Public higher education, including the five University of Massachusetts (UMass) campuses, nine State Universities, and fifteen Community Colleges, serve a majority of our state’s high school graduates. Public graduates are more likely to stay in Massachusetts after graduation, contributing to our economy over the long term.

The House Ways and Means (HWM) Committee proposed budget for Fiscal Year (FY) 2018 contains \$1.17 billion in support for public higher education, which is \$9.0 million (0.8 percent) above current FY 2017 levels, but is less than the expected rate of inflation. This amount is almost identical to what the Governor proposed for FY 2018.

Despite the evidence that a highly-educated workforce helps strengthen our economy, under the HWM Committee proposed budget, Massachusetts would be cutting state support for higher education by \$199.7 million (14.6 percent) since FY 2001, adjusting for inflation, and by even more when accounting for enrollment growth over this period. This has contributed to the doubling of tuition and fees within public higher education between FY 2001 and FY 2016. For additional detail on these long-term trends, see [In 16 Charts: Higher Education Funding in Massachusetts](#).

### Higher Education Funding Down 15 Percent Since 2001



The table below details appropriations to each of the three campus types. MassBudget totals make the following adjustments in order to facilitate more accurate year-to-year comparisons:

- **Including collective bargaining and other campus-specific programs.** MassBudget adds collective bargaining accounts and initiatives located at particular campuses, funded through separate line items, to their respective campus totals.



- Subtracting tuition remission.** Since FY 2001, different policies have dictated when public higher education campuses must send different categories of tuition revenue they receive back to the state’s General Fund. When higher education revenue is sent back to support the state budget, it is not available for campus operations and has the same effect as reduced state funding. Conversely, under rules in effect starting in FY 2018, UMass keeps all tuition revenue from both in-state and out-of-state students. To provide more accurate comparison of state support to campuses over time, MassBudget deducts tuition revenue sent back to the state from the direct appropriations to each campus type. This calculation assumes that remission amounts will be consistent between the Governor’s budget proposal for FY 2018 and the HWM Committee proposal. For details on the varying policies at different campuses, see [MassBudget’s Budget Browser section for Higher Education](#).

**HIGHER EDUCATION FUNDING TO THE THREE CAMPUS TYPES**

Campus Type	FY 2017 Current	FY 2018 HWM	Difference: FY 2018 HWM - FY 2017 Current
Community Colleges	274,815,277	278,986,395	4,171,118
State Universities	246,393,186	248,620,847	2,227,661
UMass	515,330,447	518,875,371	3,544,924
<b>Total, all campuses</b>	<b>1,036,538,910</b>	<b>1,046,482,613</b>	<b>9,943,703</b>

The HWM Committee FY 2018 budget proposal funds **University of Massachusetts** line-items at \$518.9 million, which is \$3.5 million (0.7 percent) above current FY 2017 levels. This FY 2018 budget proposal funds **State University** line-items at \$248.6 million, which is \$2.2 million (0.9 percent) above current FY 2017 levels. Finally, **Community College** line-items receive \$279.0 million, which is \$4.2 million (1.5 percent) above current FY 2017 levels.

These modest increases to public higher education funding appear unlikely to prevent further increases to tuition and fees across UMass, State Universities, and Community Colleges. Last year, with similar rates of incremental funding, tuition and fees at UMass rose by 6 percent, while tuition and fees at State Universities and Community Colleges rose by 5 percent.

The main **State Scholarship Program** is funded at \$96.6 million in the HWM Committee FY 2018 budget proposal, \$967,000 (1 percent) above last year. Small funding increases to scholarships risks these grants not keeping up with steadily increasing tuition and fees across public higher education.

The HWM Committee includes \$1.0 million to support internships for State University students through the **Department of Higher Education**, funding that was not included in the Governor’s FY 2018 budget proposal.

The HWM Committee FY 2018 budget proposal does not appear to follow the Governor’s recommendation to consolidate four higher education line items ([Dual Enrollment Grants](#), [Nursing and Allied Health Workforce Development](#), [Adult College Transition Services \(Bridges to Colleges\)](#), and [Community College Workforce Grants](#)) into [STEM Starter Academy](#) (7066-0036).

However, in the HWM Committee proposal for FY 2018, these line items are collectively funded at \$5.5 million, 21.4 percent below current levels and 32.1 percent below the Governor’s budget (see chart below). This includes the elimination of two workforce programs as well as services to help students transition from adult basic education to college-level work.

## FUNDING FOR STEM STARTER ACADEMY, COLLEGE READINESS, &amp; WORKFORCE PROGRAMS

Line Item #	Line Item Name	FY 2017 Current	FY 2018 Gov. Adjusted	FY 2018 HWM	Difference: FY18 HWM - FY17 Curr.
7066-0019	Dual Enrollment Grant and Subsidies	1,050,000	1,049,754	750,000	(300,000)
7066-0020	Nursing/Health Ed. Workforce Dev.	200,000	200,000	0	(200,000)
7066-0036	STEM Starter Academies	4,750,000	5,851,664	4,750,000	0
7066-0040	Adult College Transition Services	250,000	249,713	0	(250,000)
7066-1221	Community College Workforce Grants	750,000	749,999	0	(750,000)
<b>TOTAL</b>		<b>7,000,000</b>	<b>8,101,130</b>	<b>5,500,000</b>	<b>(1,500,000)</b>

\*Budgets sometimes transfer the allocation of funding among line items from one year to the next. The chart above presents these line items in the current FY 2017 funding structure to make comparisons easier.

The HWM Committee FY 2018 budget proposal includes \$2.0 million for a new higher education and economic development program, the **Innovation Voucher Fund**. This fund would support small businesses by allowing them to operate in discounted facilities provided on University of Massachusetts campuses.

The HWM Committee FY 2018 budget proposal moves the administration of **Inclusive Concurrent Enrollment** from the Department of Elementary and Secondary Education to the Department of Higher Education, and into a new line item (7066-9600). Funding for this program is decreased slightly to \$1.1 million, 1.9 percent below current FY 2017 levels.

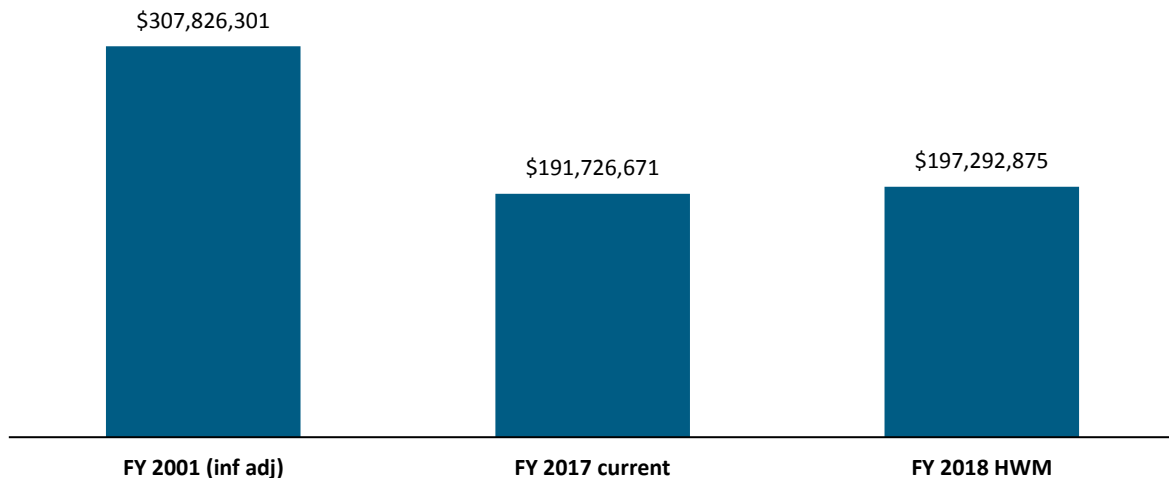
For information on funding for all Higher Education programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## ENVIRONMENT & RECREATION

The state budget funds programs that keep our air, water, and land clean, maintain fish and wildlife habitats, and staff and maintain our parks, beaches, pools and other recreational facilities. The House Ways and Means (HWM) Committee's Fiscal Year (FY) 2018 budget proposes spending \$197.3 million on environment and recreation programs, an increase of \$5.6 million above the FY 2017 current budget. Despite this increase, funding for environment and recreation programs is 35.9 percent less than it was in FY 2001 after adjusting for inflation.

The HWM budget is \$2.3 million less than the budget proposed by the [Governor](#) for environment and recreation programs. Most of this difference is because the HWM budget does not include a new account proposed by the Governor, which would provide \$1.4 million to protect water quality by controlling pollution discharge into state water sources.

