

The State Budget for FY 2018 Including Veto Overrides

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The Fiscal Year 2018 (FY 2018) budget season ended much the way it started: with our state facing difficult fiscal conditions and unable to make the kinds of long-term investments that could significantly improve the quality of life in Massachusetts and expand opportunity in all communities. At this point in the process – after the Legislature enacted the budget, the Governor made a number of line item vetoes, and the Legislature overrode virtually all those vetoes and approved some supplemental funding – we have a state budget that makes some modest investments, particularly in education, child welfare, and in addressing substance use disorders.

The budget, however, continues to rely significantly on temporary fixes: counting 13 months of sales tax revenue in the 12 months of FY 2018; underfunding a number of accounts that will eventually need to be funded – such as paying for snow and ice removal – and a number of similar strategies. Altogether the budget includes about \$750 million in temporary revenue and underfunded accounts. This makes it highly likely that the state will continue to face serious fiscal challenges next year. A bright spot, however, is tax revenue growth so far this year has been stronger than projected. If that trend continues, it would reduce the need to rely on temporary fixes this year and would put the state in better fiscal condition next year. In the long term, however, there is a significant danger that the federal government will – to pay for the costs of federal tax cuts – impose deep cuts in Medicaid, education, and other services currently funded together by the state and federal governments.

The one major veto by the Governor that the Legislature did not override was a veto of approximately \$200 million to MassHealth. In making that veto, the Governor recommended a number of changes to the MassHealth program that he projected would generate about \$200 million in savings. The Legislature did not adopt those proposals. While the Legislature is currently debating reforms that could lead to longer term savings, it is unlikely the \$200 million in savings projected by the Governor will be achieved. Therefore it is likely the Legislature will need to provide supplemental funding for the MassHealth program before the end of the fiscal year.

This *Budget Monitor* includes the final funding levels of FY 2017, the current FY 2018 budget, and significant policy changes in each area of the budget. The data on the “current FY 2018 budget” reflects all veto overrides by the Legislature and incorporates funding added to the FY 2018 budget by a supplemental budget enacted in November. These current 2018 budget levels are then compared to the final 2017 budget.

EDUCATION

Early Education & Care

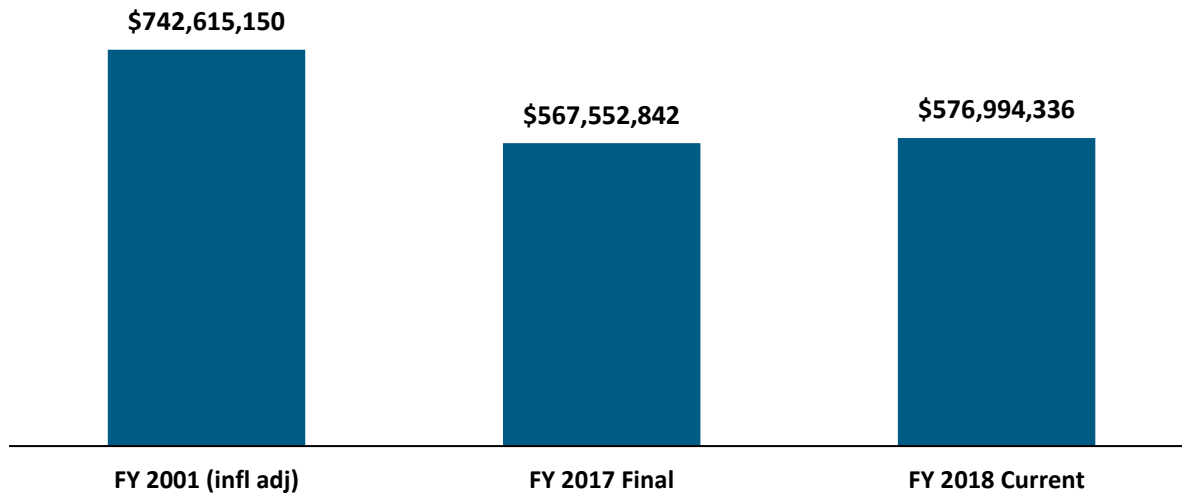
Quality early education and care helps prepare our young children for success in K-12 education and allows them to thrive more generally. Early education and care is also a critical work support for parents with young children, by offering safe and reliable care for kids while parents provide for their families.

The Governor had vetoed \$2.7 million in early education and care spending when he signed the Fiscal Year (FY) 2018 General Appropriations Act (GAA) in July. The legislature overrode all of the Governor’s early education and care vetoes.

After overrides, the current FY 2018 budget allocates \$577.0 million to early education and care. The total amount of early education and care funding in FY 2018 is a small increase of \$9.4 million (1.7 percent) above the levels in the final FY 2017 budget, less than the expected inflation rate.

There have been significant long-term cuts in early education and care since state tax cuts in the late 1990s and early 2000s. Funding for early education and care in FY 2018 is \$165.6 million (22.3 percent) below what was available in FY 2001, adjusting for inflation (see chart below).

Early Education Funding Down 22 Percent Since 2001



The current FY 2018 budget provides \$222.1 million for [Supportive and TANF Child Care](#), \$2.7 million (1.2 percent) above final FY 2017 levels. Supportive and TANF Child Care provides subsidies to children under the care of the Department of Children and Families and those receiving Transitional Aid to Families with Dependent Children (limited cash assistance along with work training programs for low-income families).

The current FY 2018 budget provides \$255.4 million for [Income Eligible Child Care](#), \$2.9 million (1.2 percent) above FY 2017 levels. Income Eligible Child Care provides subsidies for low- and moderate-income families not eligible for other child care assistance. With insufficient funding to meet child care needs across the state, the waitlist for these subsidies contained nearly 26,000 kids in May 2017. The current FY 2018 budget does not include specific funding to reduce the waitlist, but does take other limited steps to expand access to early education.

The current FY 2018 budget includes \$15.0 million for salary increases and professional development for early educators through a new line item, [Center-Based Child Care Rate Increase](#). This amount is \$2.5 million (20.0 percent) more than 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 for early educators, are key components of improving the quality of services available for young children.

Collectively in the current FY 2018 budget, funding for Income Eligible Child Care and salary increases for early educators is \$270.4 million, which is \$5.4 million (2.1 percent) above FY 2017 levels, roughly in line with inflation. It is almost certain that significant waitlists for early education and care services will persist through FY 2018. This will limit the ability of children and families, including those with acute needs, to access this support.

FUNDING FOR INCOME ELIGIBLE EARLY EDUCATION AND CARE

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

*Budget proposals sometimes shift the allocation of funding among line items. The chart above presents those proposals in the FY 2017 funding structure to make comparisons easier.

The Governor had vetoed the \$200,000 that the Legislature provided in the current FY 2018 budget for the [Commonwealth Preschool Partnership Initiative](#), but the Legislature overrode these votes. This program helps existing early education providers, including school districts, expand access to services, particularly for 3-year-olds.

In March, the Governor announced a planned 6.0 percent increase in the rates paid to early education providers by the state for subsidized child care for FY 2018, at a cost of \$28.6 million. At the same time, the administration announced that approximately 1,100 additional kids would be able to be served through newly issued vouchers. This policy announcement assumed that significant unused funding would be carried over from FY 2017 into FY 2018.

The announced rate increases and additional subsidies are largely the result of repurposing funds that were already approved for FY 2017 that would otherwise revert to the General Fund. This surplus developed due to the implementation of a new early education financial management system. Savings have been achieved due to stricter enforcement of policies and regulations and increased monitoring, with excess funds identified in this process then being available to reinvest into the rest of the early education system. Some surpluses also developed as a result of the underuse of some contract spots in early education centers. It appears that some surpluses in early education and care caseload accounts will continue in FY 2018.

