MassBudget

Massachusetts Budget and Policy Center

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BUDGET MONITOR **February 1, 2017**

Analyzing the Governor's Budget for FY 2018

Table of Contents

The Governor's Fiscal Year (FY) 2018 budget includes proposals that strengthen the capacity of the MassHealth program to meet the healthcare needs of people in Massachusetts and address fiscal challenges caused by a decline in employer-provided health insurance coverage for private sector employees. This decline has led to increasing enrollment in MassHealth and thus growing state costs. Enrollment growth was projected to account for $600 million in new costs for the MassHealth program in FY 2018.

To encourage employers to provide health insurance coverage, and to counterbalance some of the cost shifting, the Governor proposes a $2,000 per employee assessment on employers who don't meet certain benchmarks for providing health coverage (see full description in "MassHealth (Medicaid) and Health Reform" section in this *Budget Monitor*). This assessment is projected to generate $300 million in revenue and the Governor's package of health reforms is projected to hold down health care spending by approximately $230 million While the budget contains several other revenue and savings proposals, the health care strategies are the major reasons the Governor is able to propose a budget that significantly reduces reliance on temporary revenue and savings to achieve balance.

As with past budget proposals, the Governor's FY 2018 budget does not propose significant new funding to make progress on some of the big challenges our Commonwealth faces, such as expanding early education; making higher education more affordable; improving schools in all of our communities; or fixing our transportation infrastructure.

The Governor's budget proposal includes expanded supports for behavioral health and substance misuse, including allowing treatment of civilly-committed men at facilities other than MCI-Bridgewater, increased support for mental health services in the corrections system, and across-departmental initiatives to combat harms caused by opioid misuse. The Governor also proposes to increase significantly funding for services for young people with developmental disabilities in the year they turn 22 and lose eligibility for school-funded services. The proposal again includes an initiative that the Governor brought forward last year that would reduce benefits for certain low-income families receiving Transitional Assistance for Families with Dependent Children (TAFDC) and Supplemental Security Income (SSI) by changing the way disability insurance benefits are counted in the formula for determining TAFDC payments.

In addition, the Governor proposes several modest reforms to update our tax system, including the following: taxing some short-term room rentals; requiring additional online retailers to collect sales taxes; and having credit card companies remit sales taxes to the Commonwealth more quickly. These are described in more detail in the "Revenue" section of this *Monitor*.

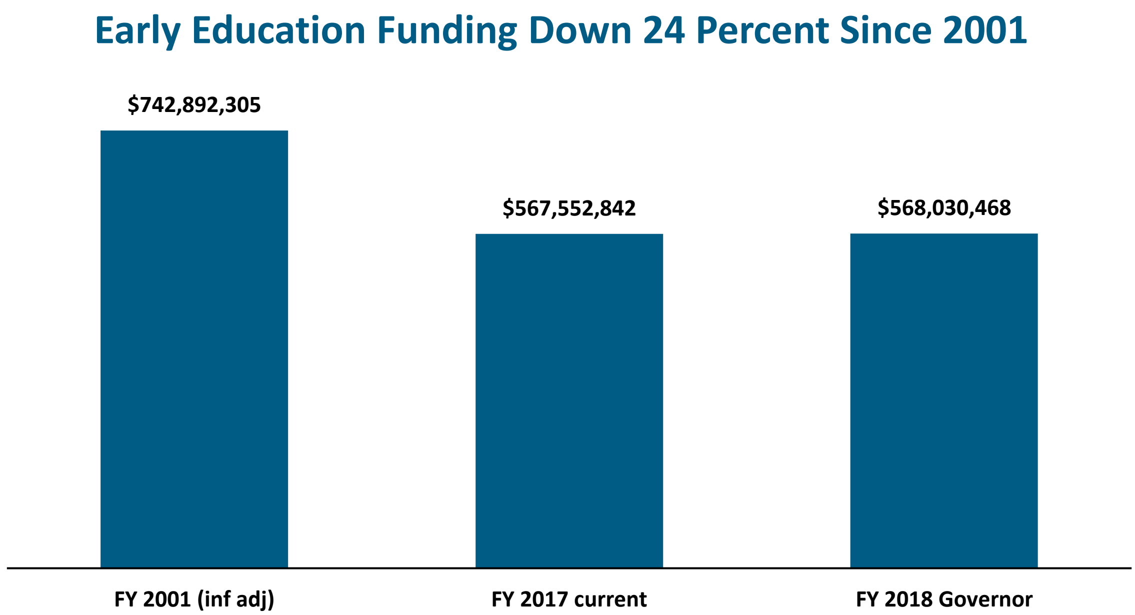
The rest of this *Budget Monitor* examines the Governor's proposals for major state programs in greater detail. Links from the Table of Contents allow readers to jump quickly to specific sections. Each section also provides links to our on-line budget tools including our Budget Browser (which provides funding information for every account in the state budget going back to FY 2001) and, where applicable, to our Children's Budget and Jobs & Workforce Budget.

EDUCATION

Early Education & Care

Quality early education and care helps prepare our young children for K-12 education and to thrive more generally. Early education and care is also a critical support for parents with young children, by supporting safe and reliable child care for parents while they work.

The Governor's Fiscal Year (FY) 2018 budget allocates $568.0 million for early education and care. This amount represents a negligible increase of $478,000 (0.1 percent) above current levels, not enough to keep pace with the expected inflation rate. There have been significant long-term cuts in early education after state tax cuts in the late 1990s and early 2000s. Funding for early education in the Governor's proposed FY 2018 budget is $174.9 million (23.5 percent) below FY 2001 levels, adjusting for inflation (see chart below).



The Governor's FY 2018 budget proposal allocates $223.2 million for **Supportive and TANF Child Care**, $3.8 million (1.7 percent) above current FY 2017 levels. Supportive and TANF Child Care provides subsidies for children in the care of the Department of Children and Families (DCF) and those receiving Transitional Aid to Families with Dependent Children (TAFDC).

The Governor'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, roughly in line with inflation. Income Eligible Child Care provides subsidies for low- and moderate-income working families who do not qualify for other child care assistance. With insufficient funding to meet demand, the waitlist for these subsidies contained 23,800 children as of January 2017. In FY 2015 and FY 2016, the state budget provided dedicated funding to reduce the waitlist. However, the Governor's FY 2018 budget proposal, like the current FY 2017 budget, does not contain specific funding to reduce the waitlist.

The Governor's FY 2018 budget proposal includes $7.0 million for salary increases and professional development for early educators through a new line item **Center-Based Child Care Rate Increase**. This amount is $5.5 million (44.0 percent) below what was available in a similar account (Early Education and Care Provider Rate Increase) in FY 2017. Salary and benefit increases along with professional development are key mechanisms to improve the quality of services available for young children. Recent evidence suggests that recruitment and retention of an effective early education workforce presents a major challenge limiting the Commonwealth's ability to provide high-quality early education and care for children.

Collectively, in the Governor's FY 2018 budget, funding for Income Eligible Child Care, and salary increases for early educators are funded at $262.4 million, which is $2.6 million (1.0 percent) below current FY 2017 levels (see chart below). The overall level of support makes it likely 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	Difference FY18 Gov. - FY17 Current
1599-0042	Early Ed and Care Provider Rate Increase	12,500,000	0	(12,500,000)
3000-1042	Center-Based Child Care Rate Increase	0	7,000,000	7,000,000
3000-4060	Income Eligible Child Care (Child Care Access)	252,453,572	255,389,495	2,935,923
TOTAL		**264,953,572**	**262,389,495**	**(2,564,077)**

In FY 2017, funding from several early education and care accounts was merged into a new **Quality Improvement** line item. In FY 2018, the Governor's budget proposes merging another line item, **Commonwealth Preschool Partnership** into Quality Improvement. To facilitate clear comparison, MassBudget adjusts the funding proposed by the Governor for FY 2018 back into the prior FY 2017 program structure. Together these line items are funded at $32.0 million, which is $634,000 (2.0 percent) less than current FY 2017 levels (see chart below).

FUNDING FOR EARLY EDUCATION QUALITY IMPROVEMENT

Line Item #	Line Item Name	FY 2017 Current	FY 2018 Governor*	Difference FY18 Gov. - FY17 Curr.
3000-1020	Quality Improvement	32,396,637	31,762,455	(634,182)
3000-6025	Comm. Preschool Partnership	200,000	200,000	0
TOTAL		**32,596,637**	**31,962,455**	**(634,182)**

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

The purposes of Quality Improvement funding include: meeting standards set in the state's Quality Rating and Improvement System (QRIS), developing the early educator workforce, undertaking the accreditation of programs, and supporting administrative personnel overseeing quality efforts. Commonwealth Preschool Partnership grants have focused on helping communities with preschool programs develop plans to expand these services, particularly for 3-year-olds.

An outside section of the Governor's FY 2018 budget proposal allows the Department of Early Education and Care (EEC) to directly employ the resources of the Child Care Quality Fund for its own program improvement efforts. Under current rules, EEC is required to use these funds exclusively to issue grants to private non-profits towards improving child care services. The Child Care Quality Fund receives its funding from the sale of distinctive "Invest in Children" motor vehicle registration plates. Each license plate generates $28 in revenue for early education. According to EEC, this fund currently contains roughly $900,000.

K-12 Education

Providing a high-quality education to all children plays a central role in supporting future generations in Massachusetts, while contributing to a stronger economy over the long term. Chapter 70 Education Aid is the Commonwealth's main program for delivering state support to over 300 local and regional districts, and ensuring that schools have sufficient resources to meet the educational needs of students. The Chapter 70 formula takes into account the varying ability of local governments to contribute property taxes and other local resources to support education. It adjusts aid each year based on a number of factors including inflation and enrollment changes. For further background on the state's education funding system, see Demystifying the Chapter 70 Formula.

The Governor proposes increasing **Chapter 70 Aid** by $91.4 million, a 2.0 percent increase, to $4.72 billion for Fiscal Year (FY) 2018. This increase is $24.7 million less than last year's 2.6 percent increase. The Governor's FY 2018 budget reflects a low inflation adjustment, as determined by the formula (1.1 percent) and a very small increase in statewide enrollment (0.1 percent). The Governor's FY 2018 Chapter 70 proposal includes a minimum increase of $20 per-pupil to districts that would not otherwise receive more aid.

The Governor's FY 2018 budget proposal does not contain a provision that was included last year to hold districts harmless from a change in the student poverty measure (see further discussion below). Those districts will, however, continue to receive in their base aid the amounts they received last year from this provision. The provision resulted in several dozen districts receiving a total of over $10 million in additional aid in FY 2017.

The Governor's Chapter 70 proposal includes a limited step to implement recommendations made by the Foundation Budget Review Commission (FBRC) in 2015. This Commission outlined concrete steps to address funding challenges facing local school districts. Overall, 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 Chapter 70 formula sets a foundation budget for each district. This foundation budget is based on costs for each element of a school budget. The FBRC found that the costs in the formula fail to reflect actual costs in particular areas, including employee health care and special education. The Governor's proposal includes increases of between roughly 6 and 13 percent, depending on grade level and student category, to the foundation budget rates for employee benefits, the school spending category which includes health care.

The larger increase to the employee benefit rates proposed in the Governor's budget (6 to 13 percent as opposed to the standard 1.1 percent inflation factor used in the rest of the Chapter 70 proposal) would generate an increase of $66.0 million to the statewide foundation budget and roughly $17 million in new aid. This is a small step relative to fully implementing the FBRC recommendations. For example, legislation that passed the Senate in 2016, which reflects a recent approximation of the full cost of implementing the recommendations, found that over $200 million in additional Chapter 70 aid would be required annually for 7 years.

Under Chapter 70, additional funding is directed to provide expanded services for kids in poverty. The Governor's Chapter 70 proposal continues to use the recently-adopted **Economically Disadvantaged** measure for calculating the number of students in poverty in districts across the state. The number of kids considered economically disadvantaged is determined by certifying kids for free meals through their enrollment in other public services such as MassHealth, SNAP (food stamps), and if they match other criteria, such as being in foster care. This process is called direct certification. The implementation of the new poverty measure by the Department of Elementary and Secondary Education (DESE) for FY 2017 resulted in a statewide drop in poverty headcounts compared to prior years. In an attempt to offset this drop, the FY 2017 budget increased the amount of funding directed to each economically disadvantaged student in calculating district foundation budgets to between $3,800 and $4,100 depending on the concentration of kids in poverty across districts. This compares to $3,100 provided to districts for each low-income student under the measure last used in FY 2016. The FY 2018 proposal from the Governor continues to use these higher rates, increased by the standard 1.1 percent inflation rate.