## Environment & Recreation Programs Cut 36 Percent Since 2001



For information on funding for all environment & recreation programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## HEALTH CARE

### MassHealth (Medicaid) and Health Reform

The House Ways and Means (HWM) Fiscal Year (FY) 2018 budget for MassHealth and Health Reform largely follows the Governor's totals, but HWM incorporates some specific differences in line item appropriations due to different assumptions about enrollment. MassHealth enrollment, currently at about 1.9 million residents, has been putting increased pressure on the state budget. HWM follows the Governor's recommendation to address concerns about MassHealth cost growth, particularly the costs associated with employed individuals who are enrolling in MassHealth rather than getting insurance from their employers, by allowing the Administration to implement a modified version of the Governor's proposed assessment on employers (described below) to generate revenue to help offset these increased costs.

#### Addressing Cost Shifts to MassHealth from Declining Employer-Provided Coverage

HWM follows the Governor's lead in authorizing an assessment on employers to address fiscal challenges described by the Governor as being caused by a decline in employer-provided health insurance coverage for private sector employees and increasing enrollment in MassHealth. HWM tasks the Department of Revenue (DOR) with developing an assessment on employers who fail to meet criteria for providing health care coverage for employees. DOR, in consultation with other state agencies, would hold a public hearing and would determine most of the specifics of the assessment—including the amount, on which types of employers, which types of employees. DOR would also be required to file a small business impact statement prior to establishing regulations to implement the assessment.

Revenue from the assessment would help cover the costs of private sector employees who are being covered by MassHealth and could also create economic incentives for employers to provide affordable health insurance for their employees. This in turn could reduce the number of employed individuals opting for MassHealth coverage. The HWM proposal calls for the assessment to raise \$180 million rather than the \$300 million proposed by the Governor. Press reports have indicated that the lower target reflects MassHealth savings attributable to lower MassHealth caseload estimates that are based on more recent data. However, the HWM budget does not appear to show \$120 million in net savings compared to the Governor’s MassHealth spending levels.

The Governor’s proposal would have assessed a new fee (\$2,000 per uninsured employee) on employers who do not offer health insurance or whose employees do not take up insurance that the employer offers. Employers would be exempt from the assessment if they have fewer than 11 full-time equivalent employees. They would also be exempt if they offer employees at least \$4,950 per year for a group health insurance plan (or similar), and if at least 80 percent of their employees are enrolled in that health insurance. For those employers who offer health insurance but don’t meet the threshold of 80 percent of employees using their health insurance, the assessment would have been only for the number of employees by which the employer was short of the 80 percent threshold. The Governor’s budget estimated that this assessment would generate approximately \$300 million in FY 2018.

The HWM budget proposal notably does not follow the Governor’s lead on other commercial insurance market reforms that aim to reduce the costs of health care. HWM rejects the Governor’s proposals to establish caps on growth rates for certain health care providers, introduce a moratorium on new insurance mandates, and eliminate facility fees (such as on satellite care centers) through the Dept. of Insurance.

### MassHealth Program and Administration

Funding for MassHealth in the HWM budget proposal is \$16.51 billion, with \$16.35 billion for the MassHealth program, and \$162.5 million for program administration (see table). This is \$79.4 million less than proposed by the Governor. HWM appears to have built its MassHealth budget assumptions on slightly lower enrollment projections than did the Governor, although budget documents do note the proposal supports “the needs of a growing caseload population.”

#### MassHealth (Medicaid) and Health Reform

MassHealth	FY 2017 Current	FY 2018 Governor	FY 2018 HWM	Difference FY 2018 HWM - FY 2018 Governor
MassHealth Programs	15,251,403,833	16,428,166,317	16,348,866,317	(79,300,000)
MassHealth Administration	153,776,087	162,602,733	162,502,734	(99,999)
<b>TOTAL</b>	<b>15,405,179,920</b>	<b>16,590,769,050</b>	<b>16,511,369,051</b>	<b>(79,399,999)</b>

Unlike in the Governor’s budget proposal, the HWM proposal does **not** limit coverage for vision services in MassHealth CarePlus Program. This program – established under the Affordable Care Act – covers more than 300,000 adults with incomes up to 133 percent of the federal poverty level. The Governor’s budget would have limited coverage for vision services, by eliminating coverage for eyeglasses and contact lenses, affecting approximately 41,000 members.

## Other Health Subsidies and Related Spending

Alongside funding for MassHealth, the HWM budget proposal also includes funding for other supplemental payments to health safety net providers, funding for other subsidized health programs, and other administrative and operational supports (see table.)

### Other Health Subsidies and Related Spending

Supplemental Payments to Providers	FY 2017 Current	FY 2018 Governor	FY 2018 HWM	Difference FY 2018 HWM - FY 2018 Governor
Medical Assistance Trust	736,154,225	452,400,000	452,400,000	0
Delivery System Transformation Initiative	196,252,001	189,149,334	189,149,333	(1)
<b>Other Health Subsidies</b>				
Commonwealth Care Trust	40,083,939	104,104,830	104,104,830	0
Prescription Advantage	17,771,922	17,179,054	17,179,054	0
<b>Other Administration and Operations</b>				
Center for Health Info. & APCD	28,131,406	28,631,406	28,631,406	0
Information Technology	116,776,778	133,564,037	125,223,292	(8,340,745)
Health Information Trust	8,853,272	13,853,272	8,853,272	(5,000,000)
Community Hospital Reinvestment Trust Fund	0	3,000,000	3,000,000	0
Other Health Finance	9,542,285	9,541,494	9,541,494	0

There are a few differences between the HWM and Governor's budget proposal, specifically in the funding for the Health Safety Net (partially funded by the Commonwealth Care Trust above.) Whereas the Governor recommended funding **up to** a \$15.0 million transfer into the Health Safety Net (via funds from the Commonwealth Care Trust Fund) to support the costs associated with providing care to uninsured or underinsured individuals, the HWM budget includes language that sets the transfer **at** \$15.0 million. Prior to FY 2017 that transfer had been \$30.0 million. The HWM budget also includes separate language directing \$17.0 million from the Community Hospital Reinvestment Trust (only partially-funded by budgeted funds as in the table above) to support hospital-based care for uninsured or other low-income patients. These are payments that had been deferred from FY 2017.

For more on the Governor's budget for MassHealth and Health Reform which includes many proposals followed by HWM, see the "[MassHealth \(Medicaid\) and Health Reform](#)" section of MassBudget's FY 2018 Governor's *Budget Monitor*.

For information on funding for MassHealth and health reform programs going back to FY 2001, please see MassBudget's Budget Browser [here](#).

## Mental Health

The House Ways and Means (HWM) Fiscal Year (FY) 2018 budget includes \$773.7 million for the services of the Department of Mental Health (DMH), in order to help ensure that people in the Commonwealth struggling with and recovering from mental illness are able to become healthy, and

live and work successfully in the community. This is \$9.8 million more than FY 2017 current budget totals, a 1.3 percent increase.

The only difference between the HWM and Governor's budget proposals is that the HWM proposal provides \$388.1 million for adult services, a \$500,000 increase over the Governor's proposal. This additional funding is designated for home and community-based mental health services for adults over age 60, offered in conjunction with the Executive Office of Elder Affairs.

For a more detailed discussion of the FY 2018 budget proposals for mental health, see the "[Mental Health](#)" section of MassBudget's FY 2018 Governor's *Budget Monitor*.

For information on funding for mental health programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## Public Health

The House Ways and Means (HWM) Fiscal Year (FY) 2018 budget proposal includes \$616.4 million for the state's public health infrastructure. The Department of Public Health (DPH) oversees a wide variety of prevention and treatment services, improves access to health care, and ensures the safety of our food and water. The HWM proposal is \$4.4 million more than proposed by the Governor, and \$12.0 million more than current FY 2017 budgeted totals.

This budget proposal reflects the continued commitment to preventing and treating substance misuse and abuse, and initiatives at DPH are central to that effort. Combined, the funding for services for substance use disorders in DPH in the HWM budget is \$144.2 million, \$4.0 million more than in the Governor's proposal, and \$2.4 million more than current FY 2017 budget totals (see table).

### FUNDING FOR SUBSTANCE ABUSE SERVICES

Line Item	Name	FY 2017 Current	FY 2018 Governor with MassBudget Adjustment	FY 2018 HWM	MassBudget Adjustment	FY 2018 HWM with MassBudget Adjustment
1595-4510	Substance Abuse Services Fund	5,000,000	5,000,000		5,000,000	5,000,000
4512-0200	Bur. Substance Abuse Services	124,258,987	122,675,888	131,700,888	(5,000,000)	126,700,888
4512-0201	Substance Abuse Step-Down	4,908,180	4,908,180	4,908,180		4,908,180
4512-0202	Secure Treatment	2,000,000	2,000,000	2,000,000		2,000,000
4512-0203	Family Intervention & Care Pilot	1,500,000	1,485,000	1,485,000		1,485,000
4512-0204	Nasal Narcan Pilot Expansion	1,000,000	1,000,000	1,000,000		1,000,000
4512-0211	Recovery High Schools	3,100,000	3,100,000	3,100,000		3,100,000
<b>TOTAL</b>		<b>141,767,167</b>	<b>140,169,068</b>	<b>144,194,068</b>	<b>0</b>	<b>144,194,068</b>

\*Budgets sometimes transfer the allocation of funding among line items from one year to the next. The chart above presents these line items in both the HWM FY 2018 proposed structure and the prior FY 2017 funding structure to make comparisons easier.