An Outside Section of the current FY 2018 budget authorizes carrying over these unused child care funds from FY 2017 into FY 2018. The current FY 2018 budget would use the surplus for several purposes, including increasing rates paid to providers, but also maintaining access to child care vouchers and ensuring more kids remain eligible for a full year of services. All of these measures are consistent with the Governor’s March announcement. The amount of the carryover has been projected to be sufficient for the Department of Early Education and Care to enact the 6.0 percent rate increase.

In FY 2017, funding from several early education and care accounts was merged into a new [Quality Improvement](#) line item. In FY 2017, [Early Childhood Mental Health Consultation Services](#) was included with Quality Improvement. The Governor had vetoed \$1.4 million from these two line items, but the Legislature overrode both vetoes. Still, even after these overrides, FY 2018 funding for these accounts is just \$215,800, or 0.7 percent, above FY 2017 levels.

For a complete list of the Governor’s vetoes in early education and care programs, see the chart below.

VETO OVERRIDES FOR EARLY EDUCATION AND CARE

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	Overrides	FY 2018 GAA Post Overrides
3000-1000	Department of Early Education and Care Administration	5,761,617	(25,000)	25,000	5,761,617
3000-1020	Quality Improvement	30,112,455	(100,000)	100,000	30,112,455
3000-2050	Children's Trust Fund Operations	1,102,494	(28,388)	28,388	1,102,494
3000-6025	Commonwealth Preschool Partnership Initiative	200,000	(200,000)	200,000	200,000
3000-6075	Early Childhood Mental Health Consultation Services	2,500,000	(1,250,000)	1,250,000	2,500,000
3000-7000	Children's Trust Fund	14,350,685	(10,633)	10,633	14,350,685
3000-7050	Services for Infants and Parents	13,541,999	(100,000)	100,000	13,541,999
3000-7070	Reach Out and Read	1,000,000	(1,000,000)	1,000,000	1,000,000

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

K-12 Education

Providing an excellent education to all children in Massachusetts supports future generations in the Commonwealth while contributing to our economy over the long term. Chapter 70 education aid is the main program for delivering state support to local districts across Massachusetts, and ensuring that schools have sufficient resources to provide the necessary services to all students. For further background on the state's education funding system, see [Demystifying the Chapter 70 Formula](#).

The current Fiscal Year (FY) 2018 budget increases **Chapter 70 Aid** by \$118.9 million (2.6 percent) to \$4.75 billion. This increase is close to the 2.5 percent (\$113.0 million total) increase from FY 2016 to FY 2017.

The current FY 2018 Chapter 70 budget includes a modest step to implement recommendations made by the Foundation Budget Review Commission (FBRC) in 2015. The Commission found that according to the state's estimate of what it takes to educate children (called the "foundation budget"), school districts are significantly under-resourced. The FBRC noted that current underfunding reduces the capacity of schools across the state to provide services to help all children succeed.

The foundation budget is based on estimated costs for each element of a school budget as determined in the Education Reform Act of 1993 and adjusted mostly for inflation since then. The FBRC found that the costs in the formula fail to reflect actual costs in several areas, especially employee health care and special education. The current FY 2018 Chapter 70 allocation takes modest steps to address one of these problems. It contains an increase to the foundation budget rates of between roughly 8 and 19 percent, depending on grade level and student category, for employee benefits, the school spending category that includes health care.

This increase would generate roughly \$27 million in new aid for school districts. This remains an incremental step relative to fully implementing the FBRC recommendations. The current FY 2018 budget does not contain the major steps outlined in the Senate's FY 2018 budget that would fully implement the FBRC recommendations over several years. For additional detail, see [Budget Monitor Conference Preview: Differences Between the Senate and House Budgets for FY 2018](#).

The current FY 2018 budget includes support for districts that receive less funding as a result of the recent changes to the student poverty measure (for background on this shift, see [Counting Kids at School: 6 Steps to Better Numbers](#) and [Direct Certification for School Meals: Feeding Students, Counting Kids, Funding Schools](#)). This provision sets aside \$12.5 million in Chapter 70 funds for transitional support to roughly 15 school districts. The Department of Elementary and Secondary Education (DESE) released a report in February outlining how to improve the process of direct certification for free meals and counting economically disadvantaged students. It recommended several steps including improvement of matching processes and expansion of outreach efforts to enroll families in assistance programs. It also led to a new task force studying the unique issues of supporting immigrant and refugee students. This task force is currently undertaking work that could inform the FY 2019 budget.

The current FY 2018 Chapter 70 budget also reflects a small annual inflation factor of 1.1 percent and a negligible increase of 0.1 percent to statewide enrollment. Finally, it guarantees a minimum increase of \$30 per student for districts that would not otherwise receive increased aid. This minimum aid increase results in roughly \$6 million in additional aid. Because this minimum is provided regardless of local financial need, it tends to direct funds to relatively affluent districts.

Before signing the FY 2018 General Appropriations Act (GAA), the Governor had vetoed \$7.3 million in total from K-12 grant programs, primarily dedicated funding for local programs. As part of those vetoes, the Governor cut \$2 million from [Afterschool and Out-of-School Time Grants](#), which funds grants to increase access to high-quality afterschool opportunities, and a data-sharing pilot initiative helping school districts collaborate with community-based providers in evaluating the outcomes of afterschool programs. The Legislature overrode these vetoes.

The [Massachusetts School Building Authority \(MSBA\)](#) is funded from a penny of the state sales tax. Since the state sales tax rate is 6.25 percent, the MSBA receives 16 cents for every dollar of sales tax revenue ($\$0.01 \div \$0.0625 = \$0.16$). The FY 2018 GAA had anticipated that \$847.1 million in sales tax revenue would be available to the MSBA to support district construction and renovation projects across the state. The state comptroller is now projecting \$846.6 million in FY 2018 sales tax revenue available to the MSBA. This projected amount is \$29.8 million (3.6 percent) above the amount of sales tax transferred to the MSBA in FY 2017.

The current FY 2018 budget provides \$80.5 million to [Charter School Reimbursements](#), in line with FY 2017 levels. When fully funded, this program is intended to reimburse 100 percent of outgoing student funding in the first year and 25 percent of this amount for each of the following five years. However, according to recent projections from DESE, the current FY 2018 funding level would only support about half the amount called for by the formula, leaving a \$79.0 million gap. This gap has increased from \$56.1 million in FY 2017, as additional charter school seats have been added and districts claimed more reimbursements from the fund. Additional resources have not been allocated to meet rising demand. 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](#).

The current FY 2018 budget provides \$281.2 million in support for the [Special Education Circuit Breaker](#), \$4.0 million (1.4 percent) above FY 2017 levels. The circuit breaker reimburses school districts for a portion of their costs for educating students with severe disabilities.

The current FY 2018 budget moves the administration of [Inclusive Concurrent Enrollment](#) from DESE to the Department of Higher Education, and assigns it a new line item (7066-9600).

For a complete list of programs vetoed by the Governor in the FY 2018 GAA, see the table below.

