

The Senate Ways and Means Budget for FY 2018

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Like the proposals from the Governor and the House, the Senate Ways and Means (SWM) Committee budget for Fiscal Year 2018 (which begins July 1) would generally maintain existing service levels while making small targeted new investments in several areas, particularly in education.

This budget also joins the House in addressing 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. The Senate Ways and Means Committee, like the House, authorizes the administration to develop a plan that addresses concerns raised by the business community and generates \$180 million in revenue (the Governor’s original plan would have generated \$300 million in FY 2018). In the House and SWM proposals, the assessment would also expire after two years. By creating only a temporary revenue source for what is likely to be an ongoing expense, the legislature would increase the budget’s reliance on temporary revenue, which will make it more difficult to produce a balanced budget in future years.

The SWM budget proposes increased investment in early education and care, local public schools, and higher education. It proposes an increase of almost \$15 million for the Commonwealth Preschool Partnership Initiative, which will

expand access to early education, particularly for three-year-olds. The SWM budget also proposes an increase of \$129 million in Chapter 70 local aid for education, modestly more than the Governor and House. Unlike those budgets, it recommends substantial increases in higher education funding (\$42 million over current funding levels).

Like proposals from the Governor and House, 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 sure that our schools have the resources they need to provide high quality education for all children in the Commonwealth; or fixing our existing transportation infrastructure while constructing the infrastructure for future growth.

While tax revenue in FY 2017 has been coming in below projections, the SWM budget, like those of the Governor and the House, continues to use the consensus revenue estimate previously agreed to by the House, Senate, and Governor. There is some uncertainty about what the FY 2017 tax revenue numbers will mean for FY 2018. Revenue connected with people filing and paying their 2016 taxes in April was down substantially, which reflects economic conditions in the prior year. On the other hand, the most recent data on withholding taxes – which track current economic performance – were strong (although sales tax receipts, which also reflect current conditions, have not been strong). In other words, while the decline is cause for concern, it is not clear how it will affect the trend going forward. State finance law directs the Governor to make that determination and update his budget accordingly.*

The rest of this *Budget Monitor* examines the Senate 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 helps prepare our youngest children for future success in school and helps kids 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.

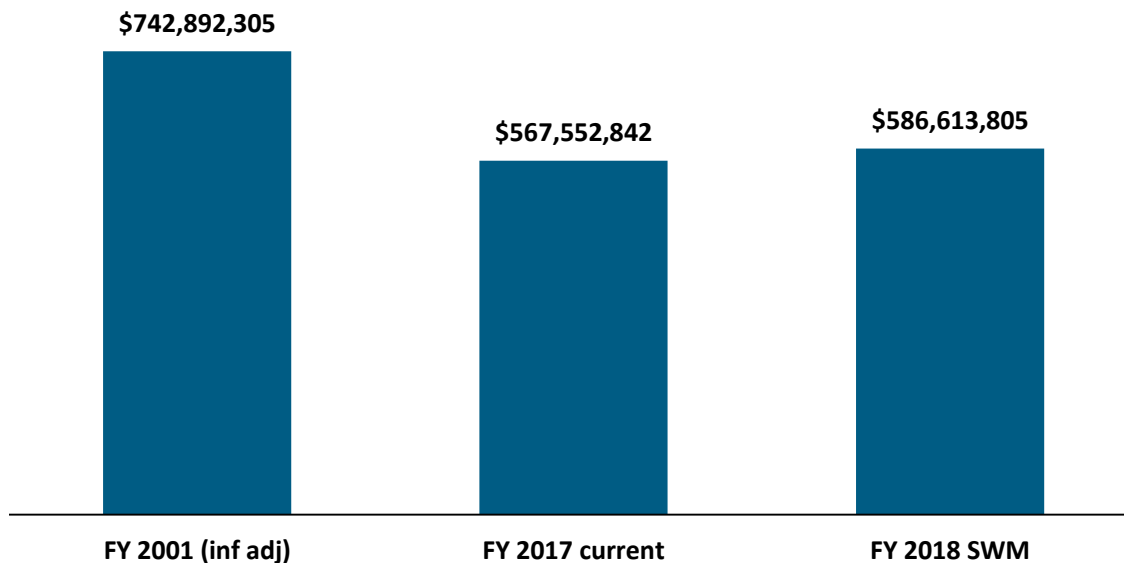
The Senate Ways and Means (SWM) Committee's Fiscal Year (FY) 2018 budget allocates \$586.6 million for early education and care. This amount represents an increase of \$19.1 million (3.4 percent) above current levels and \$3.1 million above the House budget for FY 2018. Despite this increase in the SWM proposal, 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 SWM Committee's proposed FY 2018

* "If the governor determines ... that the tax revenues or non-tax revenues supporting the general appropriation bill have materially decreased... the governor shall submit to the general court by message recommended corrective amendments to the governor's original budget submission to ensure that total appropriations recommended in the general appropriation bill do not exceed total revenues supporting said bill. Such message shall be submitted to the general court within 15 days from the date of such determination."

<https://malegislature.gov/Laws/GeneralLaws/PartI/TitleIII/Chapter29/Section7H>

budget would remain \$156.3 million (21.0 percent) below FY 2001 levels, adjusting for inflation (see chart below).

Early Education Funding Down 21 Percent Since 2001



The SWM Committee’s FY 2018 budget proposal provides \$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 House 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 along with work training programs for low-income families).

The SWM 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. Without sufficient funding to meet demand, the waitlist for these subsidies contained 23,700 children as of February 2017. In FY 2015 and FY 2016, the state budget provided dedicated funding to reduce the waitlist. The SWM Committee’s FY 2018 budget proposal, like the current FY 2017 budget, does not contain specific funding to reduce the waitlist, but does take other steps to expand access to early education.

The SWM Committee provides \$15.1 million to the [Commonwealth Preschool Partnership Initiative](#), which would help increase the availability of child care. This initiative helps existing early education providers, including school districts, expand access to services, particularly for 3 year olds and for those with greater needs. This proposal would provide planning grants for up to 10 cities to increase care for 3-year-olds. This effort would build off the federally-funded Preschool Expansion Grant (PEG) model. The PEG program has supported early education for over 800 low-income kids in almost 50 early education classrooms annually over the past several years in Boston, Holyoke, Lawrence, Lowell, and Springfield. The amount provided by the SWM Committee is a very large increase of \$14.9 million over current levels. The House did not provide funding for this purpose in its FY 2018 proposal.

The SWM Committee’s FY 2018 budget proposal includes \$10.0 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 less than what was available in a similar account (Early Education and Care Provider Rate Increase) in FY 2017. It is also \$10.0 million less than the House proposal 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 SWM Committee’s FY 2018 budget, funding for Income Eligible Child Care, and salary increases for early educators are funded at \$265.4 million, which is effectively the same as current FY 2017 levels (see chart below). 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 Governor | FY 2018 House | FY 2018 SWM | Difference FY18 SWM - FY17 Curr. |
|--------------|---------------------------------|--------------------|--------------------|--------------------|--------------------|----------------------------------|
| 1599-0042 | EEC Provider Rate Increase | 12,500,000 | 0 | 0 | 0 | (12,500,000) |
| 3000-1042 | Center Child Care Rate Increase | 0 | 7,000,000 | 20,000,000 | 10,000,000 | 10,000,000 |
| 3000-4060 | Income Eligible Child Care | 252,453,572 | 255,389,495 | 255,389,342 | 255,389,495 | 2,935,923 |
| TOTAL | | 264,953,572 | 262,389,495 | 275,389,342 | 265,389,495 | 435,923 |

In March, 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 for FY 2018 at a cost of \$28.6 million. At the same time, the administration announced that approximately 1,100 additional kids would be able to be served in early education programs through newly issued vouchers. This estimate includes an assumption that early education programs would at least receive the support outlined in the Governor’s FY 2018 proposal, including a \$7.0 million rate reserve (below what the House and SWM Committee provided) and that significant unused funding would be carried over from FY 2017.

However, no additional funding was appropriated to support early education in the middle of FY 2017, in fact, a small amount was removed through mid-year cuts. Therefore, the announced rate increases and additional subsidies are largely the result of repurposing funds that were already approved for FY 2017 that would otherwise revert to the General Fund. The repurposed funding was available due to implementation of a new early education financial management system. Savings have been achieved due to stricter enforcement of policies, regulations, and increased monitoring, with excess funds identified in this process then being reinvested into the rest of the early education system. Some funds were also available as the result of the underuse of some contracted spots in early education centers. It appears that some surpluses in early education and care caseload accounts will continue in FY 2018.

The SWM Committee FY 2018 budget proposal, like the version from the House, directly authorizes carrying over unused child care funds from FY 2017 into FY 2018. Language included by the SWM Committee more specifically outlines the amount and source of the carryover, \$18.8 million from the Income Eligible Child Care account. The SWM budget would use the surplus for several purposes, including increasing rates to providers, but also maintaining access to child care vouchers and ensuring more kids remain eligible for a full year of services. All of these measures are consistent with the Governor’s announcement in March.

There are some slight differences in the approach between the House and SWM Committee on these early education funds. The House budget would authorize carrying over all unused funds from FY 2017 in both the Income Eligible Child Care and Supportive and TANF Child Care accounts, and limit the use of the surplus to increasing provider rates. However, the carryover outlined by the SWM Committee is projected to be sufficient to enact the 6.0 percent rate increases proposed by the Governor for FY 2018. The difference between the authorized carryover of \$18.8 million in the SWM proposal and the \$28.6 million cost of the rate increase outlined by the Governor is explained by the projection that surpluses in FY 2018 will make up the difference.

Regardless of the exact approach, both branches of the Legislature have now authorized carrying over early education surpluses into the FY 2018 for the Department of Early Education and Care to implement the rate increases announced by the administration in March.

In FY 2017, funding from several early education and care accounts was merged into a new [Quality Improvement](#) line item. In FY 2018, the SWM Committee’s budget proposes \$31.8 million in support for this line item, \$634,000 below current levels. While the Senate appears to provide a higher funding amount than what the House approved, in fact the House moved \$2.5 million in funding for [Early Childhood Mental Health Consultation](#) out of the Quality Improvement account into its own line item. The Senate did not include separate funding for this program its FY 2018 proposal (see chart below).

FUNDING FOR EARLY EDUCATION QUALITY IMPROVEMENT

| Line Item # | Line Item Name | FY 2017 Current | FY 2018 Governor* | FY 2018 House | FY 2018 SWM | Difference FY18 SWM - FY18 House | Notes |
|--------------|----------------------------|-------------------|-------------------|-------------------|-------------------|----------------------------------|------------|
| 3000-1020 | Quality Improvement | 32,396,637 | 31,762,455 | 30,712,455 | 31,762,455 | 1,050,000 | Incl. adj. |
| 3000-6075 | EEC Mental Health Services | 0 | 0 | 2,500,000 | 0 | (2,500,000) | |
| TOTAL | | 32,396,637 | 31,762,455 | 33,212,455 | 31,762,455 | (1,450,000) | |

*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.

K-12 Education

Providing an excellent education to all children in our Commonwealth supports future generations 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 Senate Ways and Means (SWM) Committee proposes increasing **Chapter 70 Aid** by \$128.8 million (2.8 percent) to \$4.76 billion for FY 2018. This amount is \$9.9 million more than the House proposed for FY 2018.

The SWM Committee budget for FY 2018, like the House, provides some aid specifically for districts that would otherwise receive less funding as a result of the recent change in the student poverty measure (for detailed discussion, see [Analyzing the Governor’s Budget for FY 2018](#)). The SWM Committee provides \$12.5 million in aid to eight public districts and a handful of charter schools in

Chapter 70 allocations instead of through the separate **Education Reform Reserve** which was provided \$12.5 million for the same purpose in the House budget.