HWM notes that this increased funding would support new family support recovery centers and would expand access to the Access to Recovery assistance program. It would also provide funding for extended release naltrexone to help treat opioid addiction as well as additional doses of Narcan, the emergency medicine that can reverse an opioid overdose.

In addition to the increased funding for substance use disorder services, there are a few other differences between the HWM budget proposal and the Governor’s proposal. These include:

- \$36.8 million for services for people with HIV/AIDS, \$1.0 million more than proposed by the Governor, and \$2.9 million less than FY 2017 budgeted totals.
- \$25.3 million for public health regulatory functions, which includes \$1.3 million for a new initiative in DPH to regulate home health agencies. This is \$1.0 million less than proposed by the Governor.
- \$9.4 million for a variety of community-based activities and violence-prevention programs for young people, which includes \$6.0 million for the Safe and Successful Youth Initiative program. This is \$500,000 less than proposed by the Governor. The program targets high-risk young men in communities across the Commonwealth and provides a public health approach to reducing gun-related violence.

As in the Governor’s budget, HWM makes little new investment in other areas crucial to protecting the public health. In most instances, HWM followed the Governor’s budget proposal; for details see the “[Public Health](#)” section of MassBudget’s FY 2018 Governor’s *Budget Monitor*.

For information on funding for public health programs going back to FY 2001, please see MassBudget’s *Budget Browser* [here](#).

### State Employee Health Insurance

The House Ways and Means (HWM) Fiscal Year (FY) 2018 budget proposal includes \$1.62 billion to cover the costs of **health insurance for state employees**. This total – \$38.5 million more than proposed by the Governor – includes coverage for current employees as well as retirees (discussed more below). Unlike the Governor, HWM does **not** propose capping provider rates paid by the state’s Group Insurance Commission (GIC).

In order to more accurately reflect health insurance costs, MassBudget’s totals for state employee health insurance include adjustments that allow for better across-year comparisons (see table). MassBudget removes from budget totals the amounts each year that are simply pass-throughs of funding for municipal health insurance. Municipalities have the option of taking advantage of the state’s purchasing power by using the GIC to purchase their employees’ health insurance. Municipalities reimburse the state for the costs of this insurance, so there is no cost to the state for adding these municipal employees to the GIC membership rolls.

Line Item	Name	FY 2017 Current with MassBudget Adjustment	FY 2018 Governor with MassBudget Adjustment	FY 2018 HWM	MassBudget Adjustment	FY 2018 HWM with MassBudget Adjustment
1108-5200	Group Insurance Premiums	1,074,037,982	1,071,022,851	1,701,048,734	(590,938,462)	1,110,110,272
1108-5400	Retired Municipal Teachers	0	0	54,214,232	(54,214,232)	0
<b>TOTAL</b>		<b>1,074,037,982</b>	<b>1,071,022,851</b>	<b>1,755,262,966</b>	<b>(645,152,694)</b>	<b>1,110,110,272</b>

## State Retiree Benefits

The state has adopted a schedule to move towards full funding of health and other non-pension post-employment benefits (“OPEB”) for retirees. The Commonwealth funds the current and future costs of OPEB through a variety of transfers to **the State Retiree Benefits Trust**. The HWM budget proposal includes \$440.0 million in an operating transfer directed to the State Retiree Benefits Trust. In order to fully fund the cost of future retirees’ benefits, in FY 2012 the state decided to dedicate an increasing share of its annual Master Tobacco Settlement award to the State Retiree Benefits Trust. The intent was to use 60 percent of the award in FY 2018, which would be \$154.5 million. However, instead of transferring \$154.5 million, both HWM and the Governor propose transferring an amount equivalent to just 10 percent of the Tobacco Settlement award – \$25.8 million – into the State Retiree Benefits Trust to fund OPEB. This total is \$128.8 million less than the amount indicated for FY 2018 in the statute.

For information on funding for state employee health insurance programs going back to FY 2001, please see MassBudget’s *Budget Browser* [here](#).

## HUMAN SERVICES

The state budget supports the Commonwealth’s older adults through a range of services that promote independence, safety, and well-being. The House Ways and Means (HWM) Committee Fiscal Year (FY) 2018 budget proposes funding elder services at \$285.6 million, an \$11.0 million increase (4.0 percent) over current FY 2017 levels, and \$1.4 million below (0.5 percent) the Governor’s FY 2018 budget proposal.

The HWM budget proposal differs from the Governor’s in two ways: \$642,000 less than the Governor’s for **congregate housing** and \$750,000 less than the Governor’s for **elder nutrition**. For a description of elder services proposals included in the Governor’s FY 2018 budget, see MassBudget’s “Analyzing the Governor’s Budget for FY 2018,” [here](#).

For information on funding for elder services going back to FY 2001, please see MassBudget’s *Budget Browser* [here](#).

## Child Welfare

The House Ways and Means (HWM) Fiscal Year (FY) 2018 budget proposes \$975.1 million to support the child welfare system – the state’s services designed to protect children at risk of neglect or abuse. This total is \$10.5 million less than proposed by the Governor, yet \$27.5 million (2.9 percent) more than currently budgeted for FY 2017. The HWM budget proposal largely follows the recommendations put forth by the Governor as detailed in the “[Child Welfare](#)” section of MassBudget’s FY 2018 Governor’s *Budget Monitor*.

The HWM budget proposal differs from the funding proposed by the Governor in three places:

- HWM does not propose any funding for local and regional offices that contract for child welfare services throughout the Commonwealth. The Governor proposed \$9.0 million for these “lead agencies.” Funding for these agencies in FY 2017 currently totals \$6.0 million



- HWM proposes \$985,000 more than the Governor for **congregate residential care**, for a total of \$280.4 million, 4.1 percent above FY 2017 current budget totals. This funding will likely support approximately 1,600 children in congregate care settings, and also funds certain short-term intensive placements, such as Stabilization, Assessment, and Rapid Reintegration (STARR).
- HWM proposes \$7.8 million for **family resource centers**, \$2.5 million less than proposed by the Governor and \$2.2 million less than in the FY 2017 current budget totals. Family resource centers provide a variety of referral and family support services across the Commonwealth.

For information on funding for child welfare programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## Disability Services

The state budget supports a range of programs for individuals with disabilities. These include targeted job training programs that help people participate in the workforce, as well as community-based supports to assist people and their families more broadly. In total, the House Ways and Means (HWM) Committee Fiscal Year (FY) 2018 budget provides \$1.98 billion for disability services, a 4.1 percent increase from current FY 2017 levels, and about the same amount proposed in the [Governor's FY 2018 budget](#).

For discussion on Chapter 257 rate increases for human and social services providers, see "Other Human Services" in this Budget Monitor.

For information on funding for all disability services programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## Elder Services

The state budget supports the Commonwealth's older adults through a range of services that promote independence, safety, and well-being. The House Ways and Means (HWM) Committee Fiscal Year (FY) 2018 budget proposes funding elder services at \$285.6 million, an \$11.0 million increase (4.0 percent) over current FY 2017 levels, and \$1.4 million below (0.5 percent) the Governor's FY 2018 budget proposal.

The HWM budget proposal differs from the Governor's in two ways: \$642,000 less than the Governor's for **congregate housing** and \$750,000 less than the Governor's for **elder nutrition**. For a description of elder services proposals included in the Governor's FY 2018 budget, see MassBudget's "Analyzing the Governor's Budget for FY 2018," [here](#).

For information on funding for elder services going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## Juvenile Justice

The House Ways and Means (HWM) Committee Fiscal Year (FY) 2018 budget proposes \$182.0 million for juvenile justice programs, which are run by the Department of Youth Services. This is a 3.2 percent

increase above current FY 2017 funding levels and about the same amount proposed in the [Governor's FY 2018 budget](#). Most accounts for juvenile justice either are funded at the same level as the current fiscal year or are slightly increased.

For information on funding for all juvenile justice programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## Transitional Assistance

Transitional assistance programs help low-income individuals and families meet their basic needs and improve their quality of life when faced with an emergency. The House Ways and Means (HWM) Committee Fiscal Year (FY) 2018 budget proposes funding transitional assistance programs at \$626.2 million, a \$31.3 million decrease (4.8 percent) from current FY 2017 levels, and slightly above (1.5 percent) the amount proposed by the [Governor's FY 2018 budget](#).