Over the course of FY 2017, state agencies under the lead of DESE worked to improve the process of direct certification to make sure that the state is accurately counting the number of kids in poverty in each district. However, significant work remains to improve data matching capacity, technical processes, and the enrollment of poor children in all programs for which they are eligible. Improving the transition to the new poverty measure will require ongoing collaboration between education, health, welfare, and child protection agencies, particularly DESE, the Executive Office of Health and Human Services, and local school districts.

An outside section of the FY 2017 budget directed the state, under the lead of DESE, to develop a report addressing improvements to direct certification for free meals and counting low-income students. The legislation directed DESE to complete the report by the end of 2016. However, it has yet to be filed with the Legislature or made available to the public. Therefore, the Governor's Chapter 70 proposal for FY 2018 does not incorporate the suggested improvements from this upcoming report.

Notably, the Economically Disadvantaged count of 315,000 kids in the Governor's FY 2018 Chapter 70 proposal is only marginally higher (0.8 percent) than the 312,000 kids that were included in the FY 2017 Chapter 70 calculation. This may suggest that the Commonwealth has made limited progress in more accurately identifying students in poverty for FY 2018 school funding calculations. Demographic shifts in the state's population may also be influencing these figures. All told, the FY 2018 Economically Disadvantaged figure provides an estimate of the number of kids in poverty that remains 20 percent lower than under the prior poverty measure last used in FY 2016.

For more detail on the process for counting low-income kids, how it can be improved, see Counting Kids at School: 6 Steps to Better Numbers and Direct Certification for School Meals: Feeding Students, Counting Kids, Funding Schools.

The Governor's FY 2018 budget proposes the consolidation of five line items – **Targeted Intervention in Underperforming Schools**, **Literacy Programs**, **English Language Acquisition**, **Extended Learning Time Grants**, and **After-School and Out-of-School Time Grants**, into the renamed line item **Targeted Assistance and Innovation** (7061-9408). In order to facilitate comparison across years, using materials provided by the Governor, MassBudget, moves the consolidated funding back into the structure from FY 2017. In total, these five line-items are funded at $28.0 million, $789,000 above what they received in FY 2017 (see chart below).

This consolidation transfers $18.6 million in funding from other line items into Targeted Assistance and Innovation:

- $14.2 million from Extended Learning Time Grants
- $2.0 million from After-School and Out-of-School Time Grants
- $1.5 million from Literacy Programs

- $882,000 from English Language Acquisition

In addition, Targeted Intervention in Underperforming Schools receives $9.4 million as part of the larger consolidated account. Though the overall line item is increased, it appears that support for English Language Learners, afterschool programs, and literacy could be scaled back to varying degrees. However, the new structure for these line items could deliver similar support for each of these types of initiatives, depending on how DESE allocates Targeted Intervention resources.

FUNDING FOR TARGETED INTERVENTION AND INNOVATION

Line Item #	Line Item Name	FY 2017 Current	FY 2018 Governor	*Transfers**	FY 2018 Gov. Adjusted	Difference FY18 Gov. adjusted - FY17 Curr.
7061-9408	Targeted Intervention	7,391,120	27,958,257	*(18,606,089)*	9,352,168	1,961,048
7010-0033	Literacy Programs	1,620,000	0	*1,549,389*	1,549,389	(70,611)
7027-1004	English Language Acquisition	1,743,981	0	*881,954*	881,954	(862,027)
7061-9412	Extended Learning Time Grants	14,174,528	0	14,175,592	14,175,592	1,064
7061-9611	After-School Grants	2,240,001	0	1,999,154	1,999,154	(240,847)
TOTAL		**27,169,630**	**27,958,257**		**27,958,257**	**788,627**

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

An outside section of the Governor's FY 2018 budget proposal holds constant the rates paid by schools to private special education providers who educate students with severe disabilities. This section of the budget provides a limited exception to this rate freeze in order to address health and safety concerns.

The Governor's budget proposal for FY 2018 includes $80.5 million for **Charter School Reimbursements** in line with current FY 2017 levels. The current system, when fully funded, reimburses 100 percent of outgoing student funding in the first year and 25 percent of this amount for each of the subsequent five years.

However, according to recent projections from DESE, the formula is currently only 60 percent funded, and would require over $54 million in additional support to be fully resourced in FY 2017. The underfunding of the reimbursement formula could increase as additional charter school seats are added in FY 2018. The current FY 2017 funding level supports 93 percent of first year reimbursements, but does not reimburse school districts for students who left in the five years prior to FY 2017. 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 Governor's FY 2018 proposal.

Under the Governor's FY 2018 budget proposal, the **Special Education Circuit Breaker** is funded at $277.3 million, in line with current FY 2017 levels. The circuit breaker reimburses school districts for a portion of their costs for educating students with severe disabilities. According to DESE, the proposed funding level will reimburse 70 percent of allowable claims, as opposed to 75 percent when the circuit breaker is fully funded.

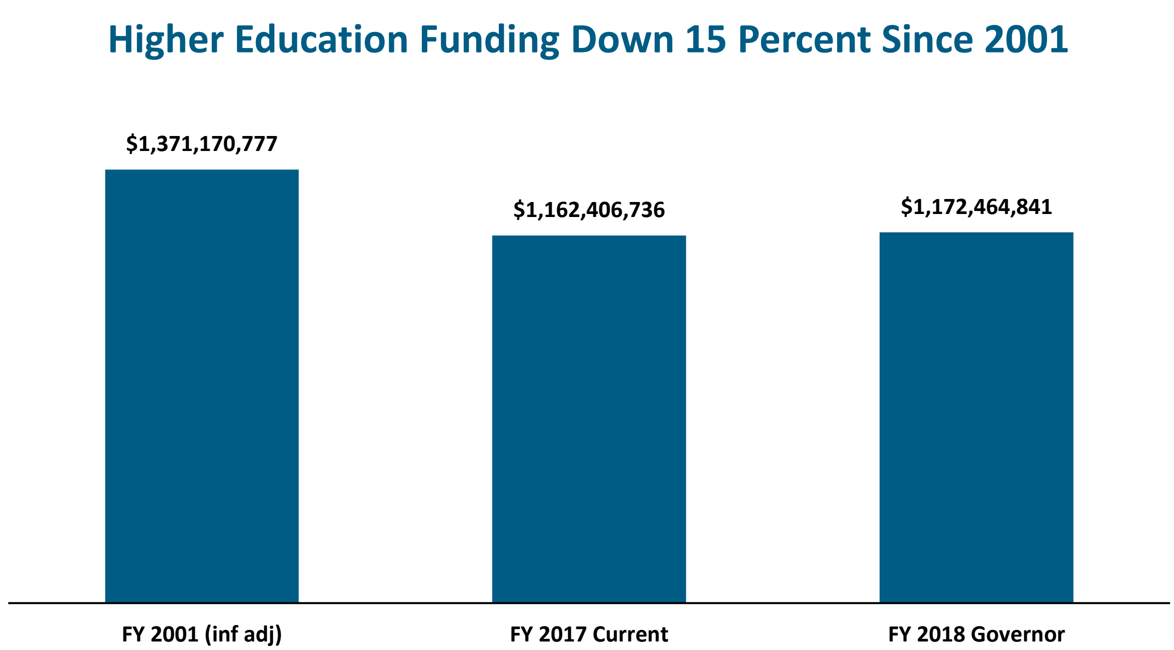
The Governor's FY 2018 budget proposal moves the administration of **Inclusive Concurrent Enrollment** from DESE to the Department of Higher Education, and moves it into a new line item (7066-9600). This program assists youth with severe disabilities to succeed in college courses, gain employment, and develop life skills to thrive as adults.

Higher Education

Higher education helps residents of Massachusetts become active members of their communities and gain the skills needed to succeed in our knowledge-driven economy. Public institutions of higher education, including the University of Massachusetts, the state universities, and community colleges, educate a majority of our state's high school graduates. Public graduates are also more likely to stay in Massachusetts after graduation, contributing to our economy over the long term.

The Governor's proposed budget for Fiscal Year (FY) 2018 contains $1.17 billion in support for public higher education, which is $10.1 million (0.9 percent) above current FY 2017 levels, but is less than the expected rate of inflation.

Despite the evidence that a highly-educated workforce helps strengthen our economy, Massachusetts has cut state support for higher education by $198.7 million (14.5 percent) since FY 2001, adjusting for inflation. This has contributed to tuition and fees within public higher education doubling over the past 15 years. For additional detail on these long-term trends, see In 16 Charts: Higher Education Funding in Massachusetts



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

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

- **Subtracting tuition remission.** Since FY 2001, different policies have dictated when public higher education campuses must send different categories of tuition revenue they receive back to the state's General Fund. When higher education revenue is sent back to support the state budget, it is not available for campus operations and has the same effect as reduced state funding to the campuses. Conversely, under rules in effect starting in FY 2017, the University of Massachusetts (UMass) will keep all tuition revenue from both in-state and out-of-state students in FY 2018. 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.

An outside section of the Governor's FY 2018 budget proposal would create a task force to examine **tuition retention** policies across public higher education. It would particularly look at whether the full tuition retention policy currently in place at UMass could be implemented for state universities and community colleges. The proposed task force would be composed of representatives from the Administration, House, and Senate, along with senior leaders in public higher education.

HIGHER EDUCATION FUNDING TO THE THREE CAMPUS TYPES

Campus Type	FY 2017 Current	FY 2018 Governor	Difference FY18 Gov. - FY17 Curr.
Community Colleges	274,815,277	280,087,771	5,272,494
State Universities	246,393,186	248,620,848	2,227,662
UMass	515,330,447	516,325,371	994,924
Total, all campuses	**1,036,538,910**	**1,045,033,990**	**8,495,080**

The Governor's FY 2018 budget proposal funds **UMass** line-items at $516.3 million, which is $995,000 (0.2 percent) above current FY 2017 levels. This FY 2018 budget proposal funds **State University** line-items at $248.6 million, which is $2.2 million (0.9 percent) above current FY 2017 levels. In the proposal, **Community College** line-items receive $280.1 million, which is $5.3 million (1.9 percent) above current FY 2017 levels.

These modest increases to public higher education funding appear unlikely to prevent further increases to tuition and fees across UMass, State Universities, and Community Colleges. Last year, tuition and fees at UMass rose by 5.8 percent, while tuition and fees at State Universities and Community Colleges rose by 5.0 percent.

The main **State Scholarship Program** is funded at $95.6 million in the Governor's FY 2018 budget proposal, in line with amounts in the past two years. Flat funding for scholarships risks these grants not keeping up with inflation and the steadily increasing tuition and fees across public higher education.

The Governor's FY 2018 budget proposal consolidates five higher education line items: **STEM Starter Academy**, **Dual Enrollment Grants**, **Nursing and Allied Health Workforce Development**, **Adult**

College Transition Services (Bridges to Colleges), and Community College Workforce Grants. These programs are transferred into the renamed line item **STEM Starter Academy & College & Career Pathways** (7066-0036). In order to facilitate comparison across years, using materials provided by the Governor, MassBudget, shows the consolidated funding in the structure from FY 2017. Collectively these programs are funded at $8.1 million, which is $1.1 million (15.7 percent) more than last year (see chart below).