The SWM Committee's Chapter 70 proposal, like both the House and Governor's proposals, includes modest steps 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 determined in the Education Reform Act of 1993 and adjusted mostly 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 SWM Committee's proposal for Chapter 70 contains several moderate steps to implement the FBRC recommendations. The SWM Chapter 70 proposal provides increases of between 6 to 13 percent, depending on grade level and student category, for employee benefits, which includes health care. This adds \$66.0 million to the foundation budget statewide and roughly \$17 million in new state aid, and is identical to the Governor's proposal. It is less than the 8 to 19 percent increases to these rates proposed by the House.

However, the SWM Committee includes new measures that would increase the assumed special education enrollment rate to 4.0 percent of all students and 5.0 percent of all students at vocational schools, a quarter point higher than currently assumed. This proposal would be in line with a FBRC recommendation and generate roughly \$16 million in additional aid. Additionally, the SWM budget would increase the foundation budget rate for special education kids in specialized out of district placements by 4.7 percent to \$27,600 instead of the standard 1.1 percent inflation factor in the rest of the Chapter 70 formula. This change would result in an additional \$1.3 million in Chapter 70 aid. Finally, an Outside Section of the SWM budget would direct the administration along with the House and Senate to develop an implementation schedule for the FBRC starting in January 2018.

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 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 is currently deliberating in order to inform the FY 2019 budget.

The SWM proposal contains language that may limit the number of students counted as economically disadvantaged for the purposes of providing targeted education aid. The SWM budget proposal, like the versions from the Governor and the House, 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. The SWM budget language related to this 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.

Additionally, an Outside Section of the SWM budget for FY 2018 would maintain for an additional year the prior measure of poverty to determine reimbursement rates for community **School Building Authority** construction projects.

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 SWM Committee's budget 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 proposed level would only fund about half the amount called for by the formula, leaving a roughly \$76 million gap. This gap has increased rapidly from roughly \$54 million in FY 2017, as additional charter school seats have been added and districts claimed more reimbursements from this fund. Additional resources have not been allocated to meet rising charter school enrollment. According to the recent projection, the proposed funding level would support 69 percent of first year reimbursements instead of 100 percent, and not reimburse school districts for students who left in the five years prior to FY 2018, 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 SWM Committee FY 2018 proposal.

The SWM Committee's FY 2018 budget proposal funds the [Special Education Circuit Breaker](#) at \$293.7 million, \$16.5 million (5.9 percent) above current FY 2017 levels, and \$12.5 million above the House budget for FY 2018. The circuit breaker reimburses school districts for a portion of their costs for educating students with severe disabilities.

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

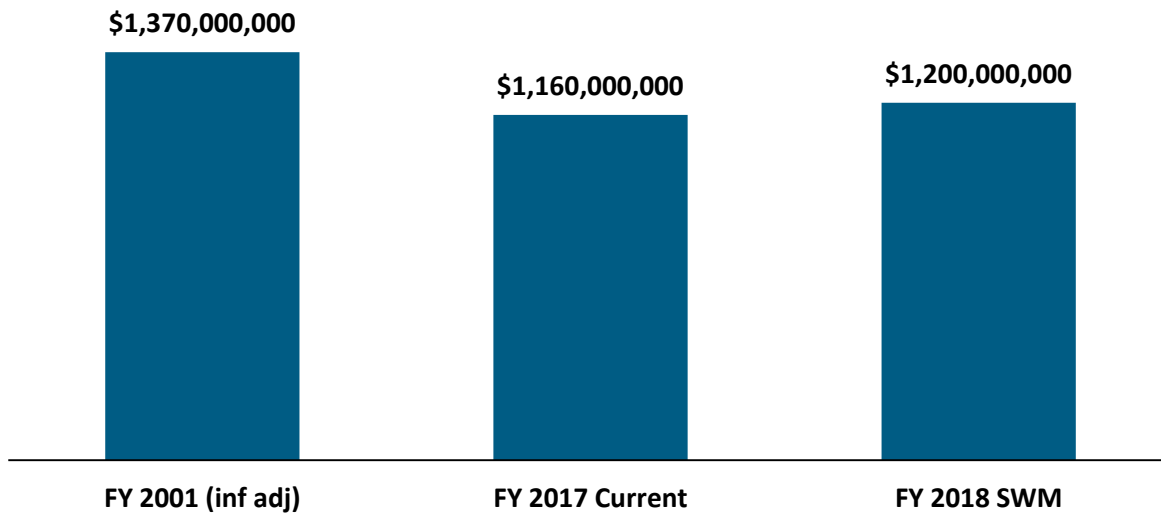
Higher Education

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

The Senate Ways and Means (SWM) Committee's proposed budget for Fiscal Year (FY) 2018 contains \$1.20 billion for Higher Education. This allocation is \$41.6 million (3.6 percent) above current FY 2017 levels and \$28.9 million (2.5 percent) above what the House proposed in its budget. Increases in the SWM proposal are largely driven by providing more support to the main line items of the state's higher education campuses, with some small grant programs receiving somewhat less funding.

A highly educated and skilled workforce is a critical part of strengthening and sustaining the Massachusetts economy. Unfortunately, looking over the longer term, the amount proposed by the SWM Committee would still be \$167.2 million (12.2 percent) below FY 2001 levels, adjusting for inflation, and even further below historical levels when accounting for enrollment growth over this period. These larger challenges have contributed to the doubling of tuition and fees 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 12 Percent Since 2001



The table below details appropriations to each of the three campus types (UMass, State Universities, and Community Colleges). MassBudget totals make the following adjustments in order to facilitate more accurate year-to-year comparisons:

- **Include 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.
- **Subtract 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 in FY 2018, UMass will keep 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. 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 Governor | FY 2018 House | FY 2018 SWM | Difference FY18 SWM - FY17 Curr. |
|----------------------------|----------------------|----------------------|----------------------|----------------------|--|
| Community Colleges | 274,815,277 | 280,087,771 | 280,286,395 | 280,238,040 | 5,422,763 |
| State Universities | 246,393,186 | 248,620,848 | 248,620,847 | 257,586,316 | 11,193,130 |
| UMass | 515,330,447 | 516,325,371 | 519,410,371 | 539,422,688 | 24,092,241 |
| Total, all campuses | 1,036,538,910 | 1,045,033,990 | 1,048,317,613 | 1,077,247,044 | 40,708,134 |

The SWM Committee's FY 2018 budget funds **University of Massachusetts** line-items 4.7 percent above current levels and 3.9 percent above what the House proposed. This FY 2018 budget proposes a 4.5 percent increase over current FY 2017 levels to **State University** line-items which is 3.6 percent more than what the House allocated. Finally, **Community College** line-items receive 2.0 percent more than current levels, essentially the same as the House proposal.

These proposed increases in public higher education funding make it more likely that further increases in tuition and fees could be prevented across UMass, State Universities, and Community Colleges in FY 2018. Last year, with various small increases or even declines in state support, tuition and fees rose by 6 percent at UMass and 5 percent at State Universities and Community Colleges.

The SWM FY 2018 budget funds the **State Scholarship Program** at \$96.6 million, 1.0 percent above current levels. In recent years, modest increases to scholarships have not kept pace with steadily rising tuition and fees.

The SWM FY 2018 budget proposal eliminates the **STEM Starter Academies**. These programs support Community College students pursuing science, technology, engineering, and math degrees, with a particular focus on those who need additional academic support to succeed in these high-demand fields. This initiative is currently funded at \$4.8 million, and received that amount in the House FY 2018 proposal.

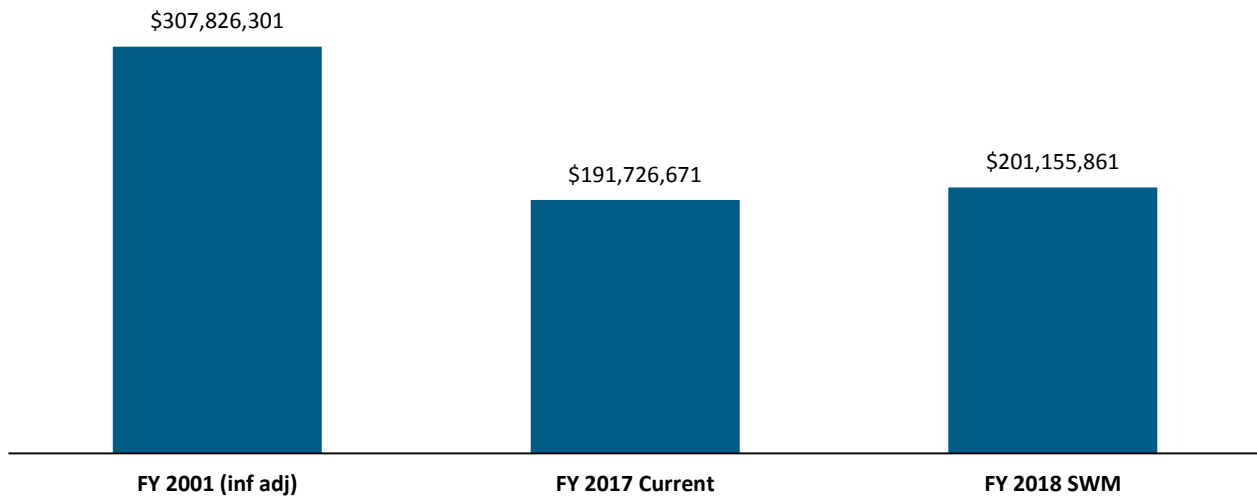
Additionally, several new higher education pilot programs in the House budget, including **Medical School Integrated Health** and the **PACE Initiative**, are not funded in the SWM proposal for FY 2018. For additional detail see [Analyzing the House Budget for FY 2018](#).

For funding information on other proposals in the SWM Committee's FY 2018 budget, see the higher education section of 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 Senate Ways and Means (SWM) Committee budget recommends spending \$201.2 million on environment and recreation programs in Fiscal Year (FY) 2018, which is \$9.4 million (4.9 percent) more than the current FY 2017 budget and approximately the same amount recommended by the House. Despite this increase, the SWM proposal is \$106.7 million or 34.7 percent below FY 2001 funding after adjusting for inflation.

Environment & Recreation Funding 35 Percent Below FY 2001



In its budget, the SWM Committee increases funding for environmental protection programs by \$4.6 million over the FY 2017 current budget. The majority of this increase, as noted in the table below, goes to the Executive Office of Energy and Environmental Affairs (EOEEA) administration and to the Safe Drinking Water Act. Like the House, the SWM proposal does not include \$1.4 million for a new line item proposed by the Governor to control pollution discharges into state water sources.

ENVIRONMENTAL PROTECTION

| Line Item # | Line Item Name | FY 2017 Current | FY 2018 Governor | FY 2018 House | FY 2018 SWM | Difference FY18 SWM - FY17 Curr. |
|-------------|-------------------------|-----------------|------------------|---------------|-------------|----------------------------------|
| 2000-0100 | EOEEA Administration | 7,265,020 | 9,746,402 | 9,046,322 | 9,746,402 | 2,481,382 |
| 2200-0113 | Pollution Discharge | 0 | 1,410,000 | 0 | 0 | 0 |
| 2250-2000 | Safe Drinking Water Act | 1,230,839 | 2,743,531 | 2,793,531 | 2,743,531 | 1,512,692 |

The SWM budget also increases funding for parks and recreation programs, which include state beaches, pools, dams, parkways, and other facilities, by \$4.4 million over the FY 2017 budget. The SWM budget proposes to pay for this increase by transferring a portion of unspent funds from the Race Horse Development Fund (RHDF) to the Department of Conservation and Recreation (DCR). Please see the Revenue section of this *Budget Monitor* for further discussion of the RHDF transfer. The most significant increase in the SWM budget for this category of spending is for state parks. The Committee recommends providing parks with a total of \$58.6 million, which is \$3.4 million more than the Governor’s proposal and \$1.6 million more than the House budget. State parks are funded through two accounts, including the primary account that directly funds states parks programs and the account that allows DCR to retain some of the revenue it collects from parking and entry fees collected at state parks, beaches, and other recreational facilities.