The largest difference between the HWM's FY 2018 proposal and the Governor's FY 2018 proposal is the funding for **Transitional Assistance for Families with Dependent Children (TAFDC)**. HWM proposes funding TAFDC \$12.7 million more (8.6 percent) than the Governor's proposal, and \$30.2 million less than current FY 2017 levels. The proposed funding is higher than the Governor's because HWM does not include a proposal by the Governor to reduce or eliminate TAFDC benefits for people who receive Supplemental Security Income (SSI) benefits. The HWM funding level is lower than FY 2017 levels because of declining caseloads. With an improving economy, we would expect more people to find jobs and improve their circumstances. However, current caseload reduction may partially result from new administrative changes that make it harder for clients to maintain their benefits. (For more detailed information on caseload levels for transitional assistance accounts, see "Research and Statistics" on the [Department of Transitional Assistance](#) home page.)

For information on funding for all transitional assistance programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## Other Human Services

The House Ways and Means (HWM) Fiscal Year (FY) 2018 budget proposal includes \$203.5 million for other human services. This funding includes allocations for veterans' services, food banks, and some cross-agency initiatives. For most of these appropriations, the HWM proposal follows the recommendation from the Governor. Please refer to the "[Other Human Services](#)" section of MassBudget's FY 2018 *Governor's Budget Monitor*.

The one area in which the HWM budget differs from the Governor's budget is in the funding for veterans' services. HWM proposes \$3.0 million less than the Governor. Most of the proposed reduction is to funding for the veterans' outreach centers. HWM proposes \$2.9 million, \$2.1 million less than the Governor and \$893,000 less than funding in FY 2017.

For a discussion of a newly-proposed business tax credit to support the employment of veterans, see the "Revenue" section of this *Budget Monitor*.

For information on funding for other human services programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## INFRASTRUCTURE, HOUSING & ECONOMIC DEVELOPMENT

### Transportation

The state supports transportation systems around the Commonwealth, including roads, bridges, rail, buses, airports, and ferries that enable people and goods to travel where they need to go. Much state funding for transportation takes place through dedicated revenue sources and a separate capital budget process. For a chart and description of funding for transportation operations and debt service, see MassBudget's fact sheet, "[What Does Massachusetts Transportation Funding Support and What Are the Revenue Sources.](#)"

The House Ways and Means Committee (HWM) budget proposal for Fiscal Year (FY) 2018 largely follows the [Governor's budget proposal for transportation](#), including its two most significant features: a \$60.0 million reduction of operating assistance for the **Massachusetts Bay Transit Authority (MBTA)** compared to the FY 2017 budget; and two changes to collection of sales taxes that would, especially this year, result in additional dedicated sales tax revenues for the MBTA.

HWM's proposed \$60.0 million reduction of operating assistance for the MBTA differs from the Governor's in one respect. The Governor's budget characterized the \$60.0 million reduction as essentially a transfer from the MBTA's operating budget to its capital spending account. The Governor's budget explicitly notes that the Administration expects to make the same sum available to the MBTA for flexible capital spending in FY 2018. No such language was included in the HWM budget, although the Governor can implement such a transfer without legislative language. In neither case would such a transfer entail an increase in the Commonwealth's capital budget. Making additional capital spending available to the MBTA would require reductions elsewhere in the \$2.19 billion FY 2018 [capital budget](#), which currently plans an allocation of \$822.7 million for transportation and public works.

Essentially moving \$60.0 million in state support from MBTA operations to a capital spending account is consistent with MBTA Fiscal Management and Control Board (FMCB) goals to reduce operating expenses and invest more in capital improvements. Last spring the MBTA rejected and returned its respective monthly state operating assistance payments for May 2016 and June 2016, a sum of \$31.2 million. The Commonwealth then used these funds toward the purchase of additional Red Line cars. The MBTA would undoubtedly benefit from a \$60.0 million increase in flexible capital investment in FY 2018, for instance, to replace obsolete machinery. The agency could alternatively use the funding on the operational side, such as to increase bus service, but the FMCB reports that MBTA management believes \$127 million will be sufficient to balance the agency's anticipated operating budget.

The proposed \$60.0 million reduction comes at a time when the operating budget has taken on new responsibilities and has reduced costs in several areas. The MBTA has been shifting the costs for [532 employees](#) from the capital budget onto the operating budget, and 220 employees with \$25.9 million in salaries and benefits are still in the process of shifting by FY 2019. Moving these employees to the operating account creates further pressure to reduce spending on operations. To bridge operating budget shortfalls last year, the agency introduced various efficiencies, increased its advertising, sold off land and other assets, privatized some functions, increased fares, and cancelled late-night bus service, among other actions. To cut costs, this year the FMCB has explored curtailing weekend commuter rail service and paratransit service for people with disabilities, as well as ending a ban on alcohol advertising.

The HWM budget adopts two Outside Sections of the Governor's proposal that would make available more sales tax revenues in 2018, and thereby increase the dedicated portion of sales taxes to the MBTA. These changes are described in MassBudget's "[Revenue](#)" section of the *Budget Monitor* for the Governor's budget. The first is a temporary, one-time change that would accelerate the collection of sales taxes and thereby bring some revenues from FY 2019 into FY 2018. The HWM also appears to adopt the Governor's revenue assumptions related to a recently announced regulatory change that would require certain large out-of-state retailers to collect sales taxes on internet sales. With these changes and a growing economy, HWM mirrors the Governor's budget in anticipating that sales taxes would increase enough to yield a \$23.7 million increase (2.4 percent) in dedicated sales tax revenue for the MBTA over the FY 2017 budget amount.

The HWM proposal, like the Governor's, would reduce funding for the Commonwealth's 15 **Regional Transit Authorities (RTAs)** from \$82.0 million in FY 2017 to \$80.0 million.

The budget anticipates transferring \$324.3 million from the Commonwealth Transportation Fund to the **Massachusetts Transportation Trust Fund** in FY 2018, a \$20.0 million decrease (5.8 percent) below the Governor's proposal. This fund administered by the Massachusetts Department of Transportation contributes to highways, transit, intercity rail, small airports, the Massachusetts Turnpike, and Motor Vehicle Registry, while also receiving funds from tolls and federal transportation sources, in addition to the Commonwealth Transportation Trust Fund.

Following the Governor's budget proposal, HWM would allow MassDOT to sell its real estate without a competitive bidding process so long as the value of the property is less than \$100,000, as opposed to less than \$5,000, as currently stated in law. HWM's proposal, like the Governor's, would enable, but not require, the Pension Reserves Investment Management Board to manage the investment of the MBTA Retirement Fund, if the MBTA agrees.

For a description of *Transportation* proposals included in the Governor's FY 2018, see MassBudget's "[Analyzing the Governor's Budget for FY 2018](#)."

## Housing

Our state budget supports affordable housing programs and provides shelter and services to homeless families and individuals. The House Ways and Means (HWM) Committee's Fiscal Year (FY) 2018 budget recommends spending \$449.0 million on affordable housing and homelessness assistance programs. This recommendation is \$5.7 million less than the \$454.7 million the state expects to spend in FY 2017.

The HWM Committee's lower spending level for housing programs reflects the fact that it proposes \$20.5 million less than the FY 2017 current budget for the **Emergency Assistance (EA)** program, which provides shelter to low-income homeless families with children. The HWM budget for EA is also \$9.2 million less than the Governor's FY 2018 recommendation. The Governor's budget provides EA with funds the state estimates will be needed to serve the projected caseload in FY 2018. Even with the HWM Committee's proposed increase (discussed below) in supports to help homeless families move into permanent housing, the level of funding for EA in the HWM budget may require that the Legislature approve supplemental funding during FY 2018.

[EA](#) provides shelter to low-income, homeless families who qualify for the program. Recent budgets passed at the start of each fiscal year have underfunded this program, and the Legislature has had to provide supplemental funding over the course of the fiscal year. In recent years, as the state has tried to reduce the number of homeless families living in EA shelters, it has increased funding for the [Massachusetts Rental Voucher Program](#) (MRVP) to help low-income homeless families move into permanent housing. However, some renters holding these vouchers have had difficulty finding places to rent because the value of their vouchers do not reflect current costs in rent. Without a waiver from the Department of Housing and Community Development (DHCD), MRVP vouchers are based on the 2005 Fair Market Rent rather than reflecting actual prices in today's rental market.

The HWM proposal increases funding for MRVP to \$100.0 million in FY 2018. This amount is \$13.5 million more than the FY 2017 current budget and \$2.5 million more than the Governor's FY 2018 proposal. In documents accompanying its budget, the HWM Committee estimates that this increase will allow the state to create as many as 343 additional vouchers and reduce the number of families seeking shelter through the EA program. However, the budget does not update the rent levels to reflect current market conditions. So, as noted above, unless DHCD provides a waiver to rent at current market rates, voucher holders may continue to find it difficult to find a suitable apartment to rent.