FUNDING FOR STEM STARTER ACADEMY & COLLEGE & CAREER PATHWAYS

Line Item #	Line Item Name	FY 2017 Current	FY 2018 Governor	*Transfers**	FY 2018 Gov. Adjusted	Difference FY18 Gov. adjusted - FY17 Curr.
7066-0036	**STEM Starter Acad. & College Pathways**	**4,750,000**	**8,101,130**	***(2,249,466)***	**5,851,664**	**1,101,664**
7066-0019	Dual Enrollment Grant and Subsidies	1,050,000	0	*1,049,754*	1,049,754	(246)
7066-0020	Nursing/Health Ed. Workforce Dev.	200,000	0	*200,000*	200,000	0
7066-0040	Adult College Transition Services	250,000	0	249,713	249,713	(287)
7066-1221	Community College Workforce Grants	750,000	0	749,999	749,999	0
TOTAL		**7,000,000**	**8,101,130**		**8,101,130**	**1,101,131**

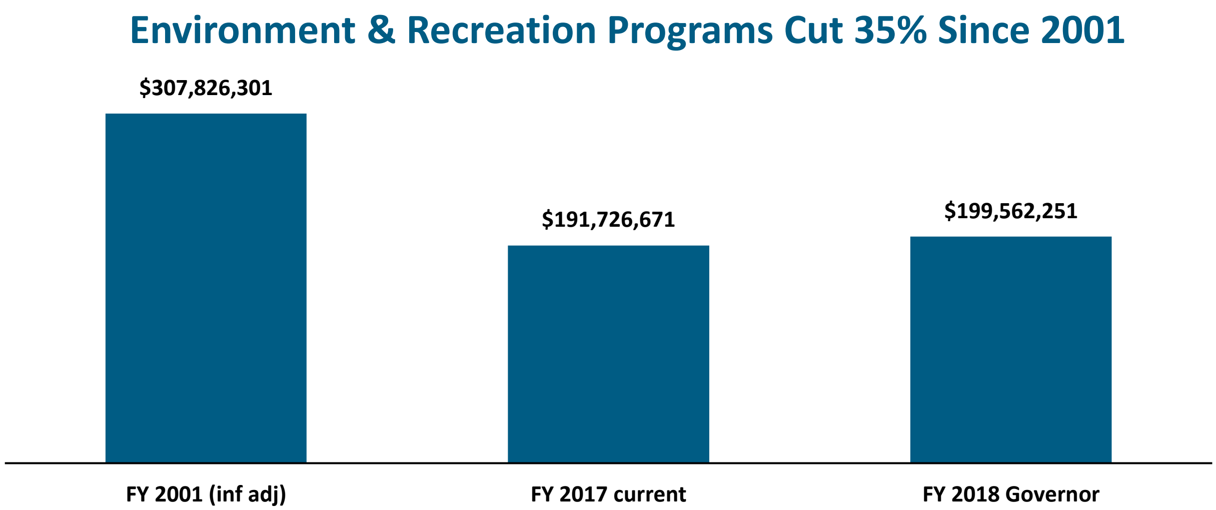
*Budgets sometimes transfer the allocation of funding among line items from one year to the next. The chart above presents these line items in both the Governor's FY 2018 proposed structure and the prior FY 2017 funding structure to make comparisons easier.

The Governor's legislative language suggests this redesigned college and career program would focus on establishing common college and career standards and goals between the Department of Higher Education and the Department of Elementary and Secondary Education. Most of the initiatives of the five predecessor items are included in the proposed budget language, but the revised structure could lead to different components of the larger program being emphasized. Conversely, it appears that the Adult College Transition Services program, which is more focused on providing the basic skills students need to prepare for college courses, could be deemphasized in the Governor's proposed reorganization.

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

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 Governor's Fiscal Year (FY) 2018 budget proposes spending $200.0 million on environment and recreation programs, an increase of $7.8 million above the FY 2017 current budget. Despite this 4.1 percent increase above the current fiscal year budget, funding for environment and recreation programs is 35.2 percent less than it was in FY 2001 after adjusting for inflation.



The Governor's proposed environment and recreation budget for FY 2018 provides few increases in funding for environmental protection, fish and game, or parks and recreation activities with a few exceptions. The Governor's budget proposes:

- $2.5 million more, for a total of $9.7 million, for the Executive Office of Energy and Environmental Affairs which oversees the departments that manage the state's environment and recreation programs.

- $1.4 million for a new account to protect water quality by controlling pollution discharge into state water sources.

- $1.5 million more, to $2.7 million, to make sure that drinking water is safe. This increase will allow the Department of Environmental Protection to hire 10 additional employees to oversee Massachusetts' compliance with the federal Safe Drinking Water Act and to provide technical assistance to help mitigate threats to the water supplies in the state.

- $247,000 more for the Office of Dam Safety to $620,000. Documents accompanying the Governor's proposal note that this increase will allow the Department of Conservation and Recreation (DCR) to hire 3 additional inspectors to make sure dams are safe.

- $1.2 million more in total funding for state parks (see chart below). While the Governor's FY 2018 budget recommends a slight ($1.1 million) decrease in the primary account that funds state parks, it recommends that DCR be allowed to retain $20.0 million of the revenue it collects from parking and entry fees, an increase of $2.3 million above the FY 2017 current budget. This increase will provide DCR with additional funding to staff and maintain park facilities. Despite this increase, total funding for state parks is 8 percent, or almost $5 million, less after adjusting for inflation than it was when DCR was created in FY 2004

Funding for State Parks

Line Item #	Line Item Name	FY 2017 Current	FY 2018 Governor	Difference FY18 Gov. - FY17 Curr.
2810-0100	State Parks and Recreation	36,227,842	35,163,728	(1,064,114)
2810-2042	DCR Retained Revenue	17,700,000	20,000,000	2,300,000
TOTAL		**53,927,842**	**55,163,728**	**1,235,886**

HEALTH CARE

MassHealth (Medicaid) and Health Reform

The Commonwealth provides health insurance to over 1.9 million people, including more than 650,000—close to half—of the state's children. In addition, the state 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. It is, of course, important to keep in mind that there is uncertainty about policy changes at the federal level (particularly changes to the Affordable Care Act and to Medicaid) that would have an impact on state budgeting for health care. Massachusetts could lose billions of dollars in federal revenue that support the state's health care systems. These changes, however, may not have a big impact on the Fiscal Year (FY) 2018 budget, and the Governor's budget proposal presumably reflects the assumption that current federal funding levels will continue for this coming fiscal year.

The costs of the state's health care programs keep growing, and the Administration projects that MassHealth program enrollment could top two million people before the end of the fiscal year. The Administration is concerned about the growing numbers of employed people who nevertheless get their health insurance from MassHealth. 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. The Governor's documents state that enrollment growth is projected to account for $600 million in new costs in FY 2018.

To stem this growth and offset the costs, the Administration is proposing a multi-pronged approach. The Governor is proposing a few modifications to the MassHealth program itself (described under "MassHealth Program and Administration" below). The Governor is proposing assessing a new fee on employers who do not offer health insurance or whose employees do not take up insurance that the employer offers. The Governor is also proposing several other changes in the commercial health insurance market. The hope is that with these changes, more employees would have access to and choose to enroll in affordable employer-sponsored health rather than in MassHealth, and the state would also have a new source of revenue.

Most notably, the budget proposal includes language that would impose an assessment on employers that do not offer health insurance or who offer it but have a significant number of employees who are not accepting insurance from that employer. This assessment would presumably encourage more employers to provide health insurance for their employees, and would also provide the state with new revenue to help offset MassHealth costs. Employers would be exempt from the assessment if they have fewer than 11 full-time equivalent employees. They would also be exempt if they offer employees at least $4,950 per year for a group health insurance plan (or similar), and if at least 80 percent of their employees are enrolled in that health insurance. (The language in the Governor's proposal does not exempt employers whose employees receive employer-sponsored health insurance coverage through a spouse or other family member.) For those employers who offer health insurance but don't meet the threshold of 80 percent of employees using their health insurance, the assessment is only for the number of employees by which they are short of the 80 percent threshold.

An assessment on employers that do not offer health insurance is not a new idea. In fact, Massachusetts' own health reform law ("RomneyCare") in 2006 included a similar provision known as the "fair share contribution." That assessment had required employers with 11 or more employees to either contribute to employees' health insurance costs or pay a "fair share contribution" of up to $295 annually for every full-time equivalent worker. The fair share contribution brought in approximately $16 million in revenue in FY 2013, the last year before it was repealed because there was an employer contribution provision in the Affordable Care Act. The Affordable Care Act provision would fine employers with more than 50 employees that do not provide health insurance. That provision of the federal law, however, has not yet gone into effect.

The Governor's budget also proposes additional commercial insurance market reforms that aim to reduce the costs of health care, and thereby also make commercial insurance more affordable for employees. The budget proposes establishing caps on growth rates for certain health care providers, introducing a moratorium on new insurance mandates, eliminating facility fees (such as on satellite care centers) through the Dept. of Insurance, and implementing changes to make the Health Connector more user-friendly, particularly for small businesses.

MassHealth Program and Administration

Funding for MassHealth in the Governor's budget proposal is $16.59 billion, with $16.43 billion for the MassHealth program, and $162.6 million for program administration (see table). In order to help address the continuing cost growth at MassHealth, the Administration has taken several measures to address the program's costs. The Administration states that a variety of (unspecified) reforms in the Governor's budget proposal hold MassHealth spending growth down by approximately $230 million gross, for an FY 2018 increase of $140 million net of federal revenue reductions.

MassHealth (Medicaid) and Health Reform

MassHealth	FY 2017 Current	FY 2018 Governor	Difference FY18 Gov. - FY17 Curr.
MassHealth Programs	15,251,403,833	16,428,166,317	1,176,762,484
MassHealth Administration	153,776,087	162,602,733	8,826,646
TOTAL	**15,405,179,920**	**16,590,769,050**	**1,185,589,130**

Built in to the Governor's budget proposal is a shift in how eligibility would be determined for applicants for MassHealth. Currently, an applicant receives "provisional (or automatic) eligibility" pending receipt of income verification. The FY 2018 Governor's budget proposal—pending regulatory approvals—would limit this provisional eligibility to children, persons with HIV, and pregnant women. The Administration states that this change would both better align the application processes for MassHealth and insurance purchased through the Connector. They estimate this change would generate $31 million for the FY 2018 MassHealth budget.

The Governor's budget proposal would also authorize reducing two benefits in MassHealth's CarePlus Program. This program—established under the Affordable Care Act—covers more than 300,000 adults with incomes up to 133 percent of the federal poverty level. The budget would limit coverage for vision services, by eliminating coverage for eyeglasses and contact lenses. This would affect approximately 41,000 members. The budget also would eliminate the use of non-emergency medical transportation for approximately 13,000 CarePlus members. Non-emergency medical transportation would still be available for travel to substance abuse and prevention treatment. The intent of these changes is also to better align CarePlus with commercial insurance so as to reduce incentives for people to select MassHealth coverage in lieu of employer-sponsored coverage.

It is also worth noting the funding for the **Children's Medical Security Plan (CMSP)** in the Governor's budget is $12.5 million, $5.0 million less than in FY 2017. 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. CMSP will be brought in-house, to be administered by the Exec. Office of Health and Human Services, alongside MassHealth.

Other Health Subsidies and Related Spending

The budget also includes funding for other supplemental payments to health safety net providers, funding for other subsidized health programs, and other administrative and operational supports (see table.) The totals for the Medical Assistance Trust show budgeted appropriations current as of this moment. The timing of operating transfers into this trust (shown below) 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	Difference FY18 Gov. - FY17 Curr.
Medical Assistance Trust	736,154,225	452,400,000	(283,754,225)
Delivery System Transformation Initiative	196,252,001	189,149,334	(7,102,667)
Other Health Subsidies			
Commonwealth Care Trust	40,083,939	104,104,830	64,020,891
Prescription Advantage	17,771,922	17,179,054	(592,868)
Other Administration and Operations			
Center for Health Info. & APCD	28,131,406	28,631,406	500,000
Information Technology	116,776,778	133,564,037	16,787,259
Health Information Trust	8,853,272	13,853,272	5,000,000
Community Hospital Reinvestment Trust Fund	0	3,000,000	3,000,000
Other Health Finance	9,542,285	9,541,494	(791)

Funding for health subsidies and other related health spending in the Governor's FY 2018 budget proposal reflects the Commonwealth's continued progress towards the implementation of reforming health care delivery, and shifting MassHealth to a system of accountable care organizations (ACOs). As in FY 2017, the FY 2018 budget includes an **assessment on acute hospitals** which would also receive federal matching reimbursements, and the revenues would be deposited in the MassHealth Delivery System Reform Trust, with hospitals as a group receiving this assessment back in the form of enhanced Medicaid rate payments.

Also included in the Governor's budget is language extending the assessment on acute hospitals to **non-acute hospitals**. This assessment (along with federal reimbursement) would help support $16 million (net) in Medicaid rate increases for psychiatric, chronic, and rehabilitation hospitals.

The Governor's budget proposal includes payments to health safety net providers through a variety of trusts, funded by a combination of operating transfer appropriations, re-distributed assessments on providers, and federal reimbursements. The funding differences from year to year in part reflect timing discrepancies in the payments from these trusts.