VETOES FOR K-12 GRANT PROGRAMS

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	Overrides	FY 2018 GAA Post Overrides
7009-6400	ELL in Gateway Cities	250,000	(250,000)	250,000	250,000
7010-0005	DESE Administration	14,103,767	(2,440,000)	2,440,000	14,103,767
7010-0033	Literacy Programs	1,696,907	(300,000)	300,000	1,696,907
7027-0019	Connecting Activities	3,554,000	(404,000)	404,000	3,554,000
7035-0002	Adult Basic Education	29,632,378	(850,001)	850,001	29,632,378
7053-1925	School Breakfast Program	4,666,445	(250,000)	250,000	4,666,445
7061-0033	Public School Military Mitigation	1,400,000	(100,000)	100,000	1,400,000
7061-9011	Innovation Schools	165,000	(165,000)	165,000	165,000
7061-9401	Assessment Consortium	200,000	(200,000)	200,000	200,000
7061-9406	College and Career Readiness Program	700,000	(466,666)	466,666	700,000
7061-9408	Targeted Intervention	7,207,165	(400,000)	400,000	7,207,165
7061-9611	After-School and Out-of-School Grants	3,525,000	(1,325,846)	1,325,846	3,525,000
7061-9612	Safe and Supportive Schools	500,000	(100,000)	100,000	500,000

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

Higher Education

Higher education helps the people of our state contribute to their communities and gain the skills to succeed in a knowledge-driven economy. Our public higher education institutions – including the University of Massachusetts (UMass), the state universities, and our community colleges – educate a majority of Massachusetts high school graduates who go on to college. Graduates from public higher education are also more likely to stay in Massachusetts after graduation, contributing to our state economy over the long term.

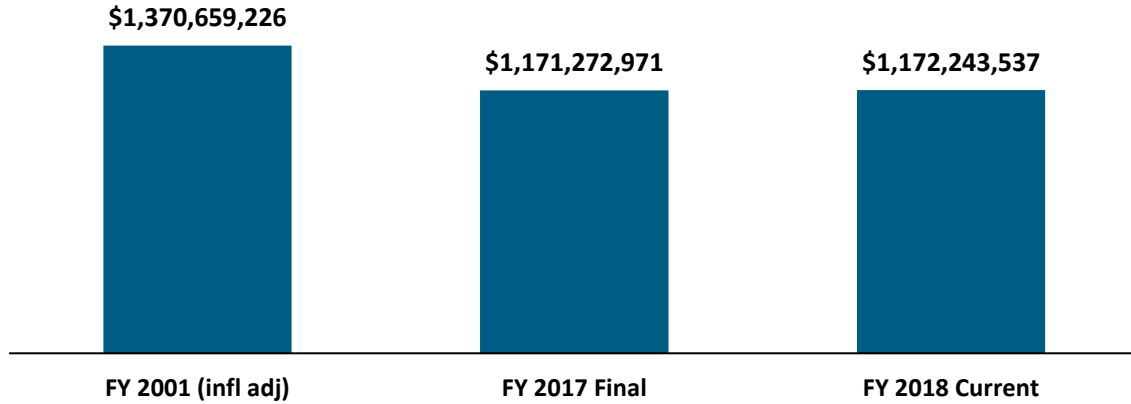
The Governor had vetoed \$7.7 million in higher education spending when he signed the Fiscal Year (FY) 2018 General Appropriations Act (GAA) in July. The Legislature overrode all of the Governor's higher education vetoes.

After overrides, the current FY 2018 budget allocates \$1.17 billion to higher education, which is essentially level-funded (0.1 percent above) the final FY 2017 budget, and behind the expected inflation rate.

A highly educated and skilled workforce is a critical part of strengthening and sustaining the Massachusetts economy. Looking over the longer term, the amount of funding in the current FY 2018 budget is \$198.4 million (14.5 percent) below what was available in FY 2001, adjusting for inflation (see chart below) and even further below historical levels when accounting for enrollment growth over this

period. These challenges contributed to the doubling of tuition and fees between FY 2001 and FY 2016. For additional detail on these historical trends, see [In 16 Charts: Higher Education Funding in Massachusetts](#).

Higher Education Funding Down 15 Percent Since 2001



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

- **Include collective bargaining and other campus specific programs.** MassBudget adds collective bargaining accounts and initiatives located at particular campuses, funded through separate line items, to their respective campus totals
- **Subtract tuition remission.** Since 2001, different policies have dictated when public higher education campuses must send different categories of tuition revenue back to the state’s General Fund. When higher education revenue is sent back to support the state budget, it is not available for campus operations and has the same effect as reduced state funding. Conversely, under rules in effect in FY 2018, UMass will keep all tuition revenue from both in-state and out-of-state students. To provide a more accurate comparison of state support to campuses over time, MassBudget deducts tuition revenue sent back to the state from the direct appropriations to each campus type. For details on the varying policies at different campuses, see [MassBudget’s Budget Browser section for Higher Education](#).

HIGHER EDUCATION FUNDING TO THE THREE CAMPUS TYPES

Campus Type	FY 2017 Final	FY 2018 Current	Difference: FY18 Current - FY17 Final
Community Colleges	273,815,277	278,404,257	4,588,980
State Universities	246,393,186	246,389,624	(3,562)
UMass	515,330,447	519,495,371	4,164,924
Total, all campuses	1,035,538,910	1,044,289,252	8,750,342

The current FY 2018 budget funds **University of Massachusetts** line items 0.8 percent above FY 2017 levels, and **Community College** line items 1.7 percent over FY 2017. **State University** line items are essentially flat. Taking year-over-year inflation into account, all campuses are seeing their funding effectively cut from FY 2017 to FY 2018.

Unsurprisingly given these cuts (after adjusting for inflation), [mandatory tuition and fees went up in FY 2018](#). At UMass institutions, tuition and fees increased 3 percent. At the Community Colleges, tuition and fees are up an average of 4 percent. And at the State Universities, they increased an average of 5 percent.

The current FY 2018 budget funds the **State Scholarship Program** at \$95.9 million, 0.2 percent over FY 2017 levels. As in recent years, these scholarships are not keeping pace with steadily rising tuition and fees. The Governor had vetoed \$254,000 for internships from this account, but the Legislature restored that funding in its overrides.

Several small grant programs are eliminated or significantly reduced in the current FY 2018 budget. This budget eliminates **State University Incentive Grants**, which had been funded at \$2.5 million in FY 2017. This grant has supported implementation of the [Vision Project](#), a Department of Higher Education strategic plan aiming to increase quality, reduce achievement gaps, and better connect higher education with workforce development. The Governor had vetoed out the [Community College Workforce Grants](#) program completely when he signed the FY 2018 GAA budget, but the Legislature overrode the veto to maintain FY 2017 funding of \$750,000. Another training program, [Nursing and Allied Health Education Workforce Development](#) is cut by \$6,000 from \$200,000 in FY 2017. The Legislature overrode the Governor's veto of \$94,000, which, when combined with the \$6,000 reduction in the Legislature's budget, would have cut the program in half.

Conversely, a handful of grant programs receive new funding or increases over FY 2017 levels. The **New England Board of Higher Education** receives an increase of \$184,000 in the current FY 2018 budget to a total of \$368,000. Additionally, an Outside Section of this budget permits the Massachusetts Board of Higher Education to enter into inter-state reciprocity agreements that would allow Massachusetts public institutions to offer online distance education to students in other states. This section would also allow accredited institutions in other states to offer inter-state programs for Massachusetts students, if they meet standards adopted by the Massachusetts Board of Higher Education.

A new initiative, the **Innovation Voucher Fund**, receives \$2.0 million in the current FY 2018 budget. This program would provide grants, overseen by the Massachusetts Development Finance Agency, to startup companies and small corporations for facilities housed at UMass, as well as research and development costs.