Like the Governor's budget, the HWM proposal allows renters to keep their MRVP vouchers until their income exceeds 80 percent of Area Median Income (AMI). Under current law renters must give up their vouchers once their income exceeds 50 percent of AMI. This income level is often not sufficient to allow renters to afford market-based rents in areas with high housing costs, like Greater Boston. The HWM budget, like the Governor's, also allows DHCD to require that at least three quarters of the new vouchers be targeted to extremely low-income renters earning 30 percent of the AMI.

The HWM Committee budget provides some additional funding in housing programs including:

- \$65.5 million for [public housing subsidies](#) which is \$1.0 million above the FY 2017 current budget and the Governor's FY 2018 proposal. After accounting for inflation, however, this increase will likely only allow public housing authorities to provide the same level of services in FY 2018 as they have in FY 2017.
- \$15 million for [Residential Assistance for Families in Transition](#) (RAFT), which provides one-time funding to help families at risk of homelessness to remain in housing. Often the RAFT program runs out of funding before the end of each fiscal year because demand exceeds the funds available for the assistance. This increase of \$2.0 million over FY 2017 levels and the Governor's FY 2018 budget proposal may allow the state to provide assistance to families later into the fiscal year. The HWM budget does not include language adopted in the FY 2017 final budget that extends RAFT to help elders, persons with disabilities, and unaccompanied youth remain housed.
- \$46.2 million for shelter and services for **homeless individuals**, an increase of \$1.3 million above FY 2017 and \$1.0 million above the amount the Governor proposed. After adjusting for inflation, however, it is likely that this funding level will allow for only a small increase in services.

- \$250,000 for the **New Lease Program**, which matches homeless families, living in hotels and motels, with housing. The program also links families with the support services they need to remain housed over the long term.

The HWM budget also recommends a number of cuts to programs including eliminating funding for the program that helps [unaccompanied homeless youth](#). This program provides shelter and services to youth up to age 24 who are not in the custody or care of a parent or guardian. The program is currently funded in the FY 2017 budget at \$2.0 million.

For information on funding for all housing programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## Economic Development

Economic development programs aim to strengthen our state's workforce, support community investments, and stimulate economic activity. In total, the House Ways and Means (HWM) Committee Fiscal Year (FY) 2018 budget proposes funding economic development programs at \$127.4 million, a \$498,000 increase (0.4 percent) from current FY 2017 levels, and \$5.7 million below (4.3 percent) the Governor's FY 2018 budget proposal.

The HWM budget proposes renewed investment in the **Big Data Innovation and Workforce Fund** and the **Massachusetts Manufacturing Extension Partnership (MassMEP)** at \$2.0 million each. The Administration eliminated funding for these programs during emergency budget reductions in December. (To learn more about such cuts, read MassBudget's brief, [What Are 9C Cuts?](#)). Big Data Innovation and Workforce Fund brings the public and private sectors together to prepare workers for big data careers and help identify and solve technology-based issues in transportation, public health, energy, and other areas. MassMEP, also a collaboration of government, business, and academic partners, helps manufacturers in the state plan and implement strategies for increased competitiveness.

HWM does not propose any funding for the [Workforce Competitiveness Trust Fund](#), which invests in training for unemployed workers, [Re-Entry Demonstration Workforce Development Program](#), which provides workforce development and supportive services to individuals transitioning from a correctional facility, and the [Advanced Manufacturing Workforce Development Grants](#), which support training in precision manufacturing for unemployed and underemployed workers, including veterans. The proposal also does not support funding for the Governor's newly proposed account, [Learn to Earn](#), which aims to train and place unemployed and underemployed individuals in jobs in high-demand fields through partnerships between public agencies, businesses, community-based organizations, and career centers.

The **Massachusetts Cultural Council** would receive \$10.1 in funding under the HWM proposal, a \$4.2 million decline from the Governor's budget proposal and from current FY 2017 levels. The Council offers grants and services to nonprofit cultural organizations, schools, communities, and artists in Massachusetts.

Unlike the Governor's proposal, HWM does not change the funding distribution to the **Massachusetts Tourism Trust Fund**. The current statute transfers \$10.0 million in room occupancy tax revenue (from hotel room taxes) to the Massachusetts Tourism Trust Fund and distributes 40 percent of this funding (\$4.0 million) to the **Massachusetts Office of Travel and Tourism (MOTT)** and 60 percent (\$6.0

million) to the **Regional Tourism Councils**. The Governor’s budget proposal amended the current statute to adjust the distribution of the funding. The Governor directs \$3.0 million for grants to regional tourist councils, \$4.0 million for the operation of the Massachusetts Office of Travel and Tourism, and the remaining \$3.0 million for specific tourism projects around the state. In total, HWM proposes \$10.3 for these tourism accounts, which is the same as the Governor’s proposal but \$1.0 million below the current FY 2017 budget (see below).

**Tourism Funding**

Line Item #	Line Item Name	FY 2017 Current	FY 2018 Governor	FY 2018 HWM	Difference FY18 HWM - FY17 Curr.	Difference FY18 HWM - FY18 Gov	Notes
7008-0900	MOTT	5,332,666	7,299,361	4,299,361	(1,033,305)	(3,000,000)	see text above
7008-1000	Regional Tourism Councils	6,000,000	3,000,000	6,000,000	0	3,000,000	see text above
<b>Total</b>		<b>11,332,666</b>	<b>10,299,361</b>	<b>10,299,361</b>	<b>(1,033,305)</b>	<b>0</b>	

For information on funding for all economic development programs going back to FY 2001, please see MassBudget’s *Budget Browser* [here](#).

**LAW & PUBLIC SAFETY**

Overall, funding recommended by the House Ways and Means (HWM) Committee for Fiscal Year (FY) 2018 Law & Public Safety programs totals \$2.73 billion. This total is \$14.2 million (or 0.5 percent) above current FY 2017 funding levels, but is \$97.0 million (or 3.4 percent) below the Governor’s proposal for Law & Public Safety accounts. The variations in total funding levels among the three are the result of many small and a few large differences. Among those areas with a large variation are the line items associated with **Private Counsel Compensation** (PCC). Typically, some PCC accounts are replenished mid-year through supplemental appropriations. The Governor has encouraged fully funding these accounts as part of the standard budget process. Accordingly, the Governor has proposed what looks like a large increase in PCC funding relative to current FY 2017 levels, but which instead represents an attempt at full, upfront funding. The HWM budget, by contrast, appears to stick with past practice of underfunding these accounts in the initial budget, based on the assumption that supplemental funding will be provided later in the fiscal year. HWM proposes funding the PCC accounts at a collective total of \$173.8 million, or \$53.6 million less than the Governor. Assuming the Governor’s total is based on an accurate assessment of likely PCC costs during FY 2018, the HWM’s underfunding of these accounts constitutes a sizeable hole in the overall HWM FY 2018 budget.

A similar story holds for the **sheriffs’ department** accounts. These too tend to receive additional funding as necessary during the fiscal year through supplemental appropriations. The HWM budget proposes some \$44.9 million less in funding for sheriffs’ accounts than does the Governor, though the HWM total exceeds current FY 2017 funding levels by \$10.9 million (or 2 percent).

Unlike items noted in the foregoing discussion, HWM is recommending a sizeable *increase* in FY 2018 funding above anticipated FY 2017 levels for the **Department of Correction (DOC)**. HWM is proposing a total of \$645.3 million for DOC accounts, an increase of \$38.3 million, (or 6.3 percent) over current FY 2017 levels, though this total is \$9.4 million less than proposed by the Governor. Like the Governor, HWM also recommends increasing funding for the **Massachusetts Alcohol and Substance Abuse Center** from \$5.0 million in FY 2017 to \$9.8 million in FY 2018.

Other notable elements of the HWM proposals for Law & Public Safety include increases for District Attorneys’ Offices, ranging from about 3 to 5 percent above FY 2017 levels, as well as a \$1.5 million increase for the **Massachusetts Legal Assistance Corporation (MLAC)**, providing a total of \$19.5 million for this account. [MLAC](#) provides legal assistance (including information, advice, and representation) to low-income people with serious, non-criminal legal problems. HWM estimates that the increase in funding would allow MLAC to handle an additional 2,265 cases in FY 2018.