FUNDING FOR STATE PARKS

| Line Item # | Line Item Name | FY 2017 Current | FY 2018 Governor | FY 2018 House | FY 2018 SWM | Difference FY18 SWM - FY17 Curr. |
|--------------|----------------------------|--------------------|---------------------|-------------------|-------------------|--|
| 2810-0100 | State Parks and Recreation | 36,227,842 | 35,163,728 | 36,913,728 | 38,578,728 | 2,350,886 |
| 2810-2042 | DCR Retained Revenue | 17,700,000 | 20,000,000 | 20,025,000 | 20,000,000 | 2,300,000 |
| Total | | 53,927,842 | 55,163,728 | 56,938,728 | 58,578,728 | 4,650,886 |

For all environment and recreation program funding going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

HEALTH CARE

MassHealth (Medicaid) and Health Reform

Health Care Cost Containment, Health Coverage, and Employer Contributions

The Commonwealth provides health insurance to more than 1.85 million people, including more than 633,000 – close to half – of the state's children. In addition, the state's budget funds payments to health providers, such as hospitals that serve large numbers of low-income patients and nursing homes, to help pay for care for patients on publicly-subsidized health insurance. Along with overall health care cost growth, the Administration and Legislature have both expressed concern about the growth in the number of employed people who are not getting health coverage through their employers, but instead through MassHealth, the state's Medicaid program. The Administration noted that in 2011 there were approximately 162,000 employed MassHealth members, compared to close to 379,000 employed MassHealth members in 2015. To address this issue, the Fiscal Year (FY) 2018 budget proposals from the Governor, House, and the Senate Committee on Ways and Means (SWM) suggest slightly different approaches.

When the Governor released his budget, he [proposed](#) a new assessment on employers based on the share of employees who do not receive a certain minimum of health insurance coverage from that employer. The Governor's assessment would generate \$300.0 million for FY 2018. The House also proposed the creation of an employer assessment, but left most of the details of the assessment to be determined after a public hearing, and specified that this assessment would be temporary. The House anticipated their assessment would generate \$180.0 million. Similarly, the SWM budget proposes a new and temporary fee on employers. The SWM proposal offers two choices for this assessment (described below), with the expectation that either one of these alternatives would generate \$180.0 million for the FY 2018 budget.

One of the options would be for the Secretary of Administration and Finance (in consultation with several other agencies) to increase the existing Employer Medical Assistance Contribution (EMAC) rate. Any employer with six or more employees who is subject to unemployment insurance is currently subject to the EMAC payment. The amount of the contribution is based on a rate applied to the first \$15,000 of employee wages. In the SWM proposal, the EMAC could increase by up to an additional .41 percent for a total contribution rate of not more than .75 percent.

The other option for an assessment as outlined in the SWM proposal would broadly follow the Governor's proposal, but with some specifics more closely defined, and some of the parameters as yet to be determined. In the SWM proposal, private employers who do not provide a minimum level of health insurance (equivalent to an employer-sponsored group insurance plan to be determined) for a share of their employees (that share to be determined) would be assessed a certain amount, based on a variety of other factors. In particular, that assessment would be "tiered" based on the size of the employer, with larger employers presumably paying a larger amount. The SWM budget proposes that private employers with fewer than 25 full-time equivalent employees would be exempt (the Governor's proposal set the threshold at 11). There is also language in the SWM proposal that would allow for consideration of many of the concerns raised about the Governor's proposal. For example, the SWM proposal would allow the Secretary of Administration and Finance to factor into the determination of whether an employer is providing a sufficient contribution to health insurance to a sufficient share of employees such considerations as the share of part-time employees, whether employees have access to coverage through other plans (such as a spouse's plan, Medicare, or others), whether employers share the costs of premiums, or whether employers encourage employees to use MassHealth or other publicly-subsidized health insurance programs. The Secretary could also exempt certain types of employers from this assessment, such as certain types of nonprofit employers or employers for which this assessment would create undue hardship.

There are other initiatives included in the SWM budget that are also intended to address health care coverage and health care costs, although none of these would necessarily generate budget savings in FY 2018. The SWM budget recommends that:

- The Commonwealth Health Insurance Connector ("Connector") establish a public awareness campaign to encourage small businesses to use the Connector to find affordable health insurance for their employees. There is no funding targeted for this.
- The Connector, together with the Office of Medicaid, report on the feasibility of establishing a premium sharing plan for small businesses. The intent of this program would be so that small employers of people under 138 percent of the poverty level would share in the costs of MassHealth coverage for those employees.
- The state create a task force to explore group purchasing cooperatives for health insurance.
- The state create a task force to explore savings that could be realized by state agencies using bulk purchasing of non-MassHealth prescriptions. Similarly, the SWM budget recommends that the Office of Medicaid consider a multistate Medicaid bulk purchasing program, also to save on prescription costs.

MassHealth Program and Administration

Funding for MassHealth in the SWM proposal is \$16.46 billion, with \$16.30 billion for the MassHealth program, and \$162.2 million for program administration (see table). In order to help address the continuing cost growth at MassHealth, the SWM budget assumes many of the program savings built into the Governor's proposal for MassHealth, assumes the slightly lowered caseload assumptions as in the House budget proposal, and then builds in a few more programmatic savings estimates. Although both the House and Senate build their budget recommendations based on slightly lower MassHealth

enrollment assumptions than the Governor, the Administration assumes that MassHealth enrollment will stay at around 1.9 – 2.0 million members in FY 2018.

MassHealth (Medicaid) and Health Reform

| MASHEALTH | FY 2017 Current | FY 2018 Governor | FY 2018 House | FY 2018 SWM |
|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| MassHealth Programs | 15,251,403,833 | 16,428,166,317 | 16,349,866,317 | 16,298,266,317 |
| MassHealth Administration | 153,776,087 | 162,602,733 | 163,777,734 | 162,202,732 |
| TOTAL | 15,405,179,920 | 16,590,769,050 | 16,513,644,051 | 16,460,469,049 |

For example, the SWM budget incorporates the Governor’s proposal to shift how eligibility would be determined for applicants for MassHealth. Currently, an applicant receives “provisional (or automatic) eligibility” pending receipt of income verification. The SWM and House budgets both follow the Governor’s recommendation to delay enrollment pending processing of paperwork and assume that this change would save \$31 million. The SWM budget eliminates non-emergency medical transportation (with the exception of transportation for substance disorder treatment) for adults in the CarePlus program. This change was first proposed by the Governor, and would require a waiver from the federal government for implementation. Neither the SWM Committee nor the House follow the Governor’s recommendation to eliminate coverage for eyeglasses and contact lenses for CarePlus members, which adds approximately \$1.0 million to the CarePlus budget.

The SWM MassHealth budget proposal is less than House totals in several areas. These are “[gross](#)” savings in that they do not account for reductions to federal reimbursement that would result from reductions to spending. Since the federal government reimburses the state for half of spending on MassHealth (or more), the state would not realize the full amount of savings associated with these MassHealth budget reductions:

- The SWM budget includes a provision that would allow optometrists to provide certain services that until now could only be provided by ophthalmologists. The SWM Committee estimates that this could generate savings of approximately \$10.0 million (\$5.0 net of federal revenue).
- The SWM budget does not include \$14.8 million in supplemental payments to pediatric hospitals and \$1.0 million for community health centers.
- The SWM budget does not include an \$8.0 million increase in home health care and foster care rates that were in the House budget.
- The SWM budget does not include a \$15.0 million increase in nursing home rates and \$2.8 million in performance incentives for nursing homes that were in the House proposal.

There is also language in the SWM budget requiring that the MassHealth program take action to respond to two recent audits of MassHealth (fee-for-service payments to managed care organizations and the Mass. Behavioral Health Partnership). The SWM budget states that MassHealth should be able to generate \$12.0 million in savings from this effort.

The SWM budget includes language requiring a report to the Legislature on the effectiveness of the roll-out of accountable care organizations and their community partners, including the impact on health care costs. This report would also take a look at how successful the accountable care

organizations have been so far at developing integrated care delivery systems, and on the effectiveness of spending on “non-traditional” supports such as housing stabilization, nutrition, domestic violence supports, and more.

Budget language also asks that MassHealth report to the Legislature on the feasibility of expanding lead testing and follow-up services. The SWM budget includes \$100,000 in funding for the Executive Office of Health and Human Services which would go to pursuing federal reimbursements for these expanded lead poisoning services as well as other innovations. The SWM budget directs the Administration to pursue federal funding for the development of an integrated electronic eligibility system between MassHealth and other benefits programs. Neither the House nor Governor dedicated funding in this way. The SWM budget further requires that by March 2018, the Administration publish a plan to implement coordinated enrollment and a common application for benefits from the Health Insurance Connector, MassHealth, the Department of Transitional Assistance, the Department of Early Education and Care, and the Department of Housing and Community Development. In addition to making application for these programs much easier for residents of the Commonwealth, a common application would go a long way to closing the “SNAP Gap” by identifying the large number of people on MassHealth who may be eligible for the federally-funded Supplemental Nutrition Assistance Program (“food stamps”) but are as yet unenrolled.

Like the House, the SWM Committee provides \$12.5 million for the **Children’s Medical Security Plan** (CMSP). The Administration is planning on shifting the administration of this program from UniCare, a health insurance company that has been under contract with the Commonwealth to administer the program, to in-house administration at the Executive Office of Health and Human Services. This will generate a savings to the state of \$5.0 million.

Other Health Subsidies and Related Spending

The FY 2018 budget proposals also include funding for other supplemental payments to health safety net providers, funding for other subsidized health programs, and other administrative and operational supports (see table.) The totals for the Medical Assistance Trust show budgeted appropriations current as of this moment. The timing of operating transfers into this trust, which are made up of provider assessments and federal revenues, do not align with the state fiscal year. The apparent large difference between FY 2017 and FY 2018 is simply due to the timing of the transfers. There will likely not be a significant difference in spending from this trust for FY 2018 compared to FY 2017.

Other Health Subsidies and Related Spending

| Supplemental Payments to Providers | FY 2017 Current | FY 2018 Governor | FY 2018 House | FY 2018 SWM |
|--|--------------------|---------------------|------------------|----------------|
| Medical Assistance Trust | 736,154,225 | 452,400,000 | 452,400,000 | 452,400,000 |
| Delivery System Transformation Initiative | 196,252,001 | 189,149,334 | 189,149,333 | 189,149,334 |
| Other Health Subsidies | | | | |
| Commonwealth Care Trust | 35,000,000 | 104,073,769 | 104,104,830 | 119,104,830 |
| Prescription Advantage | 17,771,922 | 17,179,054 | 17,179,054 | 17,179,054 |
| Other Administration and Operations | | | | |
| Center for Health Info. & APCD | 28,131,406 | 28,631,406 | 28,631,406 | 28,631,406 |
| Information Technology | 116,776,778 | 133,564,037 | 127,723,292 | 130,060,702 |
| Health Information Trust | 8,853,272 | 13,853,272 | 8,853,272 | 13,853,272 |
| 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 | 9,691,494 |

ConnectorCare (the “State Wrap”) is the subsidized program for people previously covered by the Commonwealth Care Program who are not eligible for MassHealth coverage and have incomes at or below 300 percent of the federal poverty level. ConnectorCare plans have relatively low monthly premiums and out-of-pocket costs. This program is administered by the Health Connector, and is funded through the Commonwealth Care Trust Fund rather than by line-item appropriations in the budget. A portion of the state’s tobacco tax revenue is directed into the fund to help pay for this program. There is also funding from tax assessments on individuals who do not choose to purchase health insurance. Because of the availability of federal revenue to pay for some of the health care costs previously borne by the state, as in FY 2017, the FY 2018 SWM budget allows for transferring up to \$110.0 million from this trust into the General Fund to help balance the budget. In FY 2017, the actual expected transfer is \$91.6 million. The SWM budget estimates that that the actual excess would likely be \$27.6 million. Of that total, the SWM budget recommends transferring \$15.0 million into the **Health Safety Net** to support the costs associated with providing care to uninsured or underinsured individuals. The House proposed the same amount, but prior to FY 2017 that transfer had been \$30.0 million.