The current FY 2018 budget moves the administration of [Inclusive Concurrent Enrollment](#) from the Department of Elementary and Secondary Education to a new line item (7066-9600) in the Department of Higher Education. The Legislature had increased funding for this program by \$216,000 (18.5 percent) from FY 2017 to FY 2018. The Governor had vetoed this increase and more -- \$238,000 in all, which would have resulted in a 1.9 percent cut from FY 2017. The Legislature overrode the Governor's vetoes, leaving its original \$216,000 increase in place for FY 2018.

For a complete list of items vetoed by the Governor in higher education, see the table below.

VETO OVERRIDES FOR HIGHER EDUCATION

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	Overrides	FY 2018 GAA Post Overrides
1599-4417	E.J. Collins Jr. Center for Public Management	125,000	(125,000)	125,000	125,000
1599-7114	UMass Center at Springfield	250,000	(250,000)	250,000	250,000
1599-7115	Medical School Educational Track on Integrated Health	1,000,000	(1,000,000)	1,000,000	1,000,000
7066-0000	Department of Higher Education	3,976,583	(2,139,899)	2,139,899	3,976,583
7066-0020	Nursing and Allied Health Education Workforce Development	194,000	(94,000)	94,000	194,000
7066-0025	Performance Management Set Aside	2,550,000	(50,000)	50,000	2,550,000
7066-0040	Adult College Transition Services	377,500	(135,000)	135,000	377,500
7066-1221	Community College Workforce Grants	750,000	(750,000)	750,000	750,000
7066-9600	Inclusive Concurrent Enrollment	1,381,916	(237,937)	237,937	1,381,916
7070-0065	Massachusetts State Scholarship Program	95,853,324	(254,000)	254,000	95,853,324
7077-0023	Tufts School of Veterinary Medicine Program	5,000,000	(1,000,000)	1,000,000	5,000,000
7100-0200	University of Massachusetts	513,545,371	(85,000)	85,000	513,545,371
7100-0700	Office of Dispute Resolution	750,000	(750,000)	750,000	750,000
7100-0801	Innovation Commercialization Seed Fund	125,000	(125,000)	125,000	125,000
7112-0100	Framingham State University	28,113,495	(200,000)	200,000	28,113,495
7113-0101	Gallery 51 at the Berkshire Cultural Resource Center	75,000	(75,000)	75,000	75,000
7505-0100	Greenfield Community College	10,537,985	(130,000)	130,000	10,537,985
7509-0100	Mount Wachusett Community College	14,710,111	(150,000)	150,000	14,710,111
7511-0100	North Shore Community College	21,618,575	(50,000)	50,000	21,618,575
7518-0120	PACE Initiative	100,000	(100,000)	100,000	100,000

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

ENVIRONMENT & RECREATION

The state budget funds programs that keep our air, water, and land clean, maintain fish and wildlife habitats, and staff and maintain our parks, beaches, pools, and other recreational facilities. The current Fiscal Year (FY) 2018 budget provides \$200.0 million for environment and recreation programs, which is \$6.8 million more than in FY 2017. The Governor vetoed \$4.8 million from the Legislature's budget, largely by eliminating funding for specific environment and recreation projects located throughout the state. The Legislature overrode all of these vetoes. A full list of vetoes and overrides is in a table at the end of this section. Even with this slight increase in funding in FY 2018, the environment and recreation budget is 35 percent below FY 2001 after adjusting for inflation.

The FY 2018 budget does not contain significant changes in funding with the exception of a few accounts:

- It includes \$2.1 million to make sure our drinking water is safe, an increase of \$906,000, or 74 percent, above the FY 2017 budget. The Governor vetoed \$175,000 in funds for several specific water projects around the state. The Legislature overrode this veto.
- Even though it provides \$57.2 million for state parks and recreation facilities, which is slightly more than last year, the amount is \$4.8 million below the amount recommended by the

Department of Conservation and Recreation (DCR) Stewardship Council. The Legislature overrode \$1.7 million in vetoes the Governor made to specific parks and recreation facilities located throughout the state. Funding for state parks is included in both the primary account for state parks and the account that allows DCR to retain revenue from parking and entry fees it collects at its parks and recreation facilities. In a [letter](#) earlier this year to the House and Senate Ways and Means Committees, the Stewardship Council noted that with budget cuts and early retirements in recent years, DCR does not have the resources it needs to fully maintain and staff facilities it manages throughout the state. The Council called on the Legislature to provide a total of \$62.0 million for these two accounts.

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

VETOES FOR ENVIRONMENT & RECREATION

Line Item #	Line Item Name	FY 2018 Legislature	Vetoes	Overrides	FY 2018 GAA Post Overrides
2000-0100	Exec.Office of Energy & Environmental Affairs Admin.	8,196,322	(250,000)	250,000	8,196,322
2200-0100	Department of Environmental Protection Admin.	24,733,484	(160,731)	160,731	24,733,484
2250-2000	Safe Drinking Water Act	2,137,185	(175,000)	175,000	2,137,185
2300-0100	Department of Fish and Game Administration	2,029,079	(1,110,000)	1,110,000	2,029,079
2300-0101	Riverways Restoration & Public Access Promotion	630,577	(100,000)	100,000	630,577
2330-0100	Division of Marine Fisheries Administration	6,511,649	(447,418)	447,418	6,511,649
2800-0100	DCR Administration	4,671,626	(545,000)	545,000	4,671,626
2800-0101	Watershed Management Program	962,526	(30,000)	30,000	962,526
2800-0401	Stormwater Management	444,542	(25,000)	25,000	444,542
2800-0501	DCR Seasonals	15,560,192	(100,000)	100,000	15,560,192
2800-0700	Office of Dam Safety	647,192	(175,000)	175,000	647,192
2810-0100	State Parks and Recreation	37,163,712	(1,697,000)	1,697,000	37,163,712
2810-2042	DCR Retained Revenue	20,022,185	(25,000)	25,000	20,022,185

HEALTH CARE

MassHealth (Medicaid) and Health Reform

The Commonwealth's Medicaid program, MassHealth, provides health insurance for almost 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 in order to help pay for care for patients on publicly-subsidized health insurance. The Fiscal Year (FY) 2018 budget includes \$17.28 billion for MassHealth and for these related health programs and health care financing. The Governor had vetoed \$222.3 million in MassHealth funding (see table below of affected line items). Alongside the vetoes, the Governor proposed a significant number of amendments to move forward his proposed reforms of both MassHealth and of the health care system more generally. The Legislature overrode just \$12.9 million of these vetoes, and many of the Governor's proposed health reforms are currently being debated by the Legislature. It is likely, however, that the Legislature will eventually need to restore this funding or even more, unless there are MassHealth policy changes that would reduce program costs. Some additional health reform

measures were enacted into law in August in separate legislation, and others have been moving forward via the MassHealth waiver process.

Chief among the Administration’s priorities is to more closely “align” the MassHealth program with commercial health insurance. Some of these changes would require federal approval. Among these, the Governor proposed re-instituting a Health Insurance Responsibility Disclosure (HIRD) or “employee health care coverage” form, and requiring employers to report on health insurance coverage and options for their employees, with penalties for non-compliance. This portion of the Governor’s health reform package was approved by the Legislature and enacted in November. The Administration hopes that all of these strategies will promote the uptake of employer-sponsored insurance, and increase the availability of affordable health insurance.

MassHealth Program and Administration

Funding for MassHealth in the FY 2018 current budget is \$16.04 billion, with \$15.88 billion for the MassHealth program, and \$159.6 million for program administration (see table). In order to help address the continuing cost growth at MassHealth, the Administration has been taking measures to address the program’s costs. Some reforms have already been incorporated into program operations, and others were presented by the Governor in a legislative package accompanying the enactment of the GAA. However, the Governor indicated that the savings as reflected in the post-vetoes GAA (reduced from the Legislature’s budget and from the amounts presented in his initial budget proposal) could not be achieved without the types of market and program reforms he proposed.