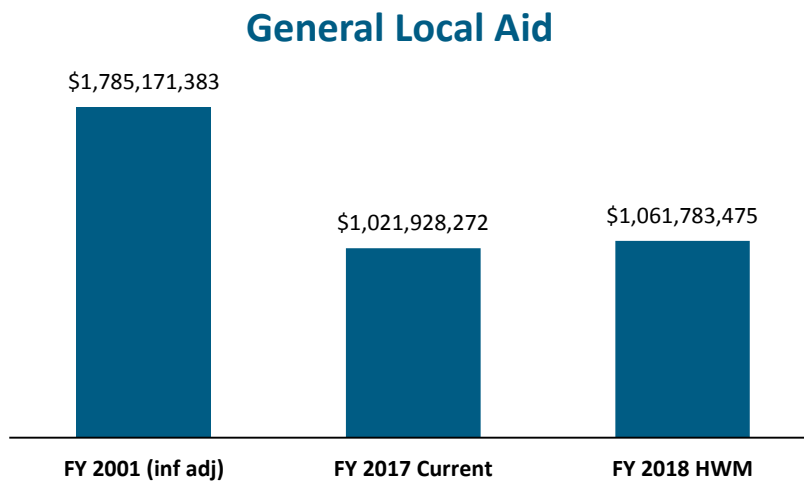
## LOCAL AID

### Unrestricted Local Aid

The House Ways and Means Committee (HWM) budget for Fiscal Year (FY) 2018 proposes to increase Unrestricted General Government Aid (UGGA), also known as “general local aid” by \$39.9 million over current FY 2017 levels to \$1.06 billion, an increase of 3.9 percent. It is the same amount proposed by the Governor.

General local aid helps cities and towns fund vital local services such as police and fire protection, parks, and public works. For more information on general local aid, please see [Demystifying General Local Aid in Massachusetts](#).

The Commonwealth’s capacity to fund general local aid has been hindered by a series of significant state-level tax cuts during the 1990's and 2000's combined with the Great Recession. While over the past several years, general local aid funding has increased in step with or slightly above inflation, it still remains 40.5 percent below FY 2001 levels, when adjusted for inflation.



### Other Local Aid

The Commonwealth provides other sources of local aid to cities and towns for more specific purposes. The largest form of local aid is for K-12 education, which is discussed separately in the K-12 Education section. Aid for libraries is also discussed in its own section in this Budget Monitor.

The HWM budget proposal would provide \$7.3 million for the **Municipal Regionalization and Efficiencies Incentive Reserve**, \$2.9 million below the Governor’s FY 2018 proposal and \$1.1 million



above the current FY 2017 funding levels after the Governor’s \$5.2 million 9C budget cuts to this program in December (to learn more about such cuts, read MassBudget’s brief, [What Are 9C Cuts?](#)). This HWM proposal includes \$500,000 for a competitive **public safety grants** program for populous communities with low per-capita police funding; \$2.8 million for continuing a **District Local Technical Assistance Fund** administered by the Division of Local Services within the Department of Revenue, \$2.0 million to fund a competitive grants program for **regionalizing services or planning**, and \$2.0 million for the **Community Compact** incentive program to support best local practices.

Some cities and towns receive other forms of non-education local aid from smaller programs that provide aid only to a subset of qualifying cities and towns. For example, the HWM budget – like the Governor’s -- would provide (\$26.8 million) for local **payments in lieu of taxes** to communities with state-owned land that is not subject to local property taxes, the same amount it has been since FY 2014.

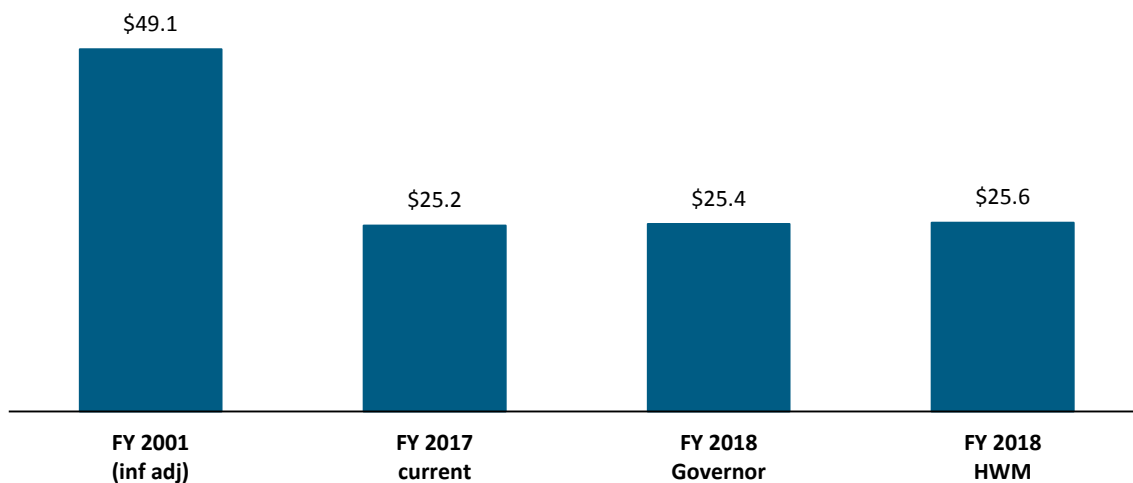
## OTHER

### Libraries

Overall, the House Ways and Means (HWM) Fiscal Year (FY) 2018 budget recommends \$25.6 million to fund libraries, an increase of \$460,000 (1.8 percent) from current FY 2017 levels. This total is \$208,000 more than proposed by the Governor. When the effects of inflation are taken into account, the HWM’s relatively small percentage increase in nominal funding from FY 2017 levels means that libraries would be “flat funded,” seeing neither a real increase nor decrease in funding.

More notable than the difference between the HWM proposed FY 2018 funding levels and current FY 2017 funding levels, however, is the very steep drop in annual state support for libraries since FY 2001. Where libraries received \$49.1 million in FY 2001 (adjusted for inflation), under the HWM FY 2018 proposal they would receive \$23.5 million less than in FY 2001, a decline in annual funding of 47.8 percent.

### Library Funding Cut Dramatically Since FY 2001 (\$ millions)



## Pensions

The House Ways & Means (HWM) Fiscal Year (FY) 2018 budget follows the Governor's recommended increase in the state's contribution to the Pensions Reserves Investment Trust (PRIT) Fund, raising the annual contribution by \$196.4 million over FY 2017, to a total of \$2.40 billion. To read more about how PRIT contributions are calculated and the current schedule for paying down the state's unfunded pension liabilities, see the Governor's FY 2018 Budget Monitor, [HERE](#). To learn more about the Massachusetts state pension system in general, see MassBudget's report "[Demystifying the State Pension System](#)."

## REVENUE

In terms of tax policy, the House Ways and Means (HWM) Fiscal Year (FY) 2018 budget is very similar to that of the Governor. It proposes a set of "tax modernization" policy changes much like those originally introduced by the Governor. According to HWM budget documents, the HWM budget relies on \$175 million in new revenue from these sources. This package would deliver a mix of both one-time and ongoing revenue. Overall, the HWM budget appears to rely on some \$110 million in one-time revenue and temporary sources to achieve balance (see Revenue Table 1 and Revenue Table 2, below, and accompanying discussions). Such one-time revenue and temporary sources are useful for balancing the budget only in the current fiscal year and their use most often adds to the challenge of balancing the budget in future years. (To read more about the state's projected FY 2018 budget gap, see MassBudget's [FY 2018 Budget Preview](#).)

Additionally, HWM adopts another of the Governor's proposals, this one affecting how some automatic deposits to the state's Stabilization ("Rainy Day") Fund are determined. The proposal would alter the formula that determines the amount of anticipated excess capital gains tax revenue that is required to be deposited into the fund. This change would reduce the amount of revenue *technically required* to be deposited to the fund relative to current law, but might increase the likelihood that such deposits actually would be made. (In recent years, required deposits to the fund often have been suspended.) At the same time, this rule change would allow budget writers to use revenue currently designated for deposit to the Rainy Day Fund, essentially codifying the repeated use of these emergency resources to support ongoing budget expenditures. Like the Governor, HWM balances its budget using some \$50 million of such revenue (a type of temporary revenue not included in the \$140 million figure noted above, because, due to the proposed change, it no longer would count technically as one-time revenue).

The HWM budget also proposes changes to state tax credits. It creates a new business tax credit to encourage employers to hire Massachusetts-based veterans. It also expands access to the EITC by making it easier for married victims of domestic abuse to claim the credit, while changing the rules governing the amount to which certain filers are entitled, reducing or eliminating the credit for filers who do not reside full-time in Massachusetts.

The HWM budget includes lowered non-tax revenue estimates, largely associated with an anticipated reduction in health care costs. HWM adopts the Governor's proposal for a new assessment on employers, but estimates that this assessment would only need to generate \$180 million in FY 2018, rather than the \$300 million proposed by the Governor. (See the "MassHealth and Health Reform" section of this *Budget Monitor* for more details.)

These and other revenue and budget balancing proposals are covered in greater detail in the Tax Revenue and Non-Tax Revenue sections, below.

## Tax Revenue

The starting point for every state budget is the Consensus Revenue Estimate (CRE). The FY 2018 CRE figure is \$27.072 billion, an amount \$1.016 billion or 3.9 percent above the current FY 2017 benchmark estimate of \$26.056 billion. (To read more about the FY 2018 CRE see the Governor's FY 2018 Budget Monitor [HERE](#).)