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

Mental Health

The Fiscal Year (FY) 2018 budget from the Senate Committee on Ways and Means (SWM) includes \$775.7 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. DMH provides supports to approximately 21,000 people – children as well as adults – through a network of inpatient facilities, residential treatment programs, and community support services. The SWM budget is \$1.4 million above the amount recommended by the House, and \$11.7 million (1.5 percent) above FY 2017 budgeted totals.

Like in the proposals from the Governor and the House, the SWM budget continues the effort to move treatment for behavioral health and substance disorders out of the corrections systems and into the

behavioral health systems. For instance, there is full funding (\$13 million) for 45 beds at Taunton State Hospital to provide support outside of the corrections environment for women who have been civilly committed for substance use disorders as well as other co-occurring behavioral health disorders. There is also language in Outside Sections of the budget allowing men civilly committed with alcohol or other substance use disorders to be treated at facilities other than MCI Bridgewater, which would allow them to be treated by the Massachusetts Alcohol and Substance Abuse Center in Plymouth. This facility is essentially a “re-purposing” of MCI Plymouth and this shift would increase the number of available beds for these individuals in need of treatment. (Please also see “Public Health” section of this *Budget Monitor* for an additional discussion of funding for substance abuse services.)

The SWM budget includes \$2.2 million more than the House for [child and adolescent health services](#), for a total of \$91.4 million. This funding includes a slight increase to \$3.7 million for the Massachusetts Child Psychiatry Access Project (MCPAP). MCPAP is an innovative program that improves access to treatment for children with behavioral health needs by making psychiatrists available to provide consultation for primary care providers across Massachusetts. This funding also includes the MCPAP for Moms program to screen for postpartum depression. SWM also directs MCPAP to establish a pilot program to increase care coordination for children with behavioral health needs.

Funding for forensic services increases to \$10.7 million in the SWM budget, \$1.5 million (16.2 percent) more than the House, and \$1.6 million (17.3 percent) more than in FY 2017. This includes \$3.5 million designated for juvenile court clinics. Funding for adult mental health services include \$387.1 million for support services, 1.9 percent more than the FY 2017 current budget. SWM also recommends \$4.0 million specifically for community-based placements for people who are ready to leave institution-based care, level with FY 2017.

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

Public Health

The Fiscal Year (FY) 2018 budget proposal from the Senate Committee on Ways and Means (SWM) includes \$616.6 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 SWM proposal is \$6.8 million less than the House proposal, and \$12.2 million (2.0 percent) more than FY 2017 budgeted totals.

This budget proposal reflects a continued commitment to preventing and treating substance misuse and abuse, and initiatives at DPH are central to that effort. Combined, funding for substance abuse and misuse services in DPH totals \$143.2 million, \$3.1 million less than provided by the House, and \$1.4 million (1.0 percent) more than provided in FY 2017 (see table).

FUNDING FOR SUBSTANCE ABUSE PREVENTION AND TREATMENT

| Line Item # | Line Item Name | FY 2017 Current | FY 2018 Governor | FY 2018 House | FY 2018 SWM | Difference FY18 SWM - FY17 Curr. | Notes |
|--------------|-------------------------------|--------------------|---------------------|--------------------|--------------------|--|-------------|
| 1595-4510 | Substance Abuse Services Fund | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 0 | *incl. adj. |
| 4512-0200 | Bur. of Substance Abuse Svcs. | 124,258,987 | 122,675,888 | 128,750,888 | 124,675,888 | 416,901 | *incl. adj. |
| 4512-0201 | Step-Down Recovery Services | 4,908,180 | 4,908,180 | 4,908,180 | 4,908,180 | 0 | |
| 4512-0202 | Secure Treatment Facilities | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 0 | |
| 4512-0203 | Family Intervention and Care | 1,500,000 | 1,485,000 | 1,485,000 | 1,500,000 | 0 | |
| 4512-0204 | Nasal Narcan Pilot Expansion | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 0 | |
| 4512-0205 | Substance Abuse Grants | 0 | 0 | 0 | 475,000 | 475,000 | |
| 4512-0211 | Recovery High Schools | 3,100,000 | 3,100,000 | 3,100,000 | 3,600,000 | 500,000 | |
| TOTAL | | 141,767,167 | 140,169,068 | 146,244,068 | 143,159,068 | 1,391,901 | |

*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 FY 2017 line item structure in order to make more accurate year-to-year comparisons.

The SWM budget proposal also includes:

- \$31.1 million for the [Early Intervention Program](#), the same as proposed by the House, but \$2.6 million (9.0 percent) more than in the FY 2017 budget.
- \$12.2 million for the state supplement to the [WIC \(Women, Infants, and Children\) Program](#), 2.4 percent below FY 2017. WIC provides access to healthy food and nutrition counseling during pregnancy and in the early years of life.
- \$2.6 million for the [Pediatric Palliative Care](#) program, \$800,000 more than proposed by the House. The SWM proposal is 44.4 percent more than the FY 2017 current budget. SWM states that this additional funding should eliminate the wait list for these wraparound services for terminally ill children and their families.
- \$2.2 million for [Dental Health Services](#), which provides oral health care for people who have challenges in getting access to a dentist, including adults with disabilities and school-aged children in low-income communities. This is \$503,000 (30.1 percent) more than funded in FY 2017. The [SEAL](#) sealant and fluoridation program receives level funding of \$891,000.

The SWM budget proposes funding the state's anti-smoking efforts at DPH through the [Smoking Prevention and Cessation](#) program at \$3.8 million. This is just under the FY 2017 funding level. At one time, Massachusetts led the nation with its successful public health campaign to reduce smoking. In FY 2001, for example, the state budgeted close to the equivalent of \$90 million (as adjusted for inflation) to support anti-smoking efforts. This funding was cut dramatically in the next year, and has dwindled away over the subsequent decade and a half.

The FY 2018 budget completes the transition of domestic violence and prevention services from the Department of Children and Families into DPH, in order to move towards better coordination and consolidation of those services. SWM proposes a slight increase to the House proposal for [Domestic Violence and Sexual Assault Prevention](#), bringing the total to \$31.8 million. This is \$1.1 million (3.6 percent) more than funding in FY 2017. Funding for the [Sexual Assault Nurse Examiner](#) program is \$4.7 million, 2.1 percent more than the FY 2017 budget. Funding for the [Healthy Relationships](#) grant

program was cut by mid-year FY 2017 spending reductions, and does not receive new funding in the SWM budget, although the House proposed restoring funding to \$150,000.

Funding to address **gambling and other compulsive behavior** receives \$1.5 million in the SWM budget proposal, a 50 percent increase from FY 2017, whereas SWM cuts funding for **HIV Prevention and Treatment** by 4.5 percent, from \$32.2 million in FY 2017 to \$30.8 million in FY 2018.

There are several programs in the budget that together are designed to provide community-based activities and supports for young people to keep them engaged and ultimately reduce violence (see table). Together, SWM funds these programs at \$877,000 more than in FY 2017. For example, the [Safe and Successful Youth Initiative](#) targets high-risk young men in communities across the Commonwealth and provides a public health approach to reducing gun-related violence. This program receives \$6.5 million in the SWM budget, level with the FY 2017 amount after mid-year budget reductions.

FUNDING FOR YOUTH ENGAGEMENT AND YOUTH VIOLENCE PREVENTION

| Line Item # | Line Item Name | FY 2017 Current | FY 2018 Governor | FY 2018 House | FY 2018 SWM | Difference FY18 SWM - FY17 Curr. |
|--------------|-------------------------------|--------------------|---------------------|-------------------|-------------------|--|
| 4000-0005 | Safe & Successful Youth | 6,500,000 | 6,500,000 | 6,025,000 | 6,500,000 | 0 |
| 4000-0008 | Crossroads | 25,000 | 0 | 0 | 0 | (25,000) |
| 4590-1506 | Violence Prevention Grants | 1,337,124 | 1,339,227 | 1,339,228 | 1,339,227 | 2,103 |
| 4590-1507 | Youth At-Risk Matching Grants | 2,100,000 | 2,100,000 | 3,240,000 | 3,000,000 | 900,000 |
| TOTAL | | 9,962,124 | 9,939,227 | 10,604,228 | 10,839,227 | 877,103 |

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

State Employee Health Insurance

The Senate Ways and Means (SWM) budget proposal for Fiscal Year (FY) 2018 includes \$1.61 billion to cover the costs of **health insurance for state employees**. This total includes coverage for current employees as well as retirees (discussed more below). Like the House, SWM does not follow the Governor’s recommendation to cap provider rates paid by the state’s Group Insurance Commission (GIC).

In order to more accurately reflect state 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 | Line Item Name | FY 2018 Governor with MassBudget Adjustment | FY 2018 House with MassBudget Adjustment | FY 2018 SWM | MassBudget Adjustment | FY 2018 SWM with MassBudget Adjustment |
|-----------|--------------------------|---|--|---------------|--------------------------|--|
| 1108-5200 | Group Insurance Premiums | 1,071,022,851 | 1,092,810,272 | 1,701,048,734 | (608,238,462) | 1,092,810,272 |
| 1108-5400 | Retired Muni. Teachers | 0 | 0 | 52,342,714 | (52,342,714) | 0 |

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 SWM budget proposal includes \$440.6 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 (or 60 percent), SWM proposes 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. The House and Governor also proposed transferring this same lower amount. Language in the SWM proposal states that this transfer would come from unexpended debt payments reverted to the General Fund or, if those reversions are insufficient, from the Master Tobacco Settlement money deposited into the General Fund. This total is \$128.8 million less than the amount indicated for FY 2018 in the statute.

In FY 2017, the General Appropriation Act included similar language that would have funded the State Retiree Benefits Trust with either debt reversions or funds from the Tobacco Settlement, and also at 10 percent of the Tobacco Settlement – an amount lower than specified in the statute. However, the Governor vetoed this language in the budget, and proposed alternate language. The Governor expressed concern that funding the Trust at a level of only 10 percent of the Tobacco Settlement was risky for the state’s bond rating. The Legislature has not yet moved forward on the Governor’s alternate language which would have increased the transfer to 30 percent. Since there has been no passage of alternate language to the statute for FY 2017, the transfer into the fund for FY 2017 reverts to the amount currently in statute – 50 percent – until otherwise amended. Although it is certainly likely that the Legislature will act on this transfer before the end of FY 2017, the numbers in this *Budget Monitor* reflect the current status of FY 2017 funding, an amount that is \$103.0 million more than the amount proposed by the Legislature for FY 2017, and \$51.5 million more than had been proposed by the Governor.

For information on funding for State Employee Health Insurance going back to FY 2001, please see MassBudget’s Budget Browser [here](#).