Included in the funding totals for MassHealth and Health Reform is a new initiative introduced in Chapter 110 of the Acts of 2017 that creates a new Substance Abuse Disorder Reinvestment Trust. This off-budget fund receives an appropriation of \$47.0 million for FY 2018 to expand substance use disorder services in the state’s Medicaid (MassHealth) program, using federal reimbursement revenue newly available for community-based substance use disorder services. This funding would support annual allocations of \$21.0 million for expanded residential services, \$14.0 million for medication-expanded treatment, \$8.0 million for recovery treatment support, and \$4.0 million for expanded care planning. It is possible that not all of this spending will occur in FY 2018. The funding would sunset in 2023.

MassHealth (Medicaid) and Health Reform

MassHealth	FY 2017 Final	FY 2018 Current	Difference FY18 Current - FY17 Final	Notes
MassHealth Programs	15,251,403,833	15,879,933,552	628,529,719	Includes new trust
MassHealth Administration	153,776,087	159,582,373	5,806,286	
TOTAL	15,405,179,920	16,039,515,925	634,336,005	

Upon signing the GAA, the Governor vetoed language that would have provided \$7.5 million in additional rates for nursing homes. The Legislature overrode this veto. The Governor also vetoed \$7.4 million in supplemental payments for three pediatric hospitals that provide highly complex care, but anticipated replacing those payments with restructured rates. The Legislature overrode that veto as well, but did not restore the funding for those payments which are typically paid for out of the Fee-for-Service line item. The Governor let stand \$13.0 million designated for supplemental payments for other safety net hospitals. The Governor also vetoed \$5.0 million from MassHealth long-term care funding,

anticipating what the Administration refers to as “program restructuring” including increased oversight of the home health program and the use of overtime. Nevertheless, the Legislature overrode that veto.

For the most part, reimbursement rates for providers are relatively flat in this budget. However, there is an Outside Section looking into the costs associated with the MassHealth rates provided for continuous care skilled nursing for pediatric patients with very complex medical needs. The study would consider the costs of potentially avoidable hospitalizations with the costs of home-based continuous skilled nursing.

Line item language in MassHealth in the FY 2018 budget requires the Executive Office of Health and Human Services, in conjunction with the Department of Transitional Assistance, to report to the Legislature by January 1, 2018 on the feasibility of creating a **common application** for MassHealth and for Supplemental Nutrition Assistance Program (SNAP, or “food stamps”), Emergency Aid to Elders, Disabled and Children (EAEDC), and Transitional Assistance to Families with Dependent Children (TAFDC, or cash assistance). In a separate line item, there is also language directing the Administration to plan for an integrated digital eligibility determination process that goes even farther, and would integrate enrollment and create a common application for benefits at the Connector, MassHealth, and the department of Transitional Assistance, Early Education and Care, and Housing and Community Development.

Line item language describing the **MassHealth Managed Care** program requires the Executive Office to file a report with the Legislature detailing progress in moving the MassHealth program towards an integrated delivery system of accountable care organizations (ACOs). This report would look at the cost-effectiveness of MassHealth spending on services not traditionally reimbursed by MassHealth, such as housing stabilization and support, utility payments, physical activity and other wellness supports.

Funding for the **Children’s Medical Security Plan (CMSP)** in the FY 2018 budget is \$12.1 million, \$5.4 million less than in FY 2017. The Administration is planning to shift 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 and administered by the Executive Office of Health and Human Services, alongside MassHealth, saving the state \$5.0 million annually.

Other Health Subsidies and Related Spending

In addition to funding for the MassHealth program directly, the FY 2018 budget includes funding for supplemental payments to health safety net providers, funding for other subsidized health programs, and various administrative and operational supports for health care administration and finance (see table).

Other Health Subsidies and Related Spending

Supplemental Payments to Providers	FY 2017 Final	FY 2018 Current	Difference FY18 Current - FY17 Final	Notes
Medical Assistance Trust	736,154,225	747,100,000	10,945,775	
Delivery System Transformation Initiative	196,252,001	186,649,333	(9,602,668)	
Other Health Subsidies				
Commonwealth Care Trust	40,083,939	109,506,838	69,422,899	See text
Prescription Advantage	17,771,922	16,929,054	(842,868)	
Other Administration and Operations				
Center for Health Info. & APCD	28,131,406	28,306,406	175,000	
Information Technology	116,776,778	124,870,082	8,093,304	
Health Connector	0	17,925,694	17,925,694	
Health Information Trust	8,853,272	4,153,272	(4,700,000)	
Other Health Finance	9,542,285	9,541,494	(791)	

The totals for the Medical Assistance Trust (see chart) show budgeted appropriations that are current as of this moment, and include appropriations made in November. The timing of operating transfers into this trust, which are made up of provider assessments and federal revenues, do not align with the state fiscal year.

As in FY 2017, the FY 2018 budget includes an **assessment on acute hospitals**, which would receive federal matching reimbursements. These 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. New in the FY 2018 budget is language extending the assessment on acute hospitals to **non-acute hospitals**. This assessment (along with federal reimbursement) would help support Medicaid rate increases for psychiatric, chronic, and rehabilitation hospitals.

The budget includes language providing for a transfer of up to \$15.0 million 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. Legislation enacted in November also includes a transfer of \$15.0 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. As in FY 2017, the FY 2018 budget allows for a transfer of funds from the Commonwealth Care Trust Fund to the General Fund to help balance the budget. In FY 2017, the expected transfer was approximately \$92 million or up to as much as \$110.0 million. The FY 2018 GAA includes language, first proposed in the Legislature’s budget, allowing for a transfer of up to \$185.0 million from the Commonwealth Care Trust Fund to the General Fund; however the actual amount that will be transferred could very well be much less. The figures above reflect an anticipated transfer back to the General Fund of \$18.3 million. Legislation passed in November includes a new appropriation of \$15.0

million for the operations of the Connector, funded by additional revenues that come into the Connector.

The Governor vetoed and the Legislature overrode the following amounts from the following line items:

VETOES FOR MASSHEALTH AND HEALTH REFORM

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	Overrides	FY 2018 GAA Post Overrides
4000-0300	Exec. Office of Health and Human Services	102,682,373	(425,000)	425,000	102,682,373
4000-0601	MassHealth Senior Care	3,520,335,443	(5,000,000)	5,000,000	3,520,335,443
4000-0641	MassHealth Nursing Home Supplemental Rates	352,600,000	(7,500,000)	7,500,000	352,600,000
4000-0700	MassHealth Fee-for-Service Payments	2,397,298,930	(209,400,000)		2,187,898,930

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

Health Care Cost Containment, Health Coverage, and Employer Contributions

When the Governor first released his budget in January, he identified a factor driving increased costs for the MassHealth program: costs shifting from private sector employers to the state as the result of more private sector employees not receiving health care from their employer.

To address cost shifting and to create an incentive for employers to offer affordable health insurance for their employees, the Governor [proposed](#) an assessment on employers that would generate \$300.0 million for FY 2018. The assessment would apply to employers that do not offer health insurance, or who fail to meet certain benchmarks for the share of their employees actually being covered by the employer-provided insurance. During budget debate, the House and Senate budgets included other forms of temporary employer assessments that would have generated \$180.0 million in revenue.