HWM, like the Governor, balances its FY 2018 budget in part through the use of a number of tax policy changes that provide additional revenue, above and beyond the CRE amount. The HWM budget relies on \$50 million in ongoing tax revenue in FY 2018 and another \$125.0 million in one-time tax revenue (See Revenue Table 1, below). These proposals are discussed in greater detail in the sections below, as are other tax-related elements of the HWM budget.

### Tax Modernization

Adopting some elements of a set of tax changes proposed by the Governor in his FY 2018 budget, the HWM budget relies on \$175 million from what budget documents label "Tax Modernization Proposals." It appears that \$50 million of these new revenues would be ongoing, while \$125 million would be one-time revenue available only in FY 2018 (though only \$95 million of this total would be available for the budget – see below). The new revenue proposals are listed below. For more detail on each, see the FY 2018 Governor's Budget Monitor [HERE](#).

- *Require Credit Card Processors to Remit Sales and Room Occupancy Tax on Daily Basis* – By requiring daily remittance, this tax policy change would shift, on a one-time basis, an estimated \$125 million of tax payments from FY 2019 into FY 2018. Only \$95 million of this total would be available to support FY 2018 direct budget appropriations; being sales tax revenue, the other \$30 million of this total would be split between the School Building Authority and the MBTA, through pre-budget transfers, as required by law.
- *Collect Sales Tax from Out-of-State Online Retailers* – The Department of Revenue recently published a [new directive](#) requiring online retailers that make more than \$500,000 and 100+ sales annually in Massachusetts to collect and remit Massachusetts sales and use taxes on purchases made by customers inside Massachusetts. The Administration estimates this change would generate an additional \$30 million of ongoing revenue in FY 2018.
- *Requiring Credit Card Companies to Provide 1099-Ks to Small Business Owners* – Language in the HWM budget, like that in the Governor's budget, provides the Department of Revenue (DOR) with the ability to implement regulatory changes that require third-party payment intermediaries (like credit card companies) to provide 1099-K forms to most individuals and small businesses to whom the companies transfer payments in a given calendar year (as well as providing the same information to DOR). The Administration estimates that such 1099 reporting changes will generate \$20 million of ongoing revenue in FY 2018.

The Governor’s proposal to tax some short term rentals – including some of those brokered through websites such as Airbnb and VRBO – is not included in the HWM budget.

FY 2018 TAX REVENUE PROPOSALS (\$ millions)	Governor		HWM	
	Ongoing	Temporary	Ongoing	Temporary
<b>TAX REVENUES</b>				
Require daily remittance of sales and room occupancy tax	0.0	125.0	0.0	125.0
Collect sales tax from out-of-state online retailers	30.0	0.0	30.0	0.0
Require 1099s for addtl individuals and small business owners	20.0	0.0	20.0	0.0
Apply occupancy tax to certain short-term rentals	12.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>62.0</b>	<b>125.0</b>	<b>50.0</b>	<b>125.0</b>

**Stabilization Fund**

The HWM FY18 budget includes a significant change to the current rules governing how much capital gains tax and other revenue is to be deposited each year into the state’s Stabilization Fund (or “Rainy Day Fund”). The Rainy Day Fund provides reserves on which the state can draw to maintain funding for programs and services during economic downturns, when tax collections typically undergo a substantial decline. This proposed change mirrors one proposed in the Governor’s FY18 budget. (For more detail see the FY18 Governor’s Budget Monitor [HERE](#).)

Under current law, any capital gains tax revenue collected in excess of a threshold calculated annually by the Department of Revenue is to be deposited into the Rainy Day Fund for later, emergency use. The HWM budget (like the Governor’s budget) proposes instead making an automatic, upfront deposit (“pre-budget transfer”) into the Rainy Day Fund at the start of each fiscal year, equal to one-half of the estimated excess capital gains revenue anticipated during the coming fiscal year. The new approach proposed by HWM and the Governor would deliver \$51.5 million to the Rainy Day Fund in FY 2018. This amount (\$51.5 million) is less than is required under current law (\$102 million), though the currently required deposit has not been made in recent years. Because the Rainy Day Fund provides a crucial buffer to deep budget cuts in the event of a sudden drop in revenues (usually associated with a downturn in the national and state economies), changes that reduce deposits to the Rainy Day Fund could create problems in future years.

This change also has the effect of allowing budget writers to report a reduced reliance on temporary revenue without actually reducing reliance on an unstable revenue source. As long as state law requires all capital gains tax revenue above the threshold (\$1.169 billion for FY 2018) to be deposited into the Rainy Day Fund, any use of that money to balance the budget counts as the use of a temporary revenue source (because the budget is using money that by law should be going into the Rainy Day Fund). By changing the law to reduce by 50 percent the amount of this unstable revenue source currently required to be deposited into the Rainy Day Fund, budget writers are able to use half of the capital gains tax revenue above the threshold to balance the budget without counting that use as the use of a temporary revenue source. Both the HWM and Governor’s FY 2018 budgets rely on some \$50 million of such temporary revenue in order to achieve balance.

HWM, like the Governor, expects to make a total deposit to the Rainy Day Fund of some \$100 million, apparently including approximately \$47 million in earned interest and sales of abandoned property (as does the Governor).

The HWM budget does *not* follow the Governor in proposing a second change to the rules governing deposits into the Rainy Day Fund. The Governor had proposed a mechanism that would create a type of “lock box” for half of any tax revenue collected during the fiscal year that exceeded the annual Consensus Revenue Estimate, requiring this amount to be deposited in the Rainy Day Fund at the end of each fiscal year. Existing law requires deposit of the *full* amount of any such excess revenue that is not spent by year’s end (the *net* surplus), but in recent years such deposits sometimes have not been made. (For a more detailed discussion of the Governor’s proposal and the recent history of deposits to the Rainy Day Fund see the FY18 Governor’s Budget Monitor [HERE](#).)

### Tax Credits

The HWM budget includes two notable proposals related to tax credits. The first is a proposal to create a new business tax credit to encourage the hiring of veterans. Under this proposal, businesses employing less than 100 people could receive a \$2,000 tax credit for each qualified, Massachusetts-based veteran hired by the business. The credit would be provided annually for up to two years (assuming the veteran remains employed for those two years) and could be carried forward for up to three years beyond the tax year in which it was first claimed. It is unclear from documents provided by HWM how much they estimate this credit would cost the Commonwealth in forgone revenue in FY 2018.

The second proposal would expand access to the state Earned Income Tax Credit (EITC) by allowing a married filer who is living apart from her/his spouse due to domestic abuse – and who therefore is opting to file under the category “married filing separately” – to claim the credit without needing to file a joint return. The proposal also would place limits on the share of a filer’s state EITC that could be collected by filers who are not full-time residents of Massachusetts. For those filers claiming the credit, the value of their credit would be equal to the share of the year spent in Massachusetts. Filers who are nonresident in Massachusetts the entire year would be ineligible for the state credit. HWM estimates these changes together would save the Commonwealth a net \$10 million in FY 2018.

### Non-Tax Revenue

Because the HWM budget proposal does not provide detailed revenue information, it is not possible to identify all of the anticipated differences between HWM non-tax revenue estimates and those of the Governor. However, there are several clear differences worth noting.

Federal revenues are mostly reimbursements from the federal government for state spending on Medicaid (MassHealth and related costs). HWM estimates that the state’s General Fund would receive \$11.39 billion in federal revenues over the course of FY 2018. This is \$39.7 million less than anticipated by the Governor. As the HWM MassHealth appropriations totals are approximately \$80 million less than the Governor’s, the federal reimbursement on this spending would also be lower. However, it is not possible to determine from available budget materials exactly how that reimbursement amount tracks to the proposed budget amounts, as the reimbursement rates vary for different MassHealth programs.

Departmental revenues are fees, assessments, fines, tuition, and similar receipts. The HWM budget anticipates \$95.7 million less in departmental revenue than the Governor, primarily due to a lowered estimate from a newly-proposed assessment on employers to help defray health care costs. The Governor had estimated revenue of \$300 million in FY 2018 from a \$2,000 per employee assessment on certain employers whose employees did not take health insurance. HWM also authorizes an employer assessment, but allows for wide latitude in the determination of the extent and amount of this assessment. HWM notes that this alternative assessment would only need to generate \$180 million in revenue. (See the “MassHealth (Medicaid) and Health Reform” section of this *Budget Monitor* for additional details.)

Transfer revenues include lottery receipts, revenues from the newly-licensed gambling facilities, and funds that the state draws from an assortment of non-budgeted trusts. The HWM budget includes language that authorizes the transfer of \$15.0 million in unexpended balances from assorted trust funds.