In an Outside Section, the Governor proposes up to a $15.0 million transfer into the **Health Safety Net** (via funds from the Commonwealth Care Trust Fund) to support the costs associated with providing care to uninsured or underinsured individuals. Prior to FY 2017 that transfer had been $30.0 million.

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 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 Governor's budget estimates that transfer from the Commonwealth Care Trust Fund to the General Fund would likely be $27.6 million.

Mental Health

The Governor's Fiscal Year (FY) 2018 budget includes $773.2 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 Governor's DMH funding is $12.1 million above current FY 2017 budgeted amounts, but only $5.4 million above FY 2017 estimated spending totals. (See table below for breakdown.) Because FY 2017 projected spending is above current FY 2017 budgeted totals, it is likely the Administration will be seeking supplemental budget funding at some point in FY 2017.

The Governor's budget proposal includes a continued effort to move supports for **behavioral health and substance misuse** 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 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 additional discussion of funding for substance abuse services.)

Funding for **child and adolescent health services** (see table) includes $3.6 million for the Massachusetts Child Psychiatry Access Project (MCPAP), 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 is the same amount received by this program in FY 2017. Although the Administration notes the funding is included in the total appropriation, there is no explicit mention of the program in the line item language.

Funding for Mental Health

Line Item #	Line Item Name	FY 2017 Current	FY 2018 Governor	Difference FY18 Gov. - FY17 Curr.	Notes
5011-0100	DMH Administration	27,408,942	27,527,407	118,465	
5042-5000	Child & Adolescent Mental Health	88,650,618	88,906,785	256,167	
	DMH Adult Services	439,167,250	448,076,473	8,909,223	6 line items
	DMH Facilities	205,898,658	208,688,392	2,789,734	2 line items
	TOTAL	761,125,468	773,199,057	12,073,589	

Public Health

The Governor's budget proposal includes $612.1 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, water, and land. The Governor's proposal is $13.5 million more than current FY 2017 budgeted totals, but $7.0 million above anticipated FY 2017 final spending.

This budget proposal reflects the Administration's continued commitment to preventing and treating substance misuse and abuse, and initiatives at DPH are central to that effort. Combined, the funding for substance abuse and misuse services in DPH is $140.2 million, essentially level with the expanded funding provided in FY 2017 and with expected spending (see table).

FUNDING FOR SUBSTANCE ABUSE SERVICES

Line Item	Line Item Name	FY 2017 Current	FY 2018 Governor	*Transfers**	FY 2018 Gov. Adjusted	Difference FY18 Gov. adjusted - FY17 Curr.	Notes
1595-4510	Substance Abuse Services Fund	5,000,000	0	*5,000,000*	5,000,000	0	*incl. adj.
4512-0200	Bur. Substance Abuse Services	123,763,987	127,675,888	*(5,000,000)*	122,675,888	(1,088,099)	*incl. adj.
4512-0201	Substance Abuse Step-Down	4,908,180	4,908,180		4,908,180	0	
4512-0202	Secure Treatment	2,000,000	2,000,000		2,000,000	0	
4512-0203	Family Intervention & Care Pilot	1,500,000	1,485,000		1,485,000	(15,000)	
4512-0204	Nasal Narcan Pilot Expansion	1,000,000	1,000,000		1,000,000	0	
4512-0211	Recovery High Schools	3,100,000	3,100,000		3,100,000	0	
TOTAL		**141,272,167**	**140,169,068**	**0**	**140,169,068**	**(1,103,099)**	

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

There is little new investment in other areas crucial to protecting the public health. Maternal and child health programs receive $70.2 million in the Governor's budget proposal. Although this is $3.5 million more than current FY 2017 budget totals, it is essentially level with anticipated FY 2017 spending. The Governor's proposal includes:

- $12.2 million for the state supplement for the **WIC (Women, Infants, and Children) Program,** just below anticipated spending in FY 2017. WIC provides access to healthy food and nutrition counseling during pregnancy and in the early years of life.

- $26.8 million in funding from **manufacturer's rebates** for the WIC Program, which is also essentially level with anticipated FY 2017 totals.

- $31.1 million for the **Early Intervention Program**, essentially level-funded with anticipated FY 2017 levels.

- Funding for the **Postpartum Depression Pilot Program**, which funds community health workers at a handful of health centers who work with women who have been identified with postpartum depression, was eliminated by mid-year cuts in FY 2017. The Governor does not restore funding for that program.

The Governor's budget proposes funding the state's anti-smoking efforts in DPH through **Smoking Prevention and Cessation** 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 department's **oral health programs** receive a tiny increase compared to FY 2017 totals for a total of $2.6 million. A slight increase to **Dental Health Services** brings funding for those services to $1.7 million, and the **SEAL** sealant and fluoridation program receives level funding of $891,000.

The Governor's FY 2018 budget completes the transition of domestic violence and prevention services from the Dept. of Children and Families into DPH in order to move towards better coordination and consolidation of those services. **Domestic Violence and Sexual Assault Prevention** are essentially level-funded with anticipated FY 2017 spending at $31.3 million. Funding for the **Sexual Assault Nurse Examiner** program is $4.7 million, 3.1 percent more than anticipated FY 2017 spending. The **Healthy Relationships** grant program was cut by mid-year spending reductions, and does not receive new funding in the Governor's budget.

Funding to address **gambling and other compulsive behavior** receives a notable increase in the Governor's budget, from $1.0 million in FY 2017 to $1.5 million in FY 2018, whereas funding **for HIV Prevention and Treatment** is cut by 12.1 percent, from $32.2 million in FY 2017 to $28.3 million in the Governor's budget proposal.

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, these programs are funded at $23,000 less 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 Governor's budget, level with the FY 2017 amount after mid-year budget reductions.

Funding for Youth Violence Prevention and Youth Engagement Programs

Line Item #	Line Item Name	FY 2017 Current	FY 2018 Governor	Difference FY18 Gov. - FY17 Curr.	Notes
4000-0005	Safe and Successful Youth Initiati	6,500,000	6,500,000	0	
4000-0008	Crossroads	25,000	0	(25,000)	
4590-1506	Violence Prevention Grants	1,337,124	1,339,227	2,103	
4590-1507	Youth At-Risk Matching Grants	2,100,000	2,100,000	0	
	TOTAL	**9,962,124**	**9,939,227**	**(22,897)**	

The Governor's budget also includes three new line items. His proposal would fund each of these three programs with new dedicated fees:

- **$1.0 million for Mobile Integrated Health**. This funding would expand what are known as "mobile integrated health services." These mobile health care services are intended to help reduce demand on hospital emergency rooms by providing and coordinating such care as community paramedic services, chronic diseases management, preventive care, and transportation to services other than emergency rooms. This funding is a $900,000 increase from FY 2017.

- **$2.3 million for Home Health Agency Licensure.** The Governor's budget includes an Outside Section to improve the rigor of home health agency licensure, and this line item allows the Department to retain fees, fines, or other penalties to support this licensing function.

- **$400,000 for Health Care Industry Plan Review.** This funding supports the Department's determination of need program.

State Employee Health Insurance

The Governor's Fiscal Year (FY) 2018 budget proposal includes $1.58 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). The Governor would keep costs down in part by capping provider rates paid by the state's Group Insurance Commission (GIC), holding them to 160 percent of Medicare rates.

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

STATE EMPLOYEE HEALTH INSURANCE FUNDING WITH MUNICIPAL PASS-THROUGH ADJUSTMENT

Line Item	Line Item Name	FY 2017 Current with MassBudget Adjustment	FY 2018 Governor	*MassBudget Adjustment*	FY 2018 Gov. Adjusted	Difference FY18 Gov. Adjusted - FY17 Current
1108-5200	Group Insurance Premiums	1,074,037,982	1,661,961,313	*(590,938,462)*	1,071,022,851	(3,015,131)
1108-5400	Retired Municipal Teachers	0	52,342,714	*(52,342,714)*	0	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 Governor's 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, the Governor's budget 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. Language in the budget states that this transfer would come from unexpended debt payments reverted to the General Fund or, if those reversions are insufficient, the Governor proposes making the transfer 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.

HUMAN SERVICES

Child Welfare

The Governor's Fiscal Year (FY) 2018 budget proposes $985.6 million to support the child welfare system, which are the state's services designed to protect children at risk of neglect or abuse. The Department of Children and Families (DCF), the agency responsible for the protection and custody of at-risk children, receives $985.5 million, $43.2 million more than currently budgeted for FY 2017, but only $26.9 million more (2.8 percent) than projected FY 2017 spending. The Administration anticipates spending $16.2 million more in FY 2017 than has been appropriated so far, and will likely require supplemental budget funding in FY 2017 to cover program costs.

DCF has a dual mission: to protect children and to strengthen families; and funding is split between these two functions. 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. In part due to highly-publicized cases involving children and families involved with DCF, the Administration has made a concerted effort to increase staffing at DCF and address some of the challenges faced by the staff who work directly with at-risk families. Although the case workers' union contract aims to limit caseloads to 15 cases each, the FY 2018 Governor's budget is not yet sufficient to reach that goal. However, the Administration estimates that increased staffing funded through this proposed budget will bring the caseload ratios closer to 18:1. The Governor's budget proposal increases funding to train these new workers by $205,000, an 8.3 percent increase to $2.7 million.

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. Estimates from March 2015 suggest that close to 9 of every 10 children involved with DCF either live at home with their families or are in foster care but awaiting return to their homes. The FY 2018 Governor's budget proposal includes $47.4 million for **family support services**, a $500,000 increase over FY 2017. This increase will help provide the services families might need to help them stay together safely and prevent child neglect.

The Governor's budget proposal for FY 2018 includes $279.5 million for **congregate residential care.** The Administration expects approximately 1,600 children to be in congregate care settings, and this funding also supports 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. Furthermore, the state has had to use congregate care in some instances simply because of the scarcity of foster families. The Governor's budget proposal is $14.3 million over current FY 2017 budget totals, but only $986,000 above what the Administration anticipates DCF will spend in FY 2017. This suggests that the current budget total is likely insufficient, and the Administration is anticipating requiring supplemental budget funding in FY 2017 to cover costs.

As in FY 2017, the Governor proposes $250,000 to support **Foster Care Parent Outreach**, an initiative to encourage more families to open their homes to foster children.

The largest increase in the Governor's budget proposal is an additional $7.6 million budgeted for the **administrative and operations** costs at DCF, bringing the FY 2018 budget total to $115.3 million. This total includes $100.1 million for the central office, and $9.0 million for the regional nonprofits that contract for services. The $4.5 million increase in the central office is expected to cover the costs of newly-hired staff, and collective bargaining increases.

In FY 2017, DCF's **domestic violence** services moved from DCF, in order to be consolidated with the domestic violence prevention programs at the Department of Public Health. See the "Public Health" section of this *Budget Monitor* for a discussion.

In addition to the funding for DCF, the Governor's budget proposal provides $112,000 for what is known as the **Grandparents Commission**, which focuses on concerns of grandparents with primary responsibility for raising grandchildren. This total is $12,000 more than funding in the FY 2017 current budget.

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 Governor's Fiscal Year (FY) 2018 budget provides $1.98 billion for disability services, a 4.7 percent increase from current FY 2017 levels.

The bulk of this increase is $59.9 million in additional funds for **Community Residential Supports for the Developmentally Disabled**, a 5.4 percent increase from current FY 2017 levels. This program supports adults in various residential settings to live as comfortably and independently as possible.

The Governor also proposes to significantly increase funding by $16.7 million (222.6 percent) from current FY 2017 levels for the **Turning 22** program under the Department of Developmental Services. This program pays for a share of services for young adults with disabilities for a portion of the year that they turn 22 years old. During this year, these young adults leave special education services and transition into the adult service system.

Proposed funding for **Autism Omnibus Services**, which provides services to individuals with autism spectrum disorders, is increased by $970,000 (7.8 percent) from current FY 2017 levels.

Finally, for workforce programs for individuals with disabilities, the Governor proposes to fund **Community Based Employment** at $3.0 million - the same as current FY 2017 levels, to increase **Community Day and Work Programs** by $10.6 million (5.6 percent), and to increase **transportation assistance from home to community-based day or work programs** by $2.2 million (10.1 percent) from current FY 2017 levels.

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

For information on funding for disability services programs going back to FY 2001, please see MassBudget's Budget Browser here.