HUMAN SERVICES

Child Welfare

The Fiscal Year (FY) 2018 budget proposal from the Senate Committee on Ways and Means (SWM) includes \$987.3 million to support the child welfare system through the Department of Children and

Families (DCF). This total is \$12.0 million more than proposed by the House, and is a \$39.7 million (4.2 percent) increase above funding in the FY 2017 budget. DCF oversees the state's services designed to protect children at risk of neglect or abuse, and has a dual mission: to protect children and to strengthen families. Funding is split between these two functions.

As is often the case, the Senate follows the Governor's proposal to continue funding the DCF's "[lead agencies](#)," which are local and regional offices that contract for child welfare services throughout the Commonwealth. The House did not include this funding, but SWM proposes \$6.0 million, level with FY 2017 funding, whereas the Governor proposed \$9.0 million.

Funding for the [case workers](#) who work directly with vulnerable families and children totals \$236.8 million, a \$13.3 million increase over FY 2017 funding, or 6.0 percent. The SWM proposal increases funding for the [Training Institute](#) to train these new workers by \$205,000 to \$2.7 million, an 8.3 percent increase over the FY 2017 budget.

The vast majority of children connected to DCF are not in foster care, but rather live with their families with supports and services provided by, or coordinated with, DCF. The SWM budget includes \$50.0 million for [Family Support and Stabilization](#) services, a \$3.1 million (6.6 percent) increase over FY 2017. This increase will help provide the services families might need to allow them to stay together safely and prevent child neglect.

The SWM budget includes \$280.5 million for [congregate residential care](#). This supports approximately 1,600 children in congregate care settings, and certain short-term intensive placements, such as Stabilization, Assessment, and Rapid Reintegration (STARR). Funding for congregate care is comparatively more expensive than family-based care. This proposal is \$11.0 million over FY 2017 budget totals, and just slightly above the House proposal.

SWM proposes \$275,000 to support [Foster Care Parent Outreach](#), an initiative to encourage more families to open their homes to foster children. This is a \$25,000 (10.0 percent) increase from FY 2017. Unlike the House and Governor, however, SWM does not fund what is known as the [Grandparents Commission](#), which focuses on concerns of grandparents with primary responsibility for raising grandchildren. The House and Governor proposed \$112,000, and funding in FY 2017 is \$100,000.

[Family Resource Centers](#), funded in DCF and also funded in the Executive Office of Health and Human Services (see the "Other Human Services" section of this *Budget Monitor*), receive \$12.2 million in the SWM budget. This is \$4.4 million more than in the House proposal, and \$2.2 million (21.9 percent) more than in the current budget. The SWM total includes new funding (\$50,000) for the Juvenile Court Mental Health Advocacy Project, a program to increase access to mental health services for at-risk youth diverted from juvenile courts.

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 Senate Ways and Means (SWM)

Committee Fiscal Year (FY) 2018 budget proposes funding disability services at \$1.98 billion, \$78.7 million above (4.1 percent) current FY 2017 levels and approximately the same amount proposed by the House and Governor.

The bulk of this increase from FY 2017 levels comes from **Community Residential Supports for the Developmentally Disabled**, which supports adults in various residential settings to live as comfortably and independently as possible. Proposed funding for these supports is \$1.17 billion, \$59.9 million above the current FY 2017 budget and at the same level as both the Governor and the House proposals.

Like the Governor’s proposal, SWM seeks to fund [Community Day and Work Programs](#), which supports a wide variety of group and individual supports to allow adults to find work and build skills for future work, at \$202.1 million. From this account, \$3.0 million would be transferred to fund [Community-Based Employment](#), which has similar workforce development goals as Community Day and Work Programs (see table below).

| Line Item # | Line Item Name | FY 2017 Current | FY 2018 SWM | Transfers | Adjusted FY 2018 SWM | Difference FY18 SWM - FY17 Current |
|--------------|-------------------------------|--------------------|--------------------|-------------|----------------------|------------------------------------|
| 5920-2025 | Community Day & Work Programs | 191,496,335 | 205,139,405 | (3,000,000) | 202,139,405 | 10,643,070 |
| 5920-2026 | Community-Based Employment | 3,000,000 | 0 | 3,000,000 | 3,000,000 | 0 |
| Total | | 194,496,335 | 205,139,405 | 0 | 205,139,405 | 10,643,070 |

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

Elder Services

The state budget supports older adults in Massachusetts through a range of services that promote independence, safety, and well-being. The Senate Ways and Means (SWM) Committee Fiscal Year (FY) 2018 budget proposes funding elder services at \$288.1 million, \$13.5 million (4.9 percent) above current FY 2017 levels, and approximately the same amount proposed by the House and Governor.

The bulk of this increase from FY 2017 levels comes from **elder home care services**, which are a range of services that allow elders to age in place instead of living in a nursing home. Proposed funding for these accounts is \$227.7 million, \$12.5 million above current FY 2017 levels and \$1.2 million above the House and Governor’s budget proposals.

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

Juvenile Justice

The Senate Ways and Means (SWM) Committee Fiscal Year (FY) 2018 budget proposes \$182.2 million for juvenile justice programs, which are run by the Department of Youth Services (DYS). This is \$5.9 million above (3.4 percent) current FY 2017 levels and approximately the same amount proposed by the House and Governor.

The bulk of this increase from FY 2017 levels comes from the [Residential Services for Committed Population](#) account, which funds facilities and residential programs for DYS committed youth not living in the community. Proposed funding for these services is \$120.0 million, \$4.3 million above the current FY 2017 budget and at the same levels as both the Governor and the House proposals.

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. In total, the Senate Ways and Means (SWM) Committee Fiscal Year (FY) 2018 budget proposes funding transitional assistance programs at \$663.9 million. This is \$23.6 million below current FY 2017 levels, but \$7.6 million and \$17.1 million above the amounts proposed by the House and Governor, respectively.

The bulk of the decrease from FY 2017 levels--\$24.5 million--comes from a reduction in funding for [Transitional Assistance for Families with Dependent Children](#) (TAFDC). The decrease assumes a drop in caseloads, which one would expect with an improving economy that enables more people to secure employment and improve their circumstances rather than seek this assistance. However, current caseload reduction may partially result from new administrative changes that make it harder for clients to maintain their benefits.

The SWM budget proposes increasing the back-to-school **clothing allowance** available to TAFDC recipients from \$250 to \$300, \$50 more than the Governor's proposal and \$100 more than the House proposal. The rent allowance remains at \$40 per month.

For workforce development programs, SWM proposes increasing the [Employment Services Program](#) to \$14.6 million. This a \$2.0 million increase from current FY 2017 levels, and \$925,000 and \$1.0 million above the House and Governor's proposals, respectively. In addition, SWM proposes funding [Pathways to Self-Sufficiency](#) at \$1.0 million, which is the same amount as the current FY 2017 level as well as both the House and Governor's budget proposals.

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 Senate Ways and Means (SWM) budget proposal for Fiscal Year (FY) 2018 includes \$206.2 million for other human services. This funding includes allocations for veterans' services, food banks, and some cross-agency initiatives.

The SWM budget includes \$500,000 for the **Citizenship for New Americans Program** in the Office for Refugees and Immigrants, a 25 percent increase (\$100,000) above the House proposal and the FY 2017 current budget. This program assists legal permanent residents in becoming citizens.

SWM restored funding to support the **Family Resource Centers** through the Executive Office of Health and Human Services. These centers work in conjunction with resource centers funded through the Department of Children and Families and are intended to help at-risk children and families. SWM proposes \$1.0 million for these centers, which were not funded in the proposals from either the

Governor or the House. These centers received \$500,000 at the beginning of FY 2017, but this funding was eliminated in mid-year cuts.

SWM proposes \$16.5 million for the **Emergency Food Assistance Program**, which is \$1.2 million less than proposed by the House. This funding supplements federal funding to support the network of four regional food banks that provide food to families struggling to make ends meet. Funding in FY 2017 for this program currently stands at \$17.0 million.

Veterans' services in the SWM budget receive a total of \$146.8 million, essentially level with the amount proposed by the House, and \$1.3 million less than in FY 2017. Included in the SWM proposal is a new allocation of \$100,000 to implement a tax credit to encourage businesses to hire and retain veterans (see "Revenue" section of this *Budget Monitor* for more details).

The SWM budget also includes \$39.7 million for legally required **Chapter 257 rate increases**. This is the same as in the budget proposals from the Governor and the House. For a description of these rate increases, see "[Other Human Services](#)" section of MassBudget's *Budget Monitor* for the Governor's budget.

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 an array of transportation systems, 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 Senate Ways and Means (SWM) Committee transportation budget proposal for Fiscal Year (FY) 2018 is very similar to the current FY 2017 budget. Unlike the House proposal, it does not include language to allow the creation of a new type of local "value capture" mechanism that could contribute funding to some kinds of new transportation projects.

The SWM Committee proposes \$83.0 million for the state's 15 **Regional Transit Authorities (RTAs)**, which would be an increase of \$1.0 million, below the anticipated rate of inflation. The amount is \$3.0 million more than proposed by the Governor and \$2.0 million more than proposed by the House.

Following the Governor and the House, the SWM proposal reduces **Massachusetts Bay Transportation Authority (MBTA)** operating assistance by \$60.0 million compared to the FY 2017 budget, with an expectation of an increase in capital funding of the same amount. The Department of Transportation earlier this month released a draft of its capital plan that included a new \$60.0 million in state bond cap [allocation](#) for "Supplemental capital funding for state of good repair and modernization projects across the system including signal upgrades and station improvements."

Unlike the House or Governor’s budget, the SWM proposal includes language to require the MBTA to provide timely quarterly reports accounting for operating assistance funds and how they are spent. These reports would be submitted to the Secretary of Administration and Finance and the chairs of the House and Senate’s Ways and Means Committee.

The anticipated transfer from the Commonwealth Transportation Fund to the **Massachusetts Transportation Trust Fund** would decrease to \$314.4 million, a \$14.7 million decline compared to the current FY 2017 budget because of \$30.0 million less for addressing snow and ice costs. The Massachusetts Transportation Trust Fund also receives funds from tolls and federal transportation sources. It contributes to highways, transit, intercity rail, small airports, the Massachusetts Turnpike, and the Motor Vehicle Registry. The amount of the decrease proposed by the SWM budget is about half the decrease proposed by the Governor’s budget. The SWM proposal is \$4.3 million less than the amount proposed by the House. The SWM proposal does not fund the local projects included the House proposal, but includes \$100,000 for traffic and pedestrian safety improvements on state highway route 16 in Somerville.

Like the budgets proposed by the House and Governor, outside sections of the SWM Committee’s proposal would also increase transportation funding through measures that would add to sales tax revenues available in FY 2018, and thereby increase the dedicated portion of those sales taxes to the MBTA. These changes are described in the “Revenue and Budget Balance” section of this *Budget Monitor*. With these changes and a growing economy, the SWM Committee’s budget proposal joins the Governor’s budget and House budget in anticipating that sales tax revenues will increase enough to yield \$23.7 million more (2.4 percent) in dedicated sales tax revenue for the MBTA over the current FY 2017 amount.