The Governor’s budget included \$10.3 million in one-time revenue from the sale of abandoned property (from the liquidation of stocks and mutual funds) and \$45.8 million in ongoing revenue from other new fees, but it is not clear from available budget materials whether HWM also counts on these revenues. For more details on non-tax revenues in the Governor’s budget, see the “[Revenue](#)” section of MassBudget’s FY 2018 Governor’s *Budget Monitor*.

FY 2018 NON-TAX REVENUE PROPOSALS (\$ millions)	HWM	
	Ongoing	Temporary
<b>NON-TAX REVENUES</b>		
Transfers from various trusts (sweeps)		15.0
Anticipated revenue from health assessment	180.0	
<b>TOTAL</b>	<b>180.0</b>	<b>15.0</b>

## TOTAL BUDGET BY CATEGORY AND SUBCATEGORY

In order to allow for more accurate comparisons from year to year and to better include all appropriated spending, MassBudget makes certain adjustments to the way budget data are presented by the Administration and Legislature.

The totals in the **FY 2018 HWM** and **FY 2018 Governor** columns show the proposals in the structure of the FY 2017 budget in order to allow for more accurate across-year comparisons. **FY 2017 Current** column shows the budgeted General Appropriation Act as enacted in July 2016, and as amended by mid-year 9c cuts and by supplemental budget legislation. For other explanatory information, see details below the chart.

The FY 2017 total for State Employee Health Insurance reflects current budgeted totals that may be artificially high because of a budgeting glitch that is likely to be fixed. See “[State Employee Health Insurance](#)” section of the FY 2018 Governor’s *Budget Monitor*.

BUDGET BY CATEGORY AND SUBCATEGORY (\$ millions)	FY 2001 Final Adjusted for Inflation to FY18	FY 2017 Current	FY 2018 Governor	FY 2018 HWM
<b>Education</b>	<b>7,519.4</b>	<b>7,798.2</b>	<b>7,924.0</b>	<b>7,961.1</b>
Early Education & Care	742.9	567.6	568.0	578.1
Higher Education	1,371.2	1,162.4	1,172.5	1,171.4
K-12: Chapter 70 Aid	4,245.5	4,628.0	4,719.4	4,747.0
K-12: Non-Chapter 70 Aid	698.4	605.5	602.5	603.0
K-12: School Building	461.4	834.7	861.6	861.6
<b>Environment &amp; Recreation</b>	<b>307.8</b>	<b>191.7</b>	<b>199.6</b>	<b>197.3</b>
Environment	137.1	83.5	89.1	86.9
Fish & Game	24.9	27.5	28.0	28.3
Parks & Recreation	145.8	80.8	82.4	82.1
<b>Health Care</b>	<b>10,276.0</b>	<b>19,616.5</b>	<b>20,512.3</b>	<b>20,463.0</b>
MassHealth (Medicaid) & Health Reform	7,748.2	16,558.7	17,542.2	17,449.5
Mental Health	845.7	763.9	773.2	773.7
Public Health	772.3	604.4	612.1	616.4
State Employee Health Insurance	909.8	1,689.4	1,584.9	1,623.4
<b>Human Services</b>	<b>3,795.3</b>	<b>4,160.2</b>	<b>4,256.8</b>	<b>4,251.0</b>
Child Welfare	788.4	947.6	985.6	975.1
Disability Services	1,376.8	1,900.7	1,978.7	1,978.6
Elder Services	266.8	274.6	287.0	285.6
Juvenile Justice	169.1	176.3	182.2	182.0
Transitional Assistance	1,063.5	657.5	616.8	626.2
Other Human Services	130.7	203.4	206.5	203.5
<b>Infrastructure, Housing &amp; Economic Development</b>	<b>2,072.8</b>	<b>2,245.7</b>	<b>2,233.2</b>	<b>2,202.6</b>
Commercial Regulatory Entities	61.3	58.4	63.7	63.5
Economic Development	300.2	126.9	133.1	127.4
Housing	354.3	454.7	453.7	449.0
Transportation	1,357.0	1,605.7	1,582.6	1,562.6
<b>Law &amp; Public Safety</b>	<b>2,651.0</b>	<b>2,715.9</b>	<b>2,827.1</b>	<b>2,730.1</b>
Courts & Legal Assistance	803.1	739.2	756.0	714.5
Law Enforcement	387.6	390.6	394.7	393.6
Prisons, Probation & Parole	1,249.7	1,363.8	1,452.6	1,398.2
Prosecutors	163.9	166.7	170.6	171.5
Other Law & Public Safety	46.7	55.6	53.1	52.3
<b>Local Aid</b>	<b>1,813.0</b>	<b>1,056.1</b>	<b>1,099.4</b>	<b>1,096.6</b>
General Local Aid	1,785.2	1,021.9	1,061.8	1,061.8
Other Local Aid	27.8	34.1	37.6	34.8
<b>Other</b>	<b>4,782.9</b>	<b>5,424.3</b>	<b>5,644.8</b>	<b>5,637.0</b>
Constitutional Officers	111.6	83.6	75.0	75.8
Debt Service	2,259.4	2,636.2	2,658.3	2,658.3
Executive & Legislative	86.1	74.4	74.4	74.4
Libraries	49.1	25.2	25.4	25.6
Pensions	1,476.6	2,198.1	2,394.5	2,394.5
Other Administrative	800.1	406.8	417.1	408.4
<b>Total Budget</b>	<b>33,218.1</b>	<b>43,208.6</b>	<b>44,697.1</b>	<b>44,538.5</b>

- MassBudget’s totals include the “**pre-budget transfers**” of funds. Statutes require that the Legislature transfer portions of revenue prior to the appropriation process to support certain functions. Although these transfers function no differently from appropriations, the Governor and Legislature do not reflect these expenditures in their budget totals; instead, they are shown as amounts deducted or transferred from revenue prior to the budgeting process. To better reflect total state funding, MassBudget includes these pre-budget transfers in appropriation totals. In FY 2018, these add \$4.43 billion to the total: tax revenues dedicated to the MBTA and school building assistance, cigarette excises dedicated to the Commonwealth Care Trust Fund, the state contribution to the pension system, a transfer to the State Retiree Benefits Trust, and transfers to the Workforce Training Trust.
- MassBudget’s totals include annual appropriations into **non-budgeted (“off-budget”) trusts**. The transfer of funds from the General Fund or another budgeted fund into a non-budgeted trust is a form of appropriation, and should be treated as any other appropriation. Prior to FY 2011, the budget authorized these transfers in Outside Section budget language. Starting in FY 2011, a new section of the budget, **Section 2E**, systematically accounted for the transfer of funds into off-budgeted trusts. MassBudget’s totals include these operating transfers in all budget years.
- When spending that is now included in the budget was previously “off-budget,” MassBudget’s totals include the prior years’ “off-budget” spending totals in order to reflect more accurate **year-to-year comparisons**. For example, funding directed to health care providers as partial reimbursement for uncompensated care was previously funded by a transfer of federal revenue directly into the off-budget Uncompensated Care Trust Fund. This spending was brought on-budget in FY 2009, and incorporated into the state’s budgeted health care appropriations. MassBudget health care budget totals include the off-budget spending for these services in order to reflect a more accurate across-year comparison.
- MassBudget reduces **State Employee Health Insurance** totals to exclude spending on health insurance for municipal employees and retired teachers for which the state is fully-reimbursed by municipal government.
- MassBudget reduces funding for the community colleges, state universities, and University of Massachusetts campuses by the amount of tuition that these campuses remit to the state treasury each year. These adjusted totals more accurately reflect the “net” appropriations available to the campuses to support operations, and allow for more consistent comparisons across the years, since the policies about **tuition remission** have varied from year to year and from campus to campus. For example, until FY 2003, all the University of Massachusetts (UMass) campuses were required to remit to the state treasury all tuition from all students. From FY 2004 – FY 2011, UMass Amherst (only) remitted only in-state tuition, and retained tuition from out-of-state students. Starting in FY 2012, the remaining UMass campuses were also allowed to retain tuition from out-of-state students. Starting in FY 2017, UMass retained all tuition revenue, remitting none. The MassBudget adjustments make it possible to make meaningful comparisons of appropriations to these campuses even with these policy changes.



- MassBudget’s totals include funding paid for out of **anticipated reversions**. For example, a portion of funding for health care for retired state employees has in some years come from anticipated reversions of funds.
- MassBudget’s totals reflect legislatively-approved “**prior appropriation continued**” (PAC) amounts. In most instances, MassBudget shifts the PAC amount from the year in which the funding was first appropriated into the year in which the Administration expects to spend the totals.
- Because MassBudget totals reflect budgeted appropriations and not actual spending, there can be apparent fluctuations in the MassHealth and Health Reform totals that are simply due to the timing of payments to certain off-budget trusts. These budget variations may not reflect real differences in spending.