Elder Services

The state budget supports the Commonwealth's older adults through a range of services that promote independence, safety, and well-being. The Governor's FY 2018 budget proposes funding Elder Services at $287.0 million, a $16.8 million increase (6.2 percent) over current FY 2017 levels.

The bulk of this increase supports a variety of **elder home care services**, which allow elders to age in place instead of living in a nursing home. Proposed funding for these accounts is $226.5 million, a 7.5 percent increase over current FY 2017 levels.

The Governor also proposes to increase funding for **Elder Protective Services** by $1.2 million, a 4.1 percent increase over current FY 2017 levels. These services allow for the investigation of elder abuse and neglect.

Finally, **Grants to Councils on Aging** would receive a $130,000 decrease in funding, 0.9 percent below current FY 2017 levels. Councils on Aging centers offer a variety of social and support services to elders around the Commonwealth, such as transportation, health screening, health insurance information benefits counseling, and lifelong learning.

For information on funding for elder services going back to FY 2001, please see MassBudget's Budget Browser here.

Juvenile Justice

The Governor's FY 2018 budget proposes $182.2 million for juvenile justice programs, which are run by the Department of Youth Services. This is a 3.4 percent increase above current FY 2017 funding levels. Most accounts for juvenile justice are either funded at the same level as the current fiscal year or slightly increased.

The program that would see the largest increase from the Governor's proposal is the **Alternative Lock Up Program**, which would receive $2.4 million, an 8.4 percent increase over the current FY 2017 budget. This program provides secure placements for youth arrested when courts are not in session and is designed to provide a safe (non-police) environment for youth who are awaiting a court appearance.

For information on funding for housing 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 Governor's FY 2018 budget proposes funding transitional assistance programs at $616.8 million, a $40.7 million decrease (6.2 percent) from current FY 2017 levels.

For entitlement programs like transitional assistance, funding is significantly affected by anticipated caseload levels. As an "entitlement," the law requires that any qualified person who applies must receive the service. Funding is directly tied to how many qualified people are expected to apply. Transitional Assistance caseload levels have dropped significantly in recent years. For instance, caseloads for Transitional Assistance for Families with Dependent Children (TAFDC) dropped from 47,137 in November 2013 to 31,503 in November 2016—a 33.2 percent decrease. This decline may be partially due to both the overall improved economy and administrative changes that make it harder for clients to maintain their benefits. (For more detailed information on caseload levels for transitional assistance accounts, please see the Department of Transitional Assistance's TAFDC page here.)

TAFDC receives a significant decrease in funding in the FY 2018 proposal, a decline of $42.9 million (22.4 percent) from current FY 2017 levels. This reduction assumes a continuation of declining caseloads. Also, part of this reduction stems from a proposed change by the Governor in how the Department of Transitional Assistance (DTA) determines TAFDC eligibility and benefits for some families receiving Supplemental Security Income (SSI). The Governor proposes that DTA count SSI benefits in determining eligibility and benefits, a measure that would reduce or eliminate TAFDC benefits to some families receiving SSI due to a severe disability.

For **Supplemental Nutrition Assistance Program (SNAP)**, the Governor proposes to reduce funding for the account that supplements the federal SNAP program by $400,000 (57.1 percent) below current FY 2017 levels.

DTA also funds some important workforce development programs. For instance, the Governor proposes funding the **Employment Services Program (ESP)**, the primary education and job training program for TAFDC clients, at $13.6 million, a 7.8 percent increase from current FY 2017 levels. Also, **Pathways to Self-Sufficiency**, is proposed to receive $1.0 million (from the ESP account), the same as current FY 2017 levels. This funding supports employment services for TAFDC clients who will no longer be exempt from the work requirement resulting from the 2014 welfare reform's mandated alignment of state disability standards with federal SSI disability standards.

Under the Governor's proposal, the **Caseworkers Reserve** account, which funds salaries for caseworkers in DTA, receives a $612,000 increase (0.9 percent) from current FY 2017 levels. The Governor also proposes to remove the 60-client caseload limit for "self-sufficiency" specialists, who are caseworkers working with clients who have greater barriers to becoming self-supporting, such as teen parents.

For information on funding for transitional assistance programs going back to FY 2001, please see MassBudget's Budget Browser here.

Other Human Services

The Governor's Fiscal Year (FY) 2018 budget proposal includes $206.5 million for other human services. This funding includes allocations for veterans' services, food banks, and some cross-agency initiatives. This amount is $3.1 million more than current budgeted totals for FY 2017. Much of the increase is associated with the scheduling of rate increases held in a reserve account for a variety of health and human services providers that we include in this subcategory of this *Budget Monitor* (see discussion below).

The Governor proposes $17.0 million for the **Emergency Food Assistance Program** which is level with FY 2017 current funding. This funding supplements federal funding to support the statewide network of food banks that provide food to families struggling to make ends meet.

The Governor proposes $147.7 million for **veterans' services**, just under FY 2017 budget totals, but $1.6 million above anticipated spending in FY 2017. The Governor's proposal includes a $1.2 million budget increase directed to veterans outreach centers.

The Governor's budget includes $400,000 for the **Low-Income Citizenship Program** in the Office for Refugees and Immigrants, level-funded with current FY 2017 budget totals. This program assists legal permanent residents who will be citizens within a few years gain access to benefits for which they are eligible.

Included in the total for "Other Human Services" is $39.7 million for legally required **Chapter 257 rate increases.** Chapter 257 standardizes rates paid to various types of human service providers in order to make the system more efficient and fair. The amount included in the Chapter 257 reserve account funds the planned rate increases for providers across many human and social service programs. There are increases planned beginning FY 2018 that affect several agencies, including services provided by the Department of Developmental Services, the Department of Public Health, and the Department of Mental Health. For more information on the rate standardization and the timing of the implementation across state agencies, see the state's Chapter 257 update. This reserve contains the amounts for the initial increases, and over the course of the year those funds are then distributed to the individual agencies to fund their providers' rate adjustments. In subsequent years, that increased funding would from then on be included in the totals of the agencies that received the funds, and included in other sections of this *Budget Monitor*.

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."

In the Governor's Fiscal Year (FY) 2018 budget, the two most significant proposals for transportation are a $60.0 million reduction of operating assistance for the **Massachusetts Bay Transit Authority** (MBTA) compared to the FY 2017 budget, with an expectation to provide an equivalent amount of funding from the state's capital account; and two changes to the tax treatment of credit card payments that would increase sales tax receipts, especially this year, resulting in additional dedicated sales tax revenues for the MBTA.

The proposed $60.0 million to be made available to the MBTA for capital spending would not entail an increase in the Commonwealth's capital budget. Making additional capital spending available to the

MBTA would therefore require reductions elsewhere in the $2.19 billion FY 2018 capital budget, which currently plans an allocation of $822.7 million for transportation and public works.

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

The proposed $60 million reduction comes at a time when the operating budget has taken on new responsibilities and has reduced costs in several areas. The MBTA has been shifting the costs for 532 employees from the capital budget onto the operating budget, and 220 employees with $25.9 million in salaries and benefits are still in the process of shifting by FY 2019. Moving these employees to the operating account creates further pressure to reduce spending on operations. To bridge operating budget shortfalls last year, the agency introduced various efficiencies, increased its advertising, sold off land and other assets, privatized some functions, increased fares, and cancelled late-night bus service, among other actions.

The Governor's budget proposal would also increase transportation funding as the result of two outside sections of the budget that would increase sales tax revenues, and thereby increase the dedicated portion of sales taxes to the MBTA. As described in the "Revenue and Budget Balance" section of this *Budget Monitor*, a one-time change in the timing of when certain companies must deliver to the Commonwealth the sales taxes they have collected from their customers would move forward an estimated $125 million in sales taxes from FY 2019 into FY 2018. Additionally, an anticipated regulatory change that will require many large out-of-state retailers to collect and remit applicable Massachusetts sales and use taxes from their customers is estimated to yield an additional $30 million in ongoing revenue in FY 2018. With these changes and a growing economy, the Governor's budget anticipates that sales taxes would increase enough to yield a $23.7 million increase (2.4 percent) in dedicated sales tax revenue for the MBTA over the FY 2017 amount.

The Governor's proposal would reduce funding for the Commonwealth's 15 **Regional Transit Authorities** (RTAs) from $82.0 million in FY 2017 to $80.0 million. The budget also anticipates transferring $329.1 million from the Commonwealth Transportation Fund to the **Massachusetts Transportation Trust Fund** in FY 2018, a $15.2 million increase (4.6 percent) over the FY 2017 amount. This fund contributes to highways, transit, intercity rail, small airports, the Massachusetts Turnpike, and Motor Vehicle Registry, while also receiving funds from tolls and federal transportation sources, in addition to the Commonwealth Transportation Trust Fund.

Funding for Transportation

Line Item #	Line Item Name	FY 2017 Current	FY 2018 Governor	Difference FY18 Gov. - FY17 Curr.	Notes
1595-6368	Mass. Transportation Trust Fund	329,085,302	344,311,545	15,226,243	
1595-6369	Mass. Bay Transit Authority	187,000,000	127,000,000	(60,000,000)	see text above
1595-6370	Regional Transit Authorities	82,000,000	80,000,000	(2,000,000)	
1595-6379	Merit Rating Board	9,695,430	9,695,430	0	
TO100340	MBTA State & Local Tax Transfer	997,900,000	1,021,600,000	23,700,000	
TOTAL		**1,276,595,430**	**1,238,295,430**	**(23,073,757)**	

Other outside sections of the Governor's FY 2018 budget proposal would also have impacts for transportation. One section would allow MassDOT to sell its real estate without a competitive bidding process so long as the value of the property is less than $100,000, as opposed to less than $5,000, as currently stated in law. Another section enables, but does not require, the Pension Reserves Investment Management Board to manage the investment of the MBTA Retirement Fund, if the MBTA agrees.

Housing

Our state budget supports affordable housing programs and provides shelter and services to homeless families and individuals. The Governor's Fiscal Year (FY) 2018 budget recommends spending $453.7 million on affordable housing and homelessness assistance programs. This budget recommendation is $3.3 million more than the $457.0 million the state projects it will spend in FY 2017. While the Governor's budget is $20.3 million more than the FY 2017 current budget, it is likely the state will have to provide an additional $14.2 million in FY 2017 to fully-fund the Emergency Assistance family shelter program, discussed below.

Homelessness Assistance

About a third of the state's housing budget assists low-income families who are homeless and are eligible to stay in state-supported **Emergency Assistance** (EA) shelters. (For a full discussion of eligibility, please see the EA description in MassBudget's Children's Budget). The Governor's budget recommends providing $164.7 million for EA in FY 2018. This recommendation is $14.2 million below the $178.9 million the state projects it will spend in FY 2017 (see table below). The initial FY 2017 General Appropriations Act (GAA) did not fully fund EA. Because EA serves all low-income, homeless families who are eligible, the Legislature will likely have to approve additional funds in FY 2017 so the program can meet expected need.

Funding for Homelessness Assistance Programs

Line Item #	Line Item Name	FY 2017 Current	FY 2017 Projection	FY 2018 Governor	Difference FY18 Gov. - FY17 Proj.
7004-0101	EA Family Shelters	155,133,948	178,941,843	164,696,546	(14,245,297)
7004-0108	HomeBASE	31,943,664	31,943,664	31,079,696	(863,968)
7004-9316	RAFT	13,000,000	13,000,000	13,000,000	0
7004-0102	Homeless indviduals Assistance	44,835,000	44,835,000	45,180,000	345,000
7004-0104	Home & Healthy for Good	2,000,000	2,000,000	2,000,000	0
4000-0007	Unaccompanied Homeless Youth	2,000,000	2,000,000	2,000,000	0

In addition to providing shelter to low-income, homeless families, the budget also funds short-term assistance to help homeless families move out of shelter and into housing. The state also provides short-term funds to help low-income families who are at risk of becoming homeless to stay in housing. **HomeBASE** helps families eligible for EA to either stay in housing or to move from shelter into housing. Residential Assistance for Families in Transition (**RAFT**) provides one-time assistance to help low-income families stay in housing. Families who receive RAFT have to show that they have the resources to remain in housing over the long term. As noted in the table above, the Governor's budget recommends a slight reduction in HomeBASE funding compared with FY 2017 and level funds RAFT.