FUNDING FOR TRANSPORTATION PROGRAMS

| Line Item # | Line Item Name | FY 2017 Current | FY 2018 Governor | FY 2018 House | FY 2018 SWM | Difference FY18 SWM - FY17 Curr. |
|-------------|---------------------------------|--------------------|---------------------|------------------|----------------|--|
| T0100340 | MBTA State & Local Contrib Trus | 997,900,000 | 1,021,640,000 | 1,021,640,000 | 1,021,640,000 | 23,740,000 |
| 1595-6368 | Mass Transportation Trust Fund | 329,085,302 | 344,311,545 | 324,772,095 | 314,411,545 | (14,673,757) |
| 1595-6369 | MBTA Operating Assistance | 187,000,000 | 127,000,000 | 127,000,000 | 127,000,000 | (60,000,000) |
| 1595-6370 | Regional Transit Authorities | 82,000,000 | 80,000,000 | 81,000,000 | 83,000,000 | 1,000,000 |
| 1595-6379 | Merit Rating Board | 9,695,430 | 9,695,430 | 9,695,430 | 9,695,430 | 0 |

Housing

Our state budget supports affordable housing programs and provides shelter and services to low-income homeless families and individuals. The Senate Ways and Means (SWM) Committee’s Fiscal Year (FY) 2018 budget recommends spending \$466.9 million on housing and homelessness assistance programs. This is \$12.1 million above the FY 2017 current budget and \$14.9 million above the amount recommended in the House budget for FY 2018.

As noted in our *Budget Monitor* on the Governor’s FY 2018 proposal [here](#), about a third of the state’s housing budget provides shelter and short-term housing assistance to low-income families who are homeless or at risk of becoming homeless. The SWM budget recommends \$166.0 million in FY 2018 for the **Emergency Assistance** (EA) program, which provides shelter and services to low-income homeless families. This amount is \$10.2 million more than the House FY 2018 budget and \$10.0 million below the

FY 2017 current budget. Because EA provides a right to shelter for low-income homeless families who are eligible, the state needs to provide sufficient funding to meet demand. Recent budgets passed at the start of each fiscal year have not sufficiently funded EA, requiring the Legislature to provide supplemental funding over the course of each year. It appears that the SWM proposal provides EA with the funding it will need to meet projected caseload. The SWM budget also includes language that requires EA to provide assistance to families who, without shelter, would have to live in a places not fit for human habitation, like an emergency room, car, or public park. Under current law, and in the House FY 2018 budget, many families are not eligible for EA shelter until they have lived in such places.

In addition to EA, the state budget supports other programs that help low-income people who are homeless or at risk of becoming homeless. The SWM budget for FY 2018 includes:

- \$32.6 million for [HomeBASE](#), which provides short-term assistance to help families move from EA shelter into housing or avoid shelter altogether by securing housing. The SWM proposal is \$1.5 million above the House proposal and \$636,000 above the FY 2017 budget. The Senate budget recommends increasing the level of assistance provided to recipients to \$10,000 for FY 2018 from the current amount of \$8,000.
- \$18.5 million for [Residential Assistance for Families in Transition](#) (RAFT), which provides short-term assistance to keep families from falling into homelessness. The SWM Committee provides \$5.5 million more than the current FY 2017 budget and \$3.5 million more than the House FY 2018 proposal. The SWM budget proposes that up to \$2.0 million of RAFT funds be used to expand assistance to elders, persons with disabilities, and unaccompanied youth.
- \$2.5 million for [Unaccompanied Homeless Youth](#), which provides shelter and services to youth up to age 25 who are homeless and not in the care of a parent or guardian. The SWM budget is \$500,000 above the current FY 2017 budget and \$2.0 million above the amount recommended in the House budget.
- \$48.2 million for programs that provide **services to homeless, individual adults**. While this amount is \$1.3 million above the FY 2017 current budget, it is slightly below the level recommended in the House budget for FY 2018.

The state budget also funds affordable housing programs including the [Massachusetts Rental Voucher Program](#) (MRVP), which provides housing vouchers for low-income families and persons with disabilities. Like the House, the SWM Committee recommends providing \$100.0 million for this program, which is \$13.5 million above the FY 2017 current budget. The Committee estimates that this increase will allow the state to create 350-400 new vouchers in FY 2018. Like the Governor's and House's FY 2018 proposals, the SWM budget 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 SWM budget, like the House's and Governor's, also allows the Department of Housing and Community Development (DHCD) to target up to three quarters of the new vouchers for very low-income renters earning 30 percent of the AMI.

The SWM budget, like the Governor’s FY 2018 proposal, recommends providing \$1.0 million to expand the housing court system to cover all regions of the state. The SWM budget expands the current housing court system from 5 regional housing courts to 6 and increases the number of judges available to hear cases from 10 under current law to 15. The House does not include this expansion in its budget.

In Outside Section 94 of its budget, the SWM Committee recommends that DHCD, along with the Executive Offices of Health and Human Services, Education, and Labor and Workforce Development, create a memorandum of understanding (MOU) to better coordinate services for households with incomes that are 30 percent below the AMI. The MOU would require these agencies to work together to provide services that help low-income families to remain housed and to increase their financial stability.

For a list of funding for housing programs going back to FY 2001, 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 Senate Ways and Means (SWM) Committee Fiscal Year (FY) 2018 budget proposes funding economic development programs at \$138.0 million, \$11.0 million (8.7 percent) above current FY 2017 levels. The SWM funding proposal is also \$4.8 million above (3.6 percent) the Governor’s proposal and \$8.1 million below (5.5 percent) the House proposal.

SWM, like the House, seeks to establish a new 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. This program was originally introduced in the Governor’s FY 2018 budget proposal. Unlike the Governor and House proposals, the SWM budget does not transfer funding from Learn to Earn into the [Workforce Competitive Trust Fund \(WCTF\)](#), which has similar workforce development goals, see below. Overall, the amount proposed by the SWM Committee for Learn to Earn is the same as the Governor’s proposal and \$750,000 more than the House proposal.

FUNDING FOR WCTF & LEARN TO EARN

| Line Item # | Line Item Name | FY 2018 Governor | Transfer | FY 2018 Gov. Adjusted | FY 2018 House | Transfers | FY 2018 House Adjusted | FY 2018 SWM |
|--------------|----------------|------------------|-------------|-----------------------|------------------|-----------|------------------------|------------------|
| 7002-1075 | WCTF | 500,000 | 3,000,000 | 3,500,000 | 500,000 | 750,000 | 1,250,000 | 4,000,000 |
| 7002-1080 | Learn to Earn | 4,000,000 | (3,000,000) | 1,000,000 | 1,000,000 | (750,000) | 250,000 | 1,000,000 |
| TOTAL | | 4,500,000 | 0 | 4,500,000 | 1,500,000 | 0 | 1,500,000 | 5,000,000 |

Some highlights of increases in the SWM budget proposal include:

- \$12.5 million to [YouthWorks](#) (formerly Summer Jobs Program for At-Risk Youth), \$2.5 million above current FY 2017 levels, \$2.6 million above the Governor’s proposal, and \$1.8 million above the House proposal.
- \$16.5 to the **Massachusetts Cultural Council**, which offers grants and services to nonprofit cultural organizations, schools, communities, and artists in Massachusetts. This is \$2.2 million

above current FY 2017 levels and the Governor’s proposal, and \$4.4 million above the House proposal.

Some highlights of decreases in the SWM budget proposal include:

- Like the Governor’s proposal, no funding for the **Massachusetts Manufacturing Extension Partnership**, which is a collaboration of government, business, and academic partners that help manufacturers plan and implement strategies for increased competitiveness. The House, however, proposed \$2.0 million for the partnership.
- Like the Governor’s proposal, no funding for the **Big Data Innovation and Workforce Fund**, which 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. The House proposed \$2.0 million for the fund.
- \$1.5 million to the **Massachusetts Service Alliance** for various workforce training programs and services in the state. This is \$1.5 million below the House proposal, however, and is \$100,000 and \$50,000 above the Governor’s proposal and current FY 2017 levels, respectively.

Unlike the Governor’s proposal and the same as the House proposal, the SWM budget 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**. In total, these tourism accounts proposed by SWM are \$1.0 million below current FY 2017 levels, the same amount proposed by the Governor, and \$6.4 million below the House proposal, see below.

FUNDING FOR TOURISM

| Line Item # | Line Item Name | FY 2017 Current | FY 2018 Governor | FY 2018 House | FY 2018 SWM | Difference FY18 SWM - FY17 Curr. | Notes |
|-------------|---------------------------|-------------------|-------------------|-------------------|-------------------|----------------------------------|--------------------|
| 7008-0900 | MOTT | 5,332,666 | 7,299,361 | 10,732,068 | 4,299,361 | (1,033,305) | Includes transfers |
| 7008-1000 | Regional Tourism Councils | 6,000,000 | 3,000,000 | 6,000,000 | 6,000,000 | 0 | Includes transfers |
| | Total | 11,332,666 | 10,299,361 | 16,732,068 | 10,299,361 | (1,033,305) | |

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

LAW & PUBLIC SAFETY

Law and public safety programs include the court system and indigent defense, prosecutors, state prisons and county sheriffs’ departments, probation and parole functions, as well as the military division, fire safety services, and various other safety inspection services. Overall, funding recommended by the Senate Ways and Means (SWM) Committee for Fiscal Year (FY) 2018 for these programs totals \$2.76 billion. This total is \$43.5 million (or 1.6 percent) above current FY 2017 funding levels, but is \$67.6 million (or 2.4 percent) and \$17.1 million (or 0.6 percent) below the Governor and House’s proposals for law and public safety accounts, respectively.

The SWM Committee is recommending a sizeable increase for the **Department of Correction (DOC)** in FY 2018 above current FY 2017 levels. SWM is proposing a total of \$645.6 million for DOC accounts, an increase of \$38.5 million, (or 6.3 percent) over current FY 2017 levels. Like the House and Governor, the SWM Committee 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.

Another account with a large variation is the **Private Counsel Compensation (PCC)**. The SWM Committee proposes funding the PCC account at \$100.0 million, or \$27.2 million (or 21.4 percent) below current FY 2017 spending levels. Typically, the PCC account is replenished mid-year through supplemental funding bills as it becomes apparent that indigent defense costs will exceed the amount initially appropriated. Since the state Constitution requires the Commonwealth to provide a lawyer for qualifying indigent defendants, lawmakers are not at liberty simply to underfund private counsel indigent defense accounts. Therefore, if the PCC account is funded at the SWM Committee’s proposed amount, it is likely that this pattern of supplementing the PCC account mid-year will be repeated in FY 2018. The Governor’s proposal encouraged fully funding this account as part of the standard budget process.

The SWM budget leaves county **sheriffs’ department** funding (including related reserve and retained revenue accounts) relatively stable at \$589.2 million, which is \$5.8 million (or 1.0 percent) above current spending. The SWM Committee also has proposed a reporting mechanism requiring every sheriff’s office to submit to the Office of Administration and Finance a report detailing the coming fiscal year’s planned spending and operations. The reports will provide specific information on program standards in the areas of substance abuse treatment, and education and vocational services, as well as evaluations of medical, other vendor costs, and federal revenue opportunities. This proposal aims to create greater transparency, accountability, and operational efficiency, and thereby avoid mid-year funding shortfalls in sheriffs’ department accounts.

The **Office of the Commissioner of Probation** would receive \$146.9 million, a \$10.7 million (or 19.2 percent increase) over current FY 2017 spending levels, part of which would go toward hiring additional probation officers and implementing a new information technology system.

For a description of funding for all Law and Public Safety programs going back to FY 2001, please see MassBudget’s *Budget Browser* [here](#).