In June, the Governor proposed a new package of health reforms, including an employer contribution towards health care, and a variety of MassHealth and commercial health insurance market reforms. The Legislature's budget adopted the Governor's proposed employer contribution, but not the MassHealth or commercial health insurance market reforms. As proposed by the Governor and adopted by the Legislature in the budget, the assessment increased the employer's existing Employer Medical Assistance Contribution (EMAC) rate, which pays for health insurance for people receiving unemployment insurance. The Legislature's budget increased the EMAC in two "tiers": increasing the EMAC by \$26 per employee and assessing a \$750 fee for each employee receiving publicly-subsidized health care either through MassHealth or through ConnectorCare. This assessment would bring in \$200.0 million and would sunset in December 2019. (The Legislature also included the Governor's recommendation to freeze unemployment insurance payments, allowing employers to pay \$334 million less than under the current schedule.)

The FY 2018 budget did include an Outside Section (not affected by the Governor's vetoes) directing the Administration to consider creating a plan for small businesses to share in the premium costs of providing MassHealth insurance coverage for eligible employees with incomes under 138 percent of the federal poverty level.

It was the Administration’s position that the employer contribution and MassHealth and other reforms should go together. Since the Legislature’s budget included the increased EMAC without the other reforms, the Governor vetoed the EMAC provisions in the Legislature’s budget and instead proposed amendments that would both reinstate an employer assessment and would restructure eligibility and modify benefits in the MassHealth program.

Moreover, alongside the vetoes, the Governor provided companion legislation with his proposals for reform of the health insurance market. The Governor stated that these initiatives “would better align the MassHealth program with commercial insurance . . . and . . . ensure MassHealth is a secondary payer when individuals have access to employer-sponsored health insurance coverage.” In fact, the Governor stated that his vetoes in the MassHealth program in the FY 2018 GAA presumed a level of savings that could only be realized by the types of reforms included in his health reform package. Chief among the Administration’s priorities has been to more closely “align” the MassHealth program with commercial health insurance. Some of these changes would require federal approval.

The Legislature also did not initially adopt the Governor’s health care reforms that he proposed when signing the budget. The Legislature did pass legislation in August to enact the employer health care assessment, and they enacted legislation in November re-instituting a Health Insurance Responsibility Disclosure (HIRD) form, requiring employers to report on health insurance coverage and options for their employees. The Legislature is currently debating other related health reform proposals as well. Some of these reforms have also already been incorporated into the state’s pending MassHealth [waiver](#).

Mental Health

The Fiscal Year (FY) 2018 General Appropriations Act (GAA) includes \$772.54 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. DMH also evaluates more than 8,000 people each year who have been referred by the judiciary for evaluation. Total funding is \$8.6 million above current FY 2017 budgeted amounts. (See table for breakdown.)

FUNDING FOR MENTAL HEALTH

Line Item #	Line Item Name	FY 2017 Final	FY 2018 Current	Difference FY18 Current - FY17 Final	Notes
5011-0100	DMH Administration	27,408,942	27,408,942	0	
5042-5000	Child & Adolescent Mental Health	88,650,618	91,738,321	3,087,703	
multiple	DMH Adult Services	439,089,646	448,167,619	9,077,973	6 line items
multiple	DMH Facilities	207,898,658	206,123,406	(1,775,252)	2 line items
	TOTAL	763,047,864	773,438,288	10,390,424	

The budget includes a continued effort to move supports for behavioral health and for substance use disorders out of the corrections systems and into the behavioral health systems. For instance, there is full funding (\$13 million) for 45 beds at Taunton State Hospital to provide support 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, including but not limited to 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 the “Public Health” section of this *Budget Monitor* for additional discussion of funding for substance use disorders services.)

Child and adolescent health services receives \$91.7 million in the FY 2018 budget, which is \$3.1 million more than funding in FY 2017. The Governor vetoed \$2.8 million from the total (see list below), including \$800,000 in earmarks for particular local programs, but the Legislature overrode these vetoes. The funding includes an earmark for \$1.95 million to increase case management services, including enhancing services for older adolescents and young adults, and increasing funding for consultation and training with early childhood providers, schools, and community agencies with the intent of increasing early identification and prevention.

(Although not included in these totals here, but included in the Early Education and Care totals in this *Budget Monitor*, the budget includes \$2.5 million for early childhood mental health consultation services. These services were last funded at \$750,000 from FY 2011 through FY 2016. Also not included in these totals is funding of \$50,000 for the Juvenile Court Mental Health Access Project as mentioned in the “Child Welfare” section of this *Budget Monitor*.

The FY 2018 budget includes language directing at least \$3.7 million to the Massachusetts Child Psychiatry Access Project (MCPAP), \$100,000 more than in FY 2017. MCPAP is an innovative program that improves access to treatment for children with behavioral health needs by making psychiatrists available to provide consultation for primary care providers across Massachusetts. The budget also directs DMH to increase the capacity of the program and provides funding for the “MCPAP for Moms” program that screens for postpartum depression.

The Governor vetoed and the Legislature overrode the following amounts from the following line items:

VETOES FOR MENTAL HEALTH

Line Item #	Line Item Name	FY 2018 Legislature	Vetoes	Overrides	FY 2018 GAA Post Overrides
5042-5000	Child and Adolescent Mental Health Servic	91,738,321	(2,800,000)	2,800,000	91,738,321
5046-0000	Adult Mental Health and Support Services	387,080,579	(850,000)	850,000	387,080,579

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

Public Health

The Fiscal Year (FY) 2018 General Appropriations Act (GAA) includes \$616.2 million for public health. This total includes \$3.0 million added by supplemental legislation in November. The Department of Public Health (DPH) oversees a wide variety of prevention and treatment services, improves access to health care, and ensures the safety of our food and water. The Governor vetoed a total of \$7.9 million in funding from DPH, largely removing funding earmarked for specific local programs, and the Legislature overrode almost all of those vetoes. (See below for a list of public health vetoes and

overrides.) FY 2018 funding for public health is just slightly over FY 2017 funding – a 1.8 percent increase.

The FY 2018 budget reflects the Administration’s continued commitment to preventing and treating substance misuse and addiction, and initiatives at DPH are central to that effort. Combined, the funding for substance use disorders and services to prevent and treat addiction at DPH total \$146.6 million. This is \$4.0 million more than funding in FY 2017, an increase during a period when funding for many other services has been constrained (see table for details). The increase has been concentrated in the newly-renamed Bureau of Substance Addiction Services, as well as in a line item new this year with funding that is entirely designated for specific local substance use disorder programs.

FUNDING FOR SUBSTANCE USE DISORDER SERVICES

Line Item #	Line Item Name	FY 2017 Final	FY 2018 Current	Difference FY18 Current - FY17 Final
1599-1450	Health Policy Commission Substance Abuse	600,000	0	(600,000)
4512-0200	Bureau of Substance Addiction Services	124,258,987	132,575,888	8,316,901
4512-0201	Substance Abuse Step-Down Recovery Services	4,908,180	4,908,180	0
4512-0202	Secure Treatment Facilities for Opiate Addiction	2,000,000	1,940,000	(60,000)
4512-0203	Substance Abuse Family Intervention and Care Pilot	1,500,000	1,440,450	(59,550)
4512-0204	Nasal Narcan Pilot Expansion	1,000,000	970,000	(30,000)
4512-0205	Substance Abuse Grants	0	980,000	980,000
4512-0211	Recovery High Schools	3,100,000	3,600,000	500,000
1595-4510	Substance Abuse Services Fund	5,000,000	0	(5,000,000)
	Total	142,367,167	146,414,518	4,047,351

Not included in these public health substance abuse totals but included in the funding totals for MassHealth and Health Reform is a new initiative introduced in Chapter 110 of the Acts of 2017 that creates a new Substance Abuse Disorder Reinvestment Trust. This off-budget fund receives an appropriation of \$47.0 million for FY 2018 to expand substance use disorder services in the state’s Medicaid (MassHealth) program due to newly available federal reimbursement for community-based services.