The state also provides shelter for homeless adults through **Homeless Individuals Assistance** and houses chronically homeless individuals through the **Home and Healthy for Good** program. More recently the state created a program to provide shelter and assistance to **unaccompanied homeless youth**. As shown in the table above, the Governor's budget essentially level funds these programs which, because of increased costs associated with inflation, means that the state will likely have to cut services in FY 2018.

Affordable Housing

The state's housing budget provides subsidies to help low-income tenants pay their rent. Of these programs, the Massachusetts Rental Voucher Program (MRVP) and Public Housing Subsidies are the two largest. Smaller programs, such as the Alternative Housing Voucher Program (AHVP) and rental subsidies for clients at the Department of Mental Health (DMH), also provide rental assistance.

Funding for State Rental Subsidy Programs

Line Item #	Line Item Name	FY 2017 Current	FY 2018 Governor	Difference FY18 Gov. - FY17 Curr.
7004-9024	MRVP	86,531,597	97,503,438	10,971,841
7004-9005	Subsidies to Public Housing Auth.	64,500,000	64,500,000	0
7004-9030	AHVP	4,600,000	4,600,000	0
7004-9033	Subsidies for DMH clients	5,548,125	5,548,125	0

The MRVP program provides housing vouchers to help low-income people afford rent. Beginning in the late 1980s, the state steadily cut funding vouchers so that by FY 2013 it only issued a quarter of the vouchers that it had provided in earlier decades. (Please see Shelter and Housing for Homeless Families for a discussion of this issue.) In recent years, as it recognized the importance of providing long-term housing supports for low-income tenants, including for low-income homeless families who are moving from shelter into housing, the state has increased funding so that DHCD can create more vouchers. The Governor's FY 2018 budget recommends $97.5 million for MRVP, an increase of $11.0 million dollars above the FY 2017 budget. According to documents accompanying the Governor's budget, this increase will allow the state to create about 200 more supportive housing units to help families stay housed. Some of the increase will fund about 1,000 more vouchers in FY 2018 for a total of approximately 9,000 vouchers.

In addition, the Governor's budget recommends increasing the income eligibility for MRVP voucher holders from 50 percent of area median income (AMI) to 80 percent. This increase allows very low-income renters (HUD defines people living at 50 percent of AMI as 'very low-income') to increase their income without fear of losing their housing vouchers. This recommendation would also bring the MRVP program in line with the regulations governing eligibility for renters in state public housing. Renters can remain in state public housing until their income exceeds 80 percent of AMI, which HUD defines as 'low-income.' The Governor's budget also proposes that at least three quarters of the vouchers issued by DHCD be targeted to extremely low-income renters earning 30 percent of the AMI.

The Governor's budget proposes providing $64.5 million in subsidies to public housing authorities (or Local Housing Authorities (LHAs)), which is the same amount provided in the FY 2017 budget and roughly the same amount provided in recent fiscal years. The Governor's FY 2018 budget proposal is essentially a cut in funding since it does not keep pace with inflation. LHAs provide subsidies so that tenants, on average, pay no more than 30 percent of their income in rent.

The Governor's budget also recommends providing $1.0 million to **expand housing courts** in the state. Both the Governor's and the Senate's FY 2017 budgets proposed expanding housing courts but the Legislature did not include this expansion in its final budget.

For information on funding for housing programs going back to FY 2001, please see MassBudget's Budget Browser here.

Economic Development

Economic development programs aim to strengthen our state's workforce, support community investments, and stimulate economic activity. In total, the Governor's FY 2018 budget proposes to fund economic development programs at $133.1 million, a $6.2 million increase (4.9 percent) from current FY 2017 levels.

Under the proposal, the Governor seeks to establish a new $4.0 million 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. From this account $1 million would be used to fund new programs that address barriers to sustained employment, such as child care and transportation costs. The remaining $3.0 million would be transferred from this account and into the **Workforce Competitiveness Trust Fund (WCTF)** (see table below), which has similar workforce development goals as Learn to Earn.

FUNDING FOR WCTF & LEARN TO EARN

Line Item #	Line Item Name	FY 2017 Current	FY 2018 Governor	*Transfers**	FY 2018 Gov. Adjusted	Difference FY18 Gov. adjusted - FY17 Curr.	Notes
7002-1075	WCTF	2,200,000	500,000	*3,000,000*	3,500,000	1,300,000	See text above
7002-1080	Learn to Earn	0	4,000,000	*(3,000,000)*	1,000,000	1,000,000	
TOTAL		**2,200,000**	**4,500,000**	**0**	**4,500,000**	**2,300,000**	

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

In the Governor's budget proposal many workforce development programs receive slight decreases or are funded at level as current FY 2017. For instance, **YouthWorks** would receive a $150,000 reduction (1.5 percent). **One-Stop Career Centers,** which helps job seekers improve their skills and navigate the job search process, would receive a 0.1 percent reduction from current FY 2017 levels. **Advanced Manufacturing Workforce Development Grants** would be funded at the same $1.5 million level as FY 2017. Also, the **Workforce Training Fund**, which provides grants to businesses to train current and newly hired employees, would receive a $200,000 reduction (0.9 percent) from current FY 2017 levels. This trust is financed by an additional unemployment insurance assessment paid by Massachusetts employers. For more information about various types of support for workforce training through the Massachusetts state budget, see MassBudget's **Jobs and Workforce Budget tool**.

Finally, funding for the **Tourism Trust Fund** would receive $10.0 million via a transfer from room occupancy tax revenue (from hotel room taxes). The Governor's budget proposal amends the current statue by adjusting the distribution of the funding by directing $3.0 million for grants to **regional tourist councils**, $4.0 million for the operation of the **Massachusetts Office of Travel and Tourism**, and the remaining $3.0 million as earmarks for specific tourism projects around the state.

LAW & PUBLIC SAFETY

Overall, funding recommended by the Governor for Fiscal Year (FY) 2018 Law & Public Safety programs totals $2.83 billion. This total is $190.6 million (7.2 percent) above current FY 2017 funding levels, but is only $29.0 million (or 1.0%) above the Administration's estimate for final FY 2017 spending on Law & Public Safety accounts (see table below). This variation is the result of many small and a few large differences between current FY 2017 funding levels and the projected final FY 2017 funding levels. Among the accounts with a large variation is **Private Counsel Compensation** (PCC). Typically, the PCC account is replenished mid-year through supplemental appropriations, and the Administration is estimating that the PCC account will require $51.3 million in additional funding in FY 2017 beyond current levels. The seemingly large increase proposed by the Governor in FY 2018 for the PCC account therefore in fact would be a small decrease if all the anticipated FY 2017 funding ultimately is required. (Notably, the Governor's budget also includes a proposal requiring the Secretary of Administration and Finance to conduct a study on and make recommendations regarding how PCC costs can be reduced.)

A similar story holds for the **sheriffs' department** accounts and for the **Department of Probation** account. The Governor is proposing FY 2018 funding increases for most of these accounts relative to current FY 2017 funding levels. At the same time, the Administration is anticipating that significant additional mid-year funding will be required in FY 2017 to support these departments, thus narrowing the otherwise sizeable gap between current FY 2017 funding levels and the amounts proposed by the Governor.

Unlike items noted in the foregoing discussion, the Governor is recommending a sizeable and real increase in FY 2018 funding above anticipated FY 2017 levels for the **Department of Correction (DOC).** The Administration currently is anticipating the DOC will require $598.9 million in FY 2017 and is proposing increasing that amount to $624.9 million in FY 2018, an increase of 4.4 percent. This increase is tied to a reform initiative proposed by the Governor focused on improving the quality of conditions and care at **Bridgewater State Hospital,** a medium-security prison that performs psychiatric evaluations on pre-trial detainees and also houses a significant number of prisoners with serious mental illnesses. The Governor 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.

Funding for Law & Public Safety Program Areas

Program Area	FY 2017 Current	FY 2018 Governor	Difference FY18 Gov. - FY17 Curr.	Projected Final FY 2017 Spending
Courts & Legal Assistance	708,139,848	756,038,523	47,898,675	785,184,139
Law Enforcement	384,398,228	394,709,158	10,310,930	404,134,534
Prisons, Probation & Parole	1,321,762,562	1,452,589,742	130,827,180	1,387,074,021
Prosecutors	166,747,107	170,636,286	3,889,179	166,690,825
Other Law & Public Safety	55,408,890	53,076,874	(2,332,016)	54,951,719
TOTAL	2,636,456,635	2,827,050,583	190,593,948	2,798,035,238

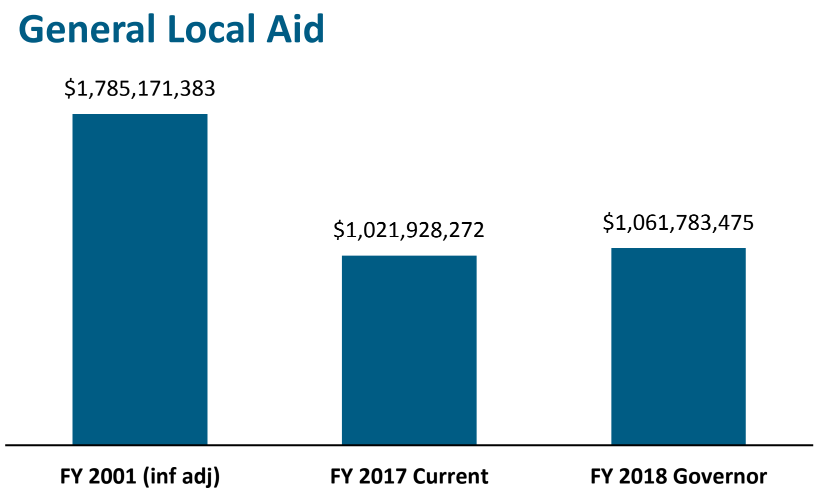
LOCAL AID

Unrestricted Local Aid

The Governor's FY 2017 budget proposes to increase Unrestricted General Government Aid (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.



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 Governor's budget proposal would provide $10.2 million for the **Municipal Regionalization and Efficiencies Incentive Reserve** – $1.2 million below the amount initially enacted in the FY 2017 budget, but $3.9 million above the current FY 2017 funding levels after the Governor's $5.2 million 9C budget cuts to this program in December (to learn more about such cuts, read MassBudget's brief, What Are 9C Cuts?). As part of this proposal, the Governor's budget would provide $3.4 million for a competitive **public safety grants** program for populous communities with low per-capita police funding. It would allocate $2.8 million for continuing a **District Local Technical Assistance Fund** administered by the Division of Local Services within the Department of Revenue. The proposal would provide $2.0 million to fund a competitive grants program for **regionalizing services or planning**, and would double funding (to $2.0 million) for the **Community Compact** incentive program to support best local practices.

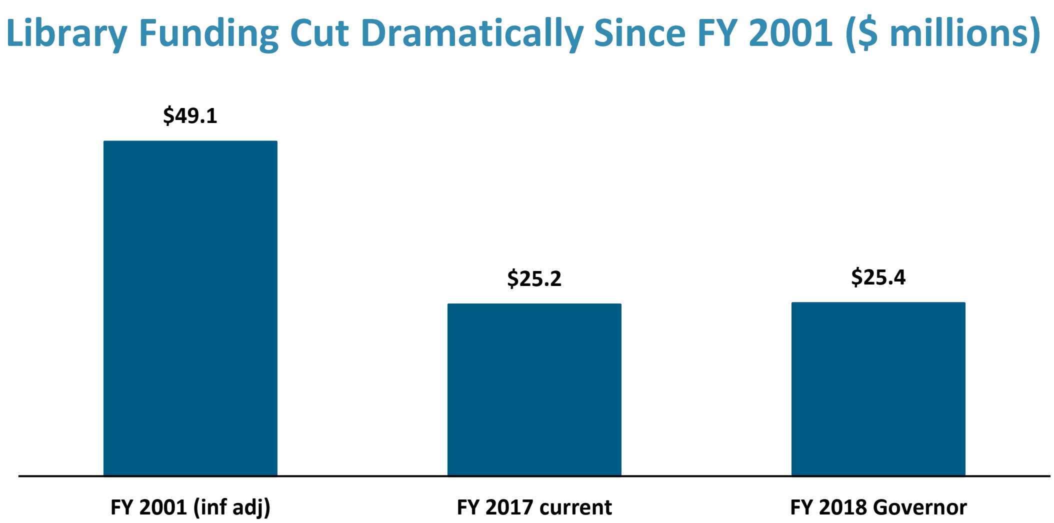
Some cities and towns receive other forms of non-education local aid from smaller programs that provide aid only to a subset of qualifying cities and towns. For example, the Governor's budget would provide the same amount as in FY 2017 ($26.8 million) for local payments in lieu of taxes to communities with state-owned land that is not subject to local property taxes. The Governor's budget reflects reducing horse racing revenue in a reduction of racing revenue shared with cities and towns from $1.2 million to $721,000.