FUNDING FOR LAW AND PUBLIC SAFETY PROGRAMS

| Program Area | FY 2017 Current | FY 2018 Governor | FY 2018 House | FY 2018 SWM | Difference FY18 SWM - FY17 Curr. |
|-----------------------------|----------------------|----------------------|----------------------|----------------------|--|
| Courts & Legal Assistance | 739,197,717 | 756,038,523 | 715,781,618 | 723,670,798 | (15,526,919) |
| Law Enforcement | 390,577,692 | 394,709,158 | 397,407,150 | 392,447,065 | 1,869,373 |
| Prisons, Probation & Parole | 1,363,809,844 | 1,452,589,742 | 1,400,826,198 | 1,419,187,115 | 55,377,271 |
| Prosecutors | 166,747,107 | 170,636,286 | 172,352,143 | 168,803,134 | 2,056,027 |
| Other Law & Public Safety | 55,558,890 | 53,076,874 | 55,979,326 | 55,299,780 | (259,110) |
| TOTAL | 2,715,891,250 | 2,827,050,583 | 2,742,346,435 | 2,759,407,891 | 43,516,641 |

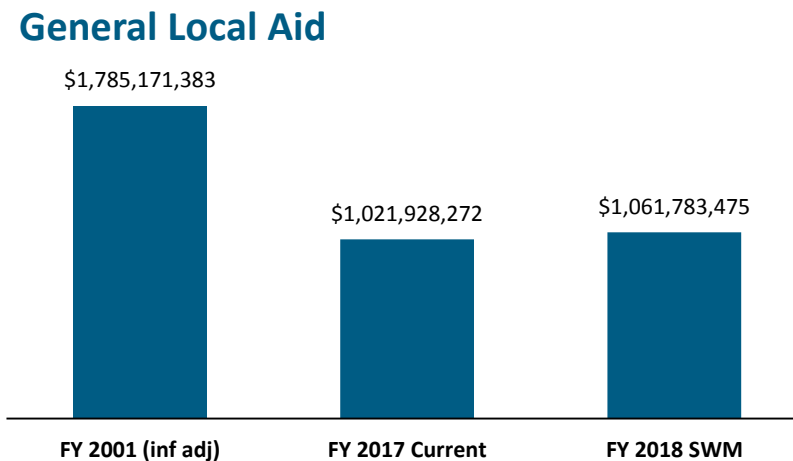
LOCAL AID

Unrestricted Local Aid

The Senate Ways and Means (SWM) Committee makes no change to the House and Governor’s proposals to increase Unrestricted General Government Aid (UGGA), also known as “general local aid.” The SWM proposal would increase UGGA by \$39.9 million over current FY 2017 levels to \$1.06 billion, an increase of 3.9 percent.

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.



Outside sections of the budget would require the Office of the Comptroller and the Department of Revenue to provide more extensive information to municipalities on all forms of financial assistance provided by the Commonwealth to cities and towns.

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 SWM Committee proposes to fund the **Municipal Regionalization and Efficiencies Incentive Reserve** at \$3.4 million, dedicated solely to a competitive public safety grants program for populous communities with low per-capita police funding. The funding for this reserve fund is \$2.9 million below the current FY 2017 levels. This proposed funding amount is \$6.8 million below the Governor’s budget proposal and \$4.8 million less than the House proposal.

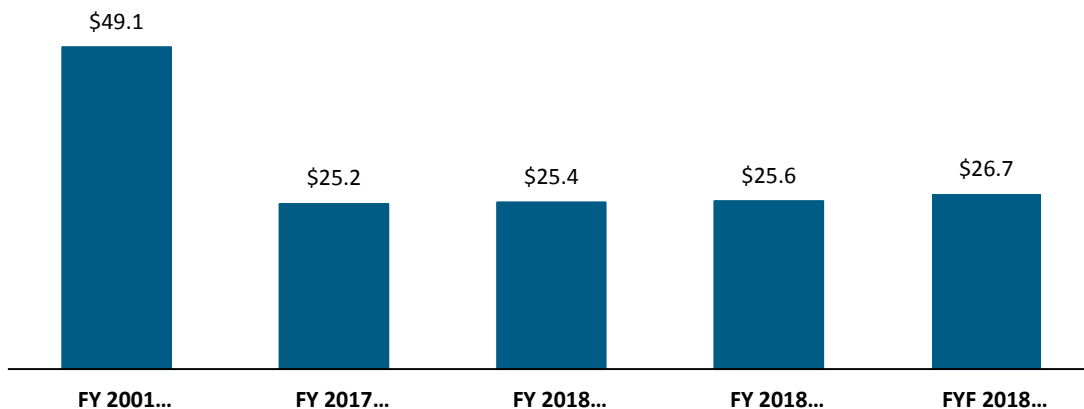
OTHER

Libraries

Overall, the Senate Ways and Means (SWM) Fiscal Year (FY) 2018 budget proposes \$26.7 million to fund libraries, an increase of \$1.5 million (6.0 percent) over current FY 2017 levels. This total is \$442,000 more than proposed by the House and \$1.2 million more than proposed by the Governor.

Notably, while the SWM proposal represents a meaningful increase in FY 2018 library funding over current FY 2017 levels, it would occur within the larger context of a 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 SWM FY 2018 proposal they would receive \$22.4 million less than in FY 2001, a decline in annual funding of 45.7 percent.

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



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

Pensions

The Senate Ways & Means (SWM) Fiscal Year (FY) 2018 budget follows the Governor’s (and House’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. Based on the recent update by the Secretary of Administration and Finance to the state’s five-year pension contribution schedule, the SWM budget also specifies the increased contribution amounts to be made in FY 2019 and FY 2020. (To read more about how PRIT contributions are calculated and about the current schedule for paying down the state’s unfunded pension liabilities, see the Governor’s FY 2018 *Budget Monitor* [here](#).)

Assets held and managed within the PRIT are used to fund future state employee retirement costs. The funds in the PRIT come from three sources: employee pension contributions, the state’s contributions

toward employee pensions, and the investment returns generated from the PRIT. To learn more about the Massachusetts state pension system in general, see MassBudget's report "[Demystifying the State Pension System](#)."

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

Other Administrative

In its Fiscal Year (FY) 2018 budget, the Senate Ways and Means (SWM) Committee anticipates generating \$50.0 million in administrative savings, an amount built into their budget numbers. In order to achieve these savings, the SWM budget creates a salary bonus program for certain state employees, aimed at soliciting ideas that would result in "demonstrable cost savings for the Commonwealth and enhance(d) government services." The savings must result from administrative or operational efficiencies rather than through the elimination of jobs or other personnel reductions. Employees who offer successful suggestions will receive "a percentage of demonstrable cost-savings produced, not to exceed \$10,000 per recipient." Suggestions must be submitted not later than March 1, 2018.

REVENUE

Overall, the Senate Ways and Means (SWM) Committee Fiscal Year (FY) 2018 budget is quite similar to that of the Governor and House in terms of underlying revenue assumptions and specific tax policy proposals. As is typically the case, the SWM budget is based on the same Consensus Revenue Estimate (CRE) used by the Governor and House.

In terms of tax policy specifics, the SWM budget includes a set of "tax modernization" proposals much like those originally introduced by the Governor and, in large measure, echoed by the House. This package would deliver a mix of both one-time and ongoing revenue. In addition to the CRE, the SWM budget relies on \$130 million in one-time tax revenue and \$85 million in ongoing tax revenue, and another \$180 million in temporary revenue from the new employer health care assessment (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](#).)

As was the case in their FY 2017 budget, SWM again proposes creation of a Tax Expenditure Review Commission. This commission would be tasked with systematically reviewing many of the tax breaks provided by the Commonwealth, as well as making recommendations about whether to continue, alter, or eliminate each credit. (For more detail on the growing cost of special business tax breaks in Massachusetts, see MassBudget's report [here](#).)

The SWM Committee, like the House, proposes an expansion of the Earned Income Tax Credit (EITC), making it easier for married victims of domestic abuse to claim the credit without filing a joint return with their spouse. Simultaneously, the SWM Committee (again like the House) limits the size of state EITC benefits for part-time residents and eliminates access to the credit for nonresidents. The SWM Committee also includes language (like the House) that would create a new business tax credit for employers that hire qualified, Massachusetts-based veterans. (For more detail on these two proposed tax credits see MassBudget's House Budget Monitor [here](#).)

Relating to non-tax revenue, like the House, the SWM proposal includes a new temporary assessment on employers to help offset the state's growing health care costs. This assessment would bring in \$180.0 million in temporary revenue. (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](#).)

The SWM Committee, like the Governor and House, 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. These proposals are discussed in greater detail in the sections below, as are other tax-related elements of the SWM budget.

Tax Modernization

The SWM Committee proposes a set of tax changes, major elements of which have been proposed by the Governor, the House, or both. It appears that \$75 million of these new revenues would be ongoing, while \$125 million would be one-time revenue available only in FY 2018 (though, as discussed below, only \$95 million of this one-time revenue total would be available for the budget). The new revenue proposals are discussed below.

Temporary Tax Revenue

- *Require Credit Card Processors to Remit Sales and Room Occupancy Tax on Daily Basis* – **The** SWM Committee, like the Governor and House, proposes requiring daily remittance of sales and room occupancy which would deliver, on a one-time basis, an estimated \$125 million of tax payments, pulling these payments forward from FY 2019 into FY 2018 (there is often a lag of several weeks between collection and remittance of these taxes by some vendors). 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.

Ongoing Tax Revenue

- *Taxing Short-Term Rentals* – Like the Governor, SWM proposes making some short-term rentals – like those available through websites such as Airbnb and VRBO – subject to a 5 percent room occupancy tax, similar to that applied to regular hotel and motel room rentals. While the Governor had proposed exempting from the tax accommodations rented less than 150 days a year, as well as for small bed and breakfasts (as is currently done), SWM would not provide these exemptions. SWM anticipates collecting \$18.0 million in FY 2018 from this source.

- *Require Occupancy Tax to Be Paid On Full Room Price for Online Room Rentals* - Much like the proposal put forward by Governor Patrick in his FY 2015 budget, the SWM Committee proposes clarifying the tax rules governing the collection by and remittance of the Room Occupancy Tax on the part of Internet room resellers to ensure that the tax remitted to the Commonwealth is based on the reseller's full price to the consumer. At present, some Internet room sellers collect and remit the tax only on the portion of the bill they pay to the hotel or other initial room seller rather than on the full price the consumer ultimately pays to rent the room (which includes the Internet seller's service fee). Massachusetts hotels and motels, however, collect and remit tax on the full amount they receive from the customer. Clarification of the rules and accompanying enforcement efforts by the Department of Revenue (DOR) would equalize the tax costs associated with renting an accommodation directly and renting that room at the same price through an intermediary. The SWM Committee estimates that this initiative would raise an additional \$7.0 million in FY 2018.
- *Collect Sales Tax from Out-of-State Online Retailers* - DOR recently published a [new directive](#) requiring online retailers that make more than \$500,000 and 100 or more sales annually in Massachusetts to collect and remit Massachusetts sales and use taxes on purchases made by customers inside Massachusetts even if these retailers might otherwise be exempt because they are physically located outside of the state. SWM estimates this change would generate an additional \$30 million of ongoing revenue in FY 2018. (For more detail on this issue, see the Budget Monitor on the Governor's FY 2018 budget [here](#).)
- *Require Credit Card Companies to Provide 1099-Ks to Small Business Owners and DOR* - Language in the SWM budget, like that in the Governor's and House budgets, provides 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 SWM Committee estimates that such 1099 reporting changes will generate \$20 million of ongoing revenue in FY 2018.