There is little new investment in other areas crucial to protecting public health. Maternal and child health programs receive a total of \$67.5 million in FY 2018. This is slightly (\$733,000) more than FY 2017 budget totals, and includes:

- \$11.9 million for the state supplement for the [WIC \(Women, Infants, and Children\) Program](#), 5.3 percent below FY 2017. The Governor vetoed \$18,000 from the Legislature’s total in accordance with his estimates of anticipated program costs, yet the Legislature overrode that veto.
- \$26.2 million in funding from [manufacturer’s rebates](#) for the WIC Program, just \$600,000 above FY 2017 totals.
- \$29.3 million for the **Early Intervention Program**, an amount that is below what was initially proposed by the House and Senate, and just \$750,000 above FY 2017 totals.

- \$81,000 for the [Newborn Hearing Screening Program](#), level with funding in FY 2017.

The Governor vetoed funding for the [Postpartum Depression Pilot Program](#), supporting community health workers at a handful of health centers who work with women with postpartum depression. The Governor also eliminated this program with mid-year cuts in FY 2017. The Legislature overrode this FY 2018 veto.

The FY 2018 budget continues chipping away at funding for the state's anti-smoking efforts in DPH. The [Smoking Prevention and Cessation](#) program receives \$3.7 million. This is 3.8 percent below funding in FY 2017. 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.

DPH **oral health programs** receive a 13.8 percent increase compared to FY 2017 with a total of \$2.9 million. Although the Governor vetoed \$150,000 in funding for [Dental Health Services](#), the Legislature overrode that veto, bringing total FY 2018 funding to \$2.0 million, \$353,000 above funding in FY 2017. The [SEAL](#) sealant and fluoridation program receives level funding of \$891,000. One of the major oral health care initiatives debated through the budget process has been the proposal to recognize a new mid-level dental provider. An initiative to allow for the licensing of dental therapists to expand access to oral health care in underserved communities was originally proposed during the budget debate and has now been incorporated into legislation currently under consideration in the state's health reform debate.

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 \$12.4 million, \$2.5 million more than in FY 2017. Supplemental funding added \$3.0 million to the FY 2018 total in November to, the [Safe and Successful Youth Initiative](#) which targets at-risk young people in communities across the Commonwealth and provides a public health approach to reducing gun-related violence. This program receives \$7.3 million in FY 2018, a 12.6 percent increase over FY 2017 levels.

FUNDING FOR YOUTH ENGAGEMENT PROGRAMS

Line Item #	Line Item Name	FY 2017 Final	FY 2018 Current	Difference FY18 Current - FY17 Final	Notes
4000-0005	Safe and Successful Youth Initiative	6,500,000	7,320,000	820,000	Includes FY18 supp.
4000-0008	Crossroads	25,000	0	(25,000)	
4590-1506	Violence Prevention Grants	1,337,124	1,337,124	0	
4590-1507	Youth At-Risk Matching Grants	2,100,000	3,765,000	1,665,000	
	TOTAL	9,962,124	12,422,124	2,460,000	

Because the FY 2018 budget does not include the Senate's proposed increased tax on flavored cigars, there is no source of funding in the FY 2018 budget for the (off-budget) **Prevention and Wellness Trust Fund**. The Fund supports partnerships among community organizations, health providers, and local governments to promote healthier living. The trust, currently funded by a one-time assessment on insurers, may run out of money during the course of this fiscal year.

The Governor also vetoed an Outside Section creating a commission for childhood vision and eye health. The Administration states that this commission is not necessary for improvements to existing childhood vision screenings, and that new vision screening protocols established by DPH in conjunction with schools could go a long way towards addressing the concerns about children's eye health that underlay the proposed creation of the commission. The Legislature overrode this veto.

The Governor vetoed and the Legislature overrode the following amounts from the following line items:

VETOES OVERRIDDEN FOR PUBLIC HEALTH

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	Overrides	FY 2018 GAA Post Overrides
4000-0005	Safe and Successful Youth Initiative	4,320,000	(70,000)	70,000	4,320,000
4510-0110	Community Health Center Services	1,592,354	(125,000)		1,467,354
4510-0112	Postpartum Depression Pilot Program	50,000	(50,000)	50,000	50,000
4510-0600	Environmental Health Assessment and Compliance	3,688,322	(100,000)	100,000	3,688,322
4510-3010	Down Syndrome Clinic	100,000	(100,000)	100,000	100,000
4512-0103	HIV/AIDS Prevention Treatment and Services	30,834,416	(2,500,000)	2,500,000	30,834,416
4512-0211	Recovery High Schools	3,600,000	(1,100,000)	1,100,000	3,600,000
4512-0500	Dental Health Services	2,022,353	(150,000)	150,000	2,022,353
4513-1002	Women Infants and Children's Nutrition (WIC)	11,869,725	(17,895)	17,895	11,869,725
4513-1026	Suicide Prevention and Intervention Program	4,340,051	(50,000)		4,290,051
4513-1027	Samaritans, Inc. Suicide Prevention	400,000	(200,000)	200,000	400,000
4513-1111	Health Promotion and Disease Prevention	4,110,977	(550,000)	550,000	4,110,977
4513-1121	Stroke Treatment and Ongoing Prevention Program	200,000	(200,000)	200,000	200,000
4513-1130	Domestic Violence and Sexual Assault Prevention	31,355,559	(20,000)	20,000	31,355,559
4516-1000	State Laboratory & Communicable Disease Control	12,332,648	(462,475)	462,475	12,332,648
4516-1037	Mobile Integrated Health Retained Revenue	250,000	(250,000)	250,000	250,000
4516-1039	Health Care Industry Plan Review Retained Revenue	200,000	(200,000)	200,000	200,000
4590-0250	School-Based Health Programs	12,069,395	(200,000)	200,000	12,069,395
4590-0915	Public Health Hospitals	155,400,383	(150,000)	150,000	155,400,383
4590-0925	Prostate Cancer Research Program	550,000	(275,000)	275,000	550,000
4590-1503	Pediatric Palliative Care	2,606,334	(800,000)	800,000	2,606,334
4590-1507	Youth At-Risk Matching Grants	3,765,000	(340,000)	340,000	3,765,000

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

State Employee Health Insurance

The Fiscal Year (FY) 2018 budget 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). Although the budget debate this year started with a proposal from the Governor to keep state employee health insurance costs down in part by capping provider rates paid by the state's Group Insurance Commission (GIC), this initiative was never taken up by the Legislature and therefore not included in the budget as signed.

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 Final (with MassBudget Adjustment)	FY 2018 GAA Post Overrides	MassBudget Adjustment	FY 2018 Current (with MassBudget Adjustment)
1108-5200	Group Insurance Premium and Plan Costs	1,074,037,982	1,683,153,734	(608,238,462)	1,074,915,272
1108-5400	Retired Municipal Teachers Group Insurance Prem	0	51,376,567	(51,376,567)	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 transfers to the State Retiree Benefits Trust.

The GAA includes \$432.4 million in a direct operating transfer to the State Retiree Benefits Trust, presumably to ensure funding for *current* retiree benefits.

In order to fully fund *future* retirees' benefits, in FY 2012 the state dedicated an increasing share of its annual Master Tobacco Settlement award to the State Retiree Benefits Trust. By 2018, the state would be depositing 60 percent of the award, currently estimated at \$154.5 million. The FY 2018 budget transfers an amount equivalent to just 10 percent of the Tobacco Settlement award — \$25.8 million — into the State Retiree Benefits Trust to fund OPEB, instead of transferring \$154.5 million. Language in the budget states that this transfer would come from unexpended debt payments reverted to the General Fund or, if those reversions were insufficient, the transfer would come directly from the Master Tobacco Settlement revenue deposited into the General Fund.

With these modifications, the FY 2018 OPEB transfer is \$128.8 million less than the amount indicated for FY 2018 in the statute. Moreover, the Administration anticipates making that transfer out of reversions of debt service appropriations, rather than from general revenues.

HUMAN SERVICES

Child Welfare

The Fiscal Year (FY) 2018 current budget includes \$976.9 million to support the child welfare system, the state's services designed to protect children at risk of neglect or abuse. This total is \$29.3 million more (3.1 percent) than budgeted for FY 2017. The Department of Children and Families (DCF), the

agency responsible for child protection and custody, has a dual mission: to strengthen and preserve vulnerable families and to protect the children in vulnerable families, which sometimes requires removing those children from their home environments. Funding at DCF serves both of these functions.

Funding for the [case workers](#) who work directly with 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 families each, the Administration estimates that increased staffing funded through this proposed budget could bring the caseload ratios closer to this level as it annualizes funding for 450 new staff people. The budget also increases funding to [train](#) these new workers by \$205,000, an 8.3 percent increase to \$2.7 million. The FY 2018 budget includes \$290.0 million for [foster care and adoption](#) services, a \$3.9 million increase over FY 2017 funding. The Governor had, however, vetoed \$403,000 from this line item that the Legislature had designated for specific programs, but the Legislature overrode that veto, as well as several others. (See table below for line items affected by the Governor's vetoes and the Legislature's overrides).

The budget includes \$278.6 million for [group or congregate residential care](#). The Administration has projected approximately 1,600 children living 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 FY 2018 congregate care budget is \$9.1 million over the FY 2017 budget.

As in FY 2017, the FY 2018 budget includes \$250,000 to support [Foster Care Parent Outreach](#), an initiative to encourage more families to open their homes to foster children.

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 budget includes \$47.6 million for [family support services](#), a \$750,000 increase over FY 2017. This increase will help provide the services families might need to help them stay together safely and prevent child neglect.

In addition to the funding for DCF, the FY 2018 budget 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 final budget.

There are two line items supporting funding for Family Resource Centers in the budget that are closely related, one of which is included in the Child Welfare totals in this *Budget Monitor*, the other of which is included in the Other Human Services totals. DCF funding includes \$9.7 million for these [Family Resource Centers](#), a statewide network of community-based organizations providing access to services for at-risk families. The Governor vetoed \$50,000, which had been targeted to a new program, the Juvenile Court Mental Health Access Project, providing mental health access for children and adolescents at risk of entering the juvenile justice system, but the Legislature overrode that veto.

The Governor vetoed several Outside Sections of the budget that would have created a commission to make recommendations to the Legislature about child welfare data reporting, including recommendations to eliminate duplicate reports. The Administration stated that such a commission would not be necessary. However, the Legislature overrode those vetoes, so the commission will operate until February 2022.

The Governor vetoed and the Legislature overrode the following amounts from the following line items:

VETO OVERRIDES FOR CHILD WELFARE

Line Item #	Line Item Name	FY 2018 Legislature	Vetoes	Overrides	FY 2018 GAA Post Overrides
4800-0038	Services for Children and Families	289,964,283	(403,000)	403,000	289,964,283
4800-0200	DCF Family Resource Centers	9,731,116	(50,000)	50,000	9,731,116

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

Disability Services

The state budget supports a range of programs for individuals with disabilities. These include targeted job training programs that help people participate in the workforce as well as community-based supports to assist people and their families more broadly. The current Fiscal Year (FY) 2018 budget funds disability services at \$1.95 billion, a 2.8 percent increase over FY 2017 final funding levels. The Governor vetoed approximately \$8.0 million from services for individuals with disabilities. However, the Legislature overrode the vetoes entirely.

The majority of funding for disability services – \$1.16 billion – goes to **Community Residential Services for Developmentally Disabled**, which supports adults in various residential settings to live as comfortably and independently as possible. This is \$54.5 million (or 4.9 percent) higher than FY 2017 funding levels.

The [Turning 22](#) program under the Department of Developmental Services (DDS) receives \$23.1 million, which is \$4.8 million (or 26.2 percent) above FY 2017 funding. 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. Also, [Respite Family Supports](#) under DDS, which provides short-term care for the family member with a disability, allowing parents and other caregivers to handle personal matters or otherwise get a break, receives \$63.5 million, which is essentially level with FY 2017 funding.

The FY 2018 budget increases funding to [Community Day and Work Programs](#) by \$7.6 million above FY 2017 funding. The Senate and Governor’s proposals consolidated [Community Based Employment](#) into the Community Day and Work Programs account. The FY 2018 budget appears to reflect this consolidation.

The Governor vetoed \$180,000 in the **State Operated Residential Services** account for a local project for DDS clients. However, the veto was overridden, bringing the account to \$208.1 million, \$10.4 (or 4.7 percent) below FY 2017 funding levels.

The Governor vetoed all funding for [Transitions to Work](#), citing limited projected revenues. He also eliminated **Aging with Developmental Disabilities** because it was not in line with his FY 2018 budget proposal. Both these measures were overridden by the Legislature. The Aging with Developmental Disabilities program, funded at \$100,000 for FY 2018, provides direct support for older adults with developmental disabilities, staff training for identifying age-related conditions, and data collection on the effectiveness of support and training. Transitions to Work, funded at \$150,000, provides a range of job training and placement services to young adults with disabilities.

VETO OVERRIDES FOR SUBCATEGORY

Line Item # Line Item Name	FY 2018 Legislature	Vetoed	Overrides	FY 2018 GAA Post Overrides
4120-4000 Independent Living Assistance for the Multi Disabl	9,623,606	(270,000)	270,000	9,623,606
5911-1003 DDS Service Coordination and Administration	67,753,226	(50,000)	50,000	67,753,226
5911-2000 Transportation Services	22,201,781	(363,318)	363,318	22,201,781
5920-2000 Community Residential Services	1,164,904,714	(6,844,581)	6,844,581	1,164,904,714
5920-2010 State Operated Residential Services	208,097,398	(180,000)	180,000	208,097,398
5920-2025 Community Day and Work Programs	202,120,152	(25,000)	25,000	202,120,152
5920-3025 Aging with Developmental Disabilities	100,000	(100,000)	100,000	100,000
7003-0607 Transitions to Work	150,000	(150,000)	150,000	150,000

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

Elder Services

The current Fiscal Year (FY) 2018 budget funds elder services at \$286.1 million, \$11.4 million (4.2 percent) above FY 2017 final funding levels. The Governor vetoed approximately \$647,300 from elder services; however, the Legislature overrode the vetoes entirely.

The majority of funding for elder services programing goes to support **elder home care services**, which allow elders to age in place instead of living in nursing homes. In aggregate, the current FY 2018 budget funds elder home care services at \$226.0 million, an increase of \$10.8 million (or 5.0 percent) when compared to FY 2017 funding levels.

The Governor vetoed \$12,300 for the **elder nutrition program** and \$635,000 in grants to the **Councils on Aging**. Most of these reductions eliminated dedicated funding to specific senior centers and local councils on aging in the state. However, the Legislature overrode the vetoes (see below).

VETO OVERRIDES FOR ELDER SERVICES

Line Item # Line Item Name	FY 2018 Legislature	Vetoed	