OTHER

Libraries

Overall, the Governor's Fiscal Year (FY) 2018 budget recommends $25.4 million to fund libraries, an increase of $252,000 (1.0 percent) from current FY 2017 levels. When the effects of inflation are taken into account, this relatively small percentage increase in nominal funding levels translates into a small cut for libraries.

More notable than the difference between the Governor's proposed FY 2018 funding levels and current FY 2017 funding levels, however, is the very steep drop in annual state support for libraries since FY 2001. Where libraries received $49.1 million in FY 2001 (adjusted for inflation), under the Governor's FY 2018 proposal they would receive $23.7 million less than in FY 2001, a decline in annual funding of 48.2 percent.



Pensions

In his Fiscal Year (FY) 2018 budget proposal, the Governor recommends increasing the state's contribution to the Pensions Reserves Investment Trust (PRIT) Fund by $196 million over FY 2017, to a total of $2.40 billion. This represents an increase of 8.9 percent over the $2.20 billion contributed to the PRIT in FY 2017. This annual appropriation is in accordance with the 1988 state law that requires the Commonwealth to set aside money in the present in order to fund the future pension costs of public employees. The specific amounts to be contributed annually to the PRIT are stipulated in Massachusetts General Law, with a five-year schedule included therein, currently running from FY 2012 through FY 2017. The five-year schedule of annual pension contributions is updated every three years by the Secretary of Administration and Finance and is due to be updated in the first quarter of 2017. This update will outline specific annual contribution amounts for fiscal years 2018 through 2020. In the meantime, the Governor's proposed FY 2018 contribution appears to keep the Commonwealth on track to fully pay down its unfunded pension liabilities by 2036, as currently planned.

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, see MassBudget's report "Demystifying the State Pension System").

REVENUE

The Governor's Fiscal Year (FY) 2018 budget introduces several tax policy changes that would deliver an estimated $187 million in new revenue to the Commonwealth in FY 2018 ($30 million of this total would go automatically to the MBTA and the Massachusetts School Building Authority rather than remain available for appropriation in the General Fund). These proposals would deliver a mix of both one-time and ongoing revenue. Overall, the Governor's budget relies on roughly $100 million in one-time revenue and temporary savings to achieve balance (see Revenue Table 3, below). Such one-time revenue and temporary savings are useful for balancing the budget only in the current fiscal year and their use most often adds to the challenge of balancing the budget in future years. (To read more about the state's projected FY 2018 budget gap, see MassBudget's FY 2018 Budget Preview.)

Additionally, the Governor proposes two new mechanisms for directing tax revenue to the state's Stabilization ("Rainy Day") Fund. One proposal would alter the formula that determines the amount of anticipated excess capital gains tax revenue that is required to be deposited into the fund, while the other proposal would require a portion of any general tax revenue collected in excess of the budgetary benchmark amount be deposited to the fund. Overall, these changes might reduce the amount of revenue *technically required* to be deposited to the fund relative to current law, but might increase the likelihood that such deposits actually would be made. (In recent years, required deposits to the fund often have been suspended.)

Looking at non-tax revenue proposals, the Governor proposes a new assessment on employers that would raise an estimated $300.0 million annually to help cover the costs of health care. These changes are aimed at encouraging employers to provide coverage, and counterbalancing some of the cost shifting to the state's MassHealth program (see "MassHealth and Health Reform" section of this *Budget Monitor*).

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 agreed to by the Administration, the House and the Senate is $27.072 billion, an amount $1.016 billion or 3.9 percent above the current FY 2017 benchmark estimate of $26.056 billion. The Department of Revenue has estimated benchmark adjustments of $100 million in FY 2018, meaning that in order to achieve this level of *actual* tax revenue growth ($1.016 billion), the *baseline* revenue growth in FY 2018 would have to total $1.116 billion or 4.3 percent. Baseline growth estimates are based on projected economic growth, while actual growth estimates take into account already-enacted tax policy changes that will affect the amount of tax revenue available during the period in question—in this case, FY 2018 (for more detail on the FY 2018 revenue forecast, see MassBudget's FY 2018 Budget Preview).

Included in the CRE is the assumption that revenue growth in FY 2018 will be strong enough to trigger another automatic reduction in the personal income tax rate, dropping the rate from the current 5.10 percent to 5.05 percent on January 1, 2018, halfway through FY 2018. The Department of Revenue estimates that this rate drop will cost the Commonwealth about $83 million in forgone revenue in FY 2018 (or some $165 million over the course of a full calendar year). (Read more about the automatic rate reduction mechanism in this MassBudget FAQ.)

The Governor's proposed tax policy changes would deliver $62.0 million in ongoing tax revenue in FY 2018 and another $125.0 million in one-time tax revenue. These proposals are shown in the following table and discussed in more detail below.

FY 2018 TAX REVENUE PROPOSALS ($ millions)	Governor	
	Ongoing	Temporary
TAX REVENUES		
Collect sales tax from out-of-state online retailers	30.0	0.0
Apply an occupancy tax to certain short-term rentals	12.0	0.0
Require 1099s for addt'l indviduals and small business owners	20.0	0.0
Require daily remittance of sales and room occupancy tax	0.0	125.0
TOTAL	**62.0**	**125.0**

Tax Modernization

The Governor proposes a number of tax policy changes, which together would generate an estimated $187 million in new revenue in FY 2018. The Governor's budget documents describe these not as tax increases, but rather as modernization of the tax system that will improve efficiency and effectiveness of collection as well as "level the playing field." Of these new revenues, $62 million would be ongoing, while $125 million would be one-time revenue available only in FY 2018. The new revenue proposals are as follows:

- *Collecting Sales Tax from Out-of-State Online Retailers* – The Governor proposes making regulatory changes through the Department of Revenue (rather than statutory changes requiring legislative action) that would require online retailers that make more than $500,000 of sales annually in Massachusetts to collect and remit Massachusetts sales and use taxes on purchases made by customers inside Massachusetts. The Administration estimates this change would generate an additional $30 million of ongoing revenue in FY 2018. Current law requires online consumers in Massachusetts to pay directly to the Department of Revenue (DOR) any applicable sales or use taxes due on their purchases. In practice, however, few people do so and much of this potential revenue goes uncollected. Requiring online sellers to collect and remit these taxes—just as we require bricks-and-mortar shops in cities and towns throughout the Commonwealth to do--is the simplest and likely the only realistic means of collecting these tax dollars.

  Nevertheless, the Commerce Clause of the U.S. Constitution, as currently interpreted by the U.S. Supreme Court, does not allow states to require collection of state sales taxes by all companies that do business in a state (unless authorized by Congress). Instead, states are permitted to require such tax collection only from businesses that have sufficient "nexus" in the state, meaning physical presence in the form of property or personnel located within the state. This interpretation of the Commerce Clause presents real challenges in the age of online sales, where companies may have many customers in a state, but no offices, warehouses, or employees located in the state. (Read more HERE from the Congressional Research Service about nexus requirements and other legal issues related to the taxation of online sales.)

In response, in recent years some states have begun to assert the right to require sales tax collections from such companies based on the notion of "economic nexus" rather than "physical nexus." In such cases, a threshold of economic activity—such as $500,000 of annual sales with the state—has been used to define "economic nexus." Typically, states have introduced these tax policy changes through statute rather than through regulatory action. In several states that have made such statutory changes to their tax laws (including, recently, South Dakota and Alabama), many companies have begun collecting and remitting state sales taxes (though some companies are challenging the laws in court). There are similar bills pending in 17 other states. The experience from other states suggests that both of these outcomes would be likely, namely that some companies would begin collecting and remitting applicable Massachusetts sales taxes, while others would challenge the requirement in court.

- *Taxing Short-Term Rentals* - The Governor 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 rooms. The Administration estimates this proposal would generate some $12 million in ongoing revenue in FY 2018. The Governor has described his proposal as a way to "level the playing field in the accommodations industry."

  The proposal, which is similar to but narrower than one put forward last year by the Senate (see MassBudget's factsheet on this earlier proposal), would apply only to accommodations rented 150 days or more in the prior calendar year. The exemption for properties rented less than 150 days was not included in the Senate's earlier proposal. Also exempted are bed-and-breakfast operations with three rooms or less (small B&Bs already are exempt from the room occupancy tax). As with the Senate's earlier proposal and the current room occupancy tax, cities and towns may apply their own, local short-term rental tax of up to 6 percent (and up to 6.5 percent in Boston). Provisions within the Governor's proposal authorize the Commissioner of Revenue to enter into agreements with third party intermediaries (such as Airbnb and VRBO) to collect and remit these taxes on behalf of property owners who use their services. In the past, Airbnb has expressed interest in helping its clients collect and remit such taxes. Under the Governor's proposal, the tax on short-term rentals would take effect on January 1, 2018, halfway through FY 2018.

- *Requiring Credit Card Companies to Provide 1099-Ks to Addt'l Small Business Owners* – The Governor anticipates the Department of Revenue (DOR) will make regulatory changes (which avoids the need for legislative action were such changes to be made in statute instead) that would require third-party payment intermediaries (like credit card companies) to provide 1099-K forms to individuals and small businesses to whom the companies transfer more than $600 in payments in a given calendar year. The current rules require such companies to provide 1099s only to individuals deriving more than $20,000 of income from more than 200 transactions with the credit card company. In many cases, individuals deriving payments from the credit card companies are small business owners accepting payment from customers via credit card. With 1099 information reported both to individuals, small businesses, and to DOR, the Administration anticipates greater compliance with existing income tax laws. The Administration estimates that such 1099 reporting changes will generate $20 million of ongoing revenue in FY 2018.

- *Require Credit Card Processors to Remit Sales and Room Occupancy Tax on Daily Basis* **–** The Governor proposes requiring third party payment processors (like credit card companies) to collect and remit to the Commonwealth, on a daily basis, all applicable sales and use and room occupancy taxes generated through sales made by Massachusetts vendors with 50 or more employees. Currently, third party payment processors are permitted a 50 day grace period for remittance of such taxes. By requiring daily remittance, this tax policy change would shift, on a one-time basis, an estimated $125 million of tax payments from FY 2019 into FY 2018. Some $95 million of this total, one-time revenue would remain in the General Fund available for appropriation to help balance the FY 2018 budget. (The remaining $30 million of the $125 million total would be shared between the MBTA and the Massachusetts School Building Authority.)

Stabilization Fund Revenue Sources

The Governor proposes significant changes to the current rules governing how much capital gains tax and other revenue is to be deposited each year into the state's Stabilization Fund (or "Rainy Day Fund"). The Rainy Day Fund provides reserves on which the state can draw to maintain funding for programs and services during economic downturns, when tax collections typically undergo a substantial decline.

The Governor's proposal includes two main elements. The first would change the amount of capital gains tax revenue to be deposited into the Rainy Day Fund. Under current law, any capital gains tax revenue collected in excess of a threshold calculated annually (per statutory formula) by the Department of Revenue ($1.169 billion in FY 2018) is to be deposited, quarterly throughout the fiscal year, into the Rainy Day Fund for later, emergency use. (To read more about capital gains taxes and the Rainy Day Fund, see the Revenue Section of MassBudget's' FY 2017 Budget Monitor). The Governor proposes instead making an automatic, upfront deposit ("pre-budget transfer") into the Rainy Day Fund at the start of each fiscal year, equal to one-half of the estimated excess capital gains revenue anticipated during the coming fiscal year. (This estimated excess is calculated as the difference between DOR's annual capital gains threshold amount and the amount of capital gains anticipated in the Consensus Revenue Estimate.) The new approach proposed by the Governor would deliver $51.5 million to the Rainy Day Fund in FY 2018. (The administration anticipates a total deposit to the Rainy Day Fund of $98 million, including $46.5 million in earned interest and sales of abandoned property.) This amount ($51.5 million) is less than likely would be made under current law—if current estimates for FY 2018 capital gains tax collections are met, a deposit of $102 million would be made. Notably, however, the currently required deposit has not been made in recent years.

The second change would direct to the Rainy Day Fund, at the end of each fiscal year, half of any tax revenue collected during that fiscal year that exceeds the benchmark amount upon which that fiscal year's budget had been built. So, for example, for the FY 2018 budget the Governor, Senate and House have agreed to a benchmark tax revenue amount of $27.027 billion. If the final collection total for FY 2018 turns out to be $27.272 billion, exceeding the benchmark consensus estimate by $200 million, then, under the Governor's proposal, a $100 million deposit would be made to the Rainy Day Fund shortly after the end of the fiscal year. Under existing law, which directs *all* year-end General Fund surpluses to the Rainy Day Fund, the remaining half also would be deposited to the fund – as long as the additional revenue goes unspent at year's end. Lawmakers, however, may instead choose to spend the excess revenue, for example, on year-end deficiencies in budgetary accounts. In such case, the excess revenue would no longer create a year-end surplus and thus no such required deposit to the Rainy Day Fund need be made. In short, the Governor's proposal creates a kind of "lock box" for half of any excess year-end tax revenue, making it more likely that this portion of any such additional revenue in fact would wind up in the Rainy Day Fund.

Notably, the Governor's proposals occur within a policy and fiscal context that has delivered significantly less revenue to the Rainy Day Fund than might be expected during a period of state and national economic growth. Some of the important factors at play during this period include the following:

- The FY 2014 budget repealed an earlier law that mandated a deposit to the Rainy Day Fund of one-half of one percent of the prior fiscal year's tax revenue collections.

- In the FY 2015 budget, lawmakers revised a law that had mandated deposits to the Rainy Day Fund of all "large tax settlements and judgments exceeding $10 million each." The revised approach directs to the Rainy Day Fund only the amount in excess of a rolling five-year average for such revenues. (The Administration is projecting a five-year average for FY 2017 of $271 million and $215 million for FY 2018. In no recent year have collections from this source been below $130 million. The Governor's FY 2018 budget relies, conservatively, on $100 million from this source. To learn more about this source of Rainy Day Fund revenue, see the more detailed discussion in the FY 2017 Budget Monitor.)

- Finally, as noted, over the past several years, the currently-mandated deposit of excess capital gains tax revenue to the fund has been suspended repeatedly in order to balance that year's budget.

Together, these changes and budgetary practices have reduced significantly the amount of revenue that otherwise would have been deposited into the Rainy Day Fund over the last several years. Whether the Governor's proposals would make things better in the future is not clear, and the answer depends partly on what one assumes about future compliance with existing and newly proposed rules. The new capital gains tax formula would deliver only half of any *projected* excess capital gains surplus, rather than the *full* amount of any *actual* excess above DOR's calculated threshold. The new rule normally would mean a reduction in the amount contributed to the Rainy Day Fund relative to the amount that would be contributed under the current rule. But in recent years the "required" contribution—as defined under current rules—hasn't actually been made. So, if the new rule were actually followed (in contrast to the current rule, which frequently has not been), it could result in progress in building up the Rainy Day Fund.

The other element of the Governor's proposal—affecting year-end total tax revenue surpluses—should lead to more predictable and stable deposits from year-end surpluses, and also could produce larger contributions to the Rainy Day fund from this source. While there may be times when the final surplus (all of which goes to the Rainy Day Fund under current law) would be more than the amount dedicated for deposit under the newly proposed rule (equal to half of the amount by which actual tax revenues exceed the Consensus Revenue Estimate), in those cases the contribution to the Rainy Day Fund actually would be the same under both the current and proposed systems. This is because the proposed rule does not replace the current rule; it merely operates in addition to the current rule. As such, the *proposed rule* would direct to the Rainy Day Fund the portion of the year-end surplus equal to the amount calculated under the new formula, and then the *current rule* would kick in, directing the remaining surplus to the fund. By contrast, in years where the majority of a surplus resulting from excess tax revenue would have been spent before the end of the fiscal year, the new rule would result in a larger deposit into the stabilization fund than under current law (because the new rule effectively "lock boxes" half of the revenue surplus before any of it can be used for anything other than a deposit to the Rainy Day Fund.

The other effect these proposals have is to reduce the amount of total budgetary funding that is counted as temporary revenue when determining if and how the state budget is in balance. Under current law, if only half of the required Rainy Day Fund deposit from excess capital gains tax revenue is made, the other half of such revenue—used instead to fund the budget—would count as a temporary revenue source. Under the newly proposed rule, the required contribution to the Rainy Day Fund becomes typically half as large, leaving the other for use in balancing the budget, but without defining it as temporary revenue. By changing the law to reduce the size of the required contributions to the Rainy Day Fund, these budget proposals have the effect of reducing what gets counted as reliance on temporary revenue. This is potentially problematic because the capital gains tax is highly volatile and relying on even half of the annual excess from this unstable revenue source to fund ongoing budget costs could leave the Commonwealth with a sizeable budget gap when the next economic downturn arrives.

Non-Tax Revenue

The Governor's Fiscal Year (FY) 2018 budget proposal relies on a variety of non-tax revenues—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 Governor's budget proposal includes several new sources of non-tax revenue, including:

- $10.3 million in transfers to the General Fund from the sale of abandoned property. In December, the Administration announced it would be liquidating a large amount of stock and mutual funds. Mass. General Law requires that 75 percent of abandoned property growth be directed to the Stabilization Fund ($33.8 million in FY 2018), but the remainder would be for the General Fund, and used in balancing the budget.

- $3.3 million in new fees assessed at the Department of Public Health (see "Public Health" section of this *Budget Monitor*.)

- $42.5 million in additional federal reimbursement for health safety net payments to community health centers, now approved under the state's new Medicaid waiver. Previously, payments for uncompensated care to community health centers had been capped, but Massachusetts recently received approval for this cap to be lifted. The state anticipates $85 million in payments, which would bring in $42.5 million in reimbursement.

- $300.0 million in a new assessment on employers to help cover the costs of health care (see "MassHealth and Health Reform" section of this *Budget Monitor*.)

FY 2018 NON-TAX REVENUE PROPOSALS ($ millions)	Governor	
	Ongoing	Temporary
NON-TAX REVENUES		
Revenue from sale of abandoned property		10.3
Public health fees	3.3	
Reimbursement for payments to community health centers	42.5	
Employer health contribution	300.0	
TOTAL	**345.8**	**10.3**

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

The FY 2017 total for State Employee Health Insurance reflects current budgeted totals that are artificially high because of a budgeting glitch that is likely to be fixed. See "State Employee Health Insurance" section of this *Budget Monitor*.

BUDGET BY CATEGORY AND SUBCATEGORY ($ millions)	FY 2017 Current	FY 2018 Governor
Education	**7,798.2**	**7,924.0**
Early Education & Care	567.6	568.0
Higher Education	1,162.4	1,172.5
K-12: Chapter 70 Aid	4,628.0	4,719.4
K-12: Non-Chapter 70 Aid	605.5	602.5
K-12: School Building	834.7	861.6
Environment & Recreation	**191.7**	**199.6**
Environment	83.5	89.1
Fish & Game	27.5	28.0
Parks & Recreation	80.8	82.4
Health Care	**19,607.9**	**20,512.3**
MassHealth (Medicaid) & Health Reform	16,558.7	17,542.2
Mental Health	761.1	773.2
Public Health	598.6	612.1
State Employee Health Insurance	1,689.4	1,584.9
Human Services	**4,139.7**	**4,256.8**
Child Welfare	942.4	985.6
Disability Services	1,889.9	1,978.7
Elder Services	270.1	287.0
Juvenile Justice	176.3	182.2
Transitional Assistance	657.5	616.8
Other Human Services	203.4	206.5
Infrastructure, Housing & Economic Development	**2,224.1**	**2,233.2**
Commercial Regulatory Entities	58.1	63.7
Economic Development	126.9	133.1
Housing	433.4	453.7
Transportation	1,605.7	1,582.6
Law & Public Safety	**2,636.5**	**2,827.1**
Courts & Legal Assistance	708.1	756.0
Law Enforcement	384.4	394.7
Prisons, Probation & Parole	1,321.8	1,452.6
Prosecutors	166.7	170.6
Other Law & Public Safety	55.4	53.1
Local Aid	**1,056.1**	**1,099.4**
General Local Aid	1,021.9	1,061.8
Other Local Aid	34.1	37.6
Other	**5,410.1**	**5,644.8**
Constitutional Officers	83.6	75.0
Debt Service	2,636.2	2,658.3
Executive & Legislative	74.4	74.4
Libraries	25.2	25.4
Pensions	2,198.1	2,394.5
Other Administrative	392.6	417.1
Total Budget	**43,064.2**	**44,697.1**

- MassBudget presents the totals for the FY 2018 Governor's proposal in the FY 2017 line item structure, in order to allow for more accurate year-to-year comparisons. For example, if the Governor recommended consolidating several line items, using information provided by the Administration, MassBudget "un-consolidates" the total and re-distributes the amounts back into their original line items in order to allow for more accurate across-year comparisons of totals.

- MassBudget's totals include the "**pre-budget transfers**" of funds. Statutes require that the Legislature transfer portions of revenue prior to the appropriation process to support certain functions. Although these transfers function no differently from appropriations, the Governor and Legislature do not reflect these expenditures in their budget totals; instead, they are shown as amounts deducted or transferred from revenue prior to the budgeting process. To better reflect total state funding, MassBudget includes these pre-budget transfers in appropriation totals. In FY 2018, these add $4.43 billion to the total: tax revenues dedicated to the MBTA and school building assistance, cigarette excises dedicated to the Commonwealth Care Trust Fund, the state contribution to the pension system, a transfer to the State Retiree Benefits Trust, and transfers to the Workforce Training Trust.

- MassBudget's totals include annual appropriations into **non-budgeted ("off-budget") trusts**. The transfer of funds from the General Fund or another budgeted fund into a non-budgeted trust is a form of appropriation, and should be treated as any other appropriation. Prior to FY 2011, the budget authorized these transfers in Outside Section budget language. Starting in FY 2011, a new section of the budget, **Section 2E**, systematically accounted for the transfer of funds into off-budgeted trusts. MassBudget's totals include these operating transfers in all budget years.

- When spending that is now included in the budget was previously "off-budget," MassBudget's totals include the prior years' "off-budget" spending totals in order to reflect more accurate **year-to-year comparisons**. For example, funding directed to health care providers as partial reimbursement for uncompensated care was previously funded by a transfer of federal revenue directly into the off-budget Uncompensated Care Trust Fund. This spending was brought on-budget in FY 2009, and incorporated into the state's budgeted health care appropriations. MassBudget health care budget totals include the off-budget spending for these services in order to reflect a more accurate across-year comparison.

- MassBudget reduces **State Employee Health Insurance** totals to exclude spending on health insurance for municipal employees and retired teachers for which the state is fully-reimbursed by municipal government.

- MassBudget reduces funding for the community colleges, state universities, and University of Massachusetts campuses by the amount of tuition that these campuses remit to the state treasury each year. These adjusted totals more accurately reflect the "net" appropriations available to the campuses to support operations, and allow for more consistent comparisons across the years, since the policies about **tuition remission** have varied from year to year and from campus to campus. For example, until FY 2003, all the University of Massachusetts (UMass) campuses were required to remit to the state treasury all tuition from all students. From FY 2004 – FY 2011, UMass Amherst (only) remitted only in-state tuition, and retained tuition from out-of-state students. Starting in FY 2012, the remaining UMass campuses were also allowed to retain tuition from out-of-state students. Starting in FY 2017, UMass retained all tuition revenue, remitting none. The MassBudget adjustments make it possible to make meaningful comparisons of appropriations to these campuses even with these policy changes.

- MassBudget's totals include funding paid for out of **anticipated reversions**. For example, a portion of funding for health care for retired state employees has in some years come from anticipated reversions of funds.

- MassBudget's totals reflect legislatively-approved "**prior appropriation continued**" (PAC) amounts. In most instances, MassBudget shifts the PAC amount from the year in which the funding was first appropriated into the year in which the Administration expects to spend the totals.

- Because MassBudget totals reflect budgeted appropriations and not actual spending, there can be apparent fluctuations in the MassHealth and Health Reform totals that are simply due to the timing of payments to certain off-budget trusts. These budget variations may not reflect real differences in spending.