REVENUE TABLE 1

| FY 2018 TAX REVENUE PROPOSALS (\$ millions) | Governor | | House | | SWM | |
|--|-------------|--------------|-------------|--------------|-------------|--------------|
| | Ongoing | Temp | Ongoing | Temp | Ongoing | Temp |
| TAX REVENUES | | | | | | |
| Require daily remittance of sales and room occupancy tax | 0.0 | 125.0 | 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 | 30.0 | 0.0 |
| Require 1099s for addtl individuals and small business owners | 20.0 | 0.0 | 20.0 | 0.0 | 20.0 | 0.0 |
| Apply occupancy tax to certain short-term rentals | 12.0 | 0.0 | 0.0 | 0.0 | 18.0 | 0.0 |
| Require collection of occupancy tax on full price of online room rentals | 0.0 | 0.0 | 0.0 | 0.0 | 7.0 | 0.0 |
| Reduced EITC amounts for part-time residents | 0.0 | 0.0 | 10.0 | 0.0 | 10.0 | 0.0 |
| Cap life sciences credit program | 0.0 | 5.0 | 0.0 | 5.0 | 0.0 | 5.0 |
| TOTAL | 62.0 | 130.0 | 60.0 | 130.0 | 85.0 | 130.0 |

Stabilization Fund

Unlike the Governor and the House, the SWM Committee does not propose reworking 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"). (For more detail, see the House Ways and Means *Budget Monitor* [here](#) and the Governor's *Budget Monitor* [here](#).) 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.

The SWM Committee, however, does propose a one-time reduction in the amount of capital gains revenue that will be deposited to the fund in FY 2018, thereby matching the deposit amounts proposed by the House and Governor (\$51.5 million). Under current law, any capital gains tax revenue collected in excess of a threshold calculated annually by DOR is to be deposited into the Rainy Day Fund for later, emergency use. For FY 2018, SWM proposes pushing that threshold up from \$1.169 billion to \$1.220 billion. This one-time change would deliver \$51.5 million to the Rainy Day Fund in FY 2018, less than the \$102 million deposit required were the threshold left unchanged. 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. The SWM proposal, however, is temporary rather than permanent, and thus presents a lower risk to the long-term health of the Rainy Day fund than does the Governor/House proposal.

Tax Expenditure Review Commission

The SWM budget proposes establishing a commission, housed within but independent of the Office of the State Auditor, that would be responsible for reviewing state “tax expenditures,” also commonly referred to as tax breaks. This seven-member commission would be charged with developing a schedule for the rolling review of each tax expenditure, and then would assess each tax break to determine its “purpose, intent and goal...and whether the expenditure is an effective means of accomplishing those ends.” The commission would consider past and future fiscal and economic impacts of each expenditure, both to the state and to municipalities. The commission would provide an annual report to the Legislature compiling the commission’s activities and findings. This report would include a recommendation for each expenditure the unit has reviewed as to whether the expenditure should be continued, amended, or allowed to end. The SWM budget provides \$100,000 to support staffing of the commission in FY 2018. (For a longer discussion of tax breaks--and particularly special business tax breaks--provided by the Commonwealth, see MassBudget’s [report](#) on this issue.)

Tax Credits

The SWM budget, like the House budget, includes a proposal that would expand access to the state Earned Income Tax Credit (EITC) by allowing a married tax 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. The SWM Committee estimates these changes together would save the Commonwealth a net \$10 million in FY 2018.

The SWM budget also includes a proposal creating a new business tax credit to encourage the hiring of veterans. Under this proposal, businesses employing fewer 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 at that business for those two years) and could be carried forward by the business for up to three years beyond the tax year in which it was first claimed. The carry-forward provision makes it more likely that the business will be able to make full use of the credit. The SWM Committee caps the cost of the program to the Commonwealth at \$1.0 million annually.

The SWM budget, like those of the Governor and House, limits the amount of funding to be transferred from the state’s General Fund to the Massachusetts Life Sciences Fund. This limit on the funding available for distribution through the Massachusetts Life Sciences Credit program is expected to save \$5.0 million in FY 2018. This fund supports the cost of a corporate tax credit program that is intended to incentivize companies involved in “life sciences research and development, commercialization and manufacturing” to create and retain full-time permanent jobs within the Commonwealth. Companies must apply for and be awarded these credits, but credits are available only to the extent that funds are available.

Non-Tax Revenue

The Senate Ways and Means (SWM) budget proposal for Fiscal Year (FY) 2018 relies on a total of \$17.77 billion in non-tax revenues. These include federal revenues, which are mostly reimbursements from the federal government for state spending on Medicaid (MassHealth and related costs); departmental revenues, which are fees, assessments, fines, tuition, and similar receipts; and what are known as “transfer” revenues, which include lottery receipts, revenues from the newly-licensed gambling facilities, and funds that the state draws from an assortment of non-budgeted trusts.

The SWM proposal includes only a few new revenues. The most notable proposal is to transfer \$15.0 million out of the **Race Horse Development Fund** and into the General Fund, in order to fund operations at the Department of Agricultural Resources and the Department of Conservation and Recreation. The Legislature established the Race Horse Development Fund as part of the state’s Gaming Commission in order to support horse racing and to fund benefits for owners, trainers, jockeys, and others associated with horse racing.

There are two revenues in the Governor’s budget proposal that are also included in the SWM budget. These are:

- \$10.3 million in transfers to the General Fund from the liquidation of stocks and mutual funds;
- \$42.5 million in federal reimbursement for health safety net payments to community health centers.

For more details on these two initiatives, see the “[Revenue](#)” section of MassBudget’s *Budget Monitor* on the Governor’s FY 2018 budget.

Employer Health Assessment

Like in the budgets proposed by the Governor and the House, the SWM proposal includes language authorizing a new assessment on employers. In both the House and Senate proposals, the assessment is temporary, and would only be in place for two years. Over the past several years, the state’s health care costs have grown as increasing numbers of private sector employees have received health insurance through the MassHealth program, rather than receiving health insurance through their employers. This assessment would help offset this shifting of costs, and could also create an incentive for more employers to offer affordable health insurance. The Governor, House, and SWM differ in how the assessment might be administered, but both the House and SWM recommend that the Administration design the assessment to generate \$180.0 million in FY 2018, while the Governor recommended that the assessment generate \$300.0 million. For a more detailed description of the SWM proposal, see the “MassHealth (Medicaid) and Health Reform” section of this *Budget Monitor*.

REVENUE TABLE 2

| FY 2018 NON-TAX REVENUE PROPOSALS (\$ millions) | SWM | |
|--|-------------|--------------|
| | Ongoing | Temporary |
| NON-TAX REVENUES | | |
| Reimbursement for payments to community health centers | 42.5 | |
| Revenue from sale of abandoned property | | 10.3 |
| Employer health contribution | | 180.0 |
| Transfer from Race Horse Development Fund | | 15.0 |
| TOTAL | 42.5 | 205.3 |

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 Senate Ways and Means (SWM)**, **FY 2018 House**, 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. The **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. For more explanation, see the "State Employee Health Insurance" section of this *Budget Monitor*.

| BUDGET BY CATEGORY AND SUBCATEGORY (\$ millions) | FY 2001 Final Adjusted for Inflation to FY18 | FY 2017 Current | FY 2018 Governor | FY 2018 House | FY 2018 SWM |
|---|---|--------------------|---------------------|------------------|-----------------|
| Education | 7,519.4 | 7,798.2 | 7,924.0 | 7,977.4 | 8,026.7 |
| Early Education & Care | 742.9 | 567.6 | 568.0 | 583.5 | 586.6 |
| Higher Education | 1,371.2 | 1,162.4 | 1,172.5 | 1,175.1 | 1,204.0 |
| K-12: Chapter 70 Aid | 4,245.5 | 4,628.0 | 4,719.4 | 4,747.0 | 4,756.8 |
| K-12: Non-Chapter 70 Aid | 698.4 | 605.5 | 602.5 | 610.2 | 617.6 |
| K-12: School Building | 461.4 | 834.7 | 861.6 | 861.6 | 861.6 |
| Environment & Recreation | 307.8 | 191.7 | 199.6 | 203.0 | 201.2 |
| Environment | 137.1 | 83.5 | 89.1 | 87.7 | 88.0 |
| Fish & Game | 24.9 | 27.5 | 28.0 | 30.0 | 28.0 |
| Parks & Recreation | 145.8 | 80.8 | 82.4 | 85.4 | 85.1 |
| Health Care | 10,276.0 | 19,616.5 | 20,512.3 | 20,458.0 | 20,418.9 |
| MassHealth (Medicaid) & Health Reform | 7,748.2 | 16,558.7 | 17,542.2 | 17,454.2 | 17,420.5 |
| Mental Health | 845.7 | 763.9 | 773.2 | 774.2 | 775.7 |
| Public Health | 772.3 | 604.4 | 612.1 | 623.4 | 616.6 |
| State Employee Health Insurance | 909.8 | 1,689.4 | 1,584.9 | 1,606.1 | 1,606.0 |
| Human Services | 3,795.3 | 4,160.2 | 4,256.8 | 4,256.2 | 4,277.1 |
| Child Welfare | 788.4 | 947.6 | 985.6 | 975.4 | 987.3 |
| Disability Services | 1,376.8 | 1,900.7 | 1,978.7 | 1,978.7 | 1,979.4 |
| Elder Services | 266.8 | 274.6 | 287.0 | 287.8 | 288.1 |
| Juvenile Justice | 169.1 | 176.3 | 182.2 | 182.0 | 182.2 |
| Transitional Assistance | 1,063.5 | 657.5 | 616.8 | 626.3 | 633.9 |
| Other Human Services | 130.7 | 203.4 | 206.5 | 206.0 | 206.2 |
| Infrastructure, Housing & Economic Development | 2,072.8 | 2,245.7 | 2,233.2 | 2,225.9 | 2,223.4 |
| Commercial Regulatory Entities | 61.3 | 58.4 | 63.7 | 63.9 | 62.9 |
| Economic Development | 300.2 | 126.9 | 133.1 | 146.0 | 137.9 |
| Housing | 354.3 | 454.7 | 453.7 | 451.9 | 466.9 |
| Transportation | 1,357.0 | 1,605.7 | 1,582.6 | 1,564.1 | 1,555.7 |
| Law & Public Safety | 2,651.0 | 2,715.9 | 2,827.1 | 2,742.3 | 2,759.4 |
| Courts & Legal Assistance | 803.1 | 739.2 | 756.0 | 715.8 | 723.7 |
| Law Enforcement | 387.6 | 390.6 | 394.7 | 397.4 | 392.4 |
| Prisons, Probation & Parole | 1,249.7 | 1,363.8 | 1,452.6 | 1,400.8 | 1,419.2 |
| Prosecutors | 163.9 | 166.7 | 170.6 | 172.4 | 168.8 |
| Other Law & Public Safety | 46.7 | 55.6 | 53.1 | 56.0 | 55.3 |
| Local Aid | 1,813.0 | 1,056.1 | 1,099.4 | 1,097.4 | 1,092.6 |
| General Local Aid | 1,785.2 | 1,021.9 | 1,061.8 | 1,061.8 | 1,061.8 |
| Other Local Aid | 27.8 | 34.1 | 37.6 | 35.6 | 30.8 |
| Other | 4,782.9 | 5,424.3 | 5,644.8 | 5,638.8 | 5,578.0 |
| Constitutional Officers | 111.6 | 83.6 | 75.0 | 75.9 | 76.0 |
| Debt Service | 2,259.4 | 2,636.2 | 2,658.3 | 2,658.3 | 2,658.3 |
| Executive & Legislative | 86.1 | 74.4 | 74.4 | 74.4 | 74.4 |
| Libraries | 49.1 | 25.2 | 25.4 | 26.2 | 26.7 |
| Pensions | 1,476.6 | 2,198.1 | 2,394.5 | 2,394.5 | 2,394.5 |
| Other Administrative | 800.1 | 406.8 | 417.1 | 409.5 | 348.1 |
| Total Budget | 33,218.1 | 43,208.6 | 44,697.2 | 44,599.0 | 44,577.3 |

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 to 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 budgeted funding paid for out of **anticipated reversions**. Reversions are unspent appropriations that are typically returned to the General Fund at the end of the fiscal year. For example, a portion of funding for health care for retired state employees has in some years come from anticipated reversions of appropriated debt service 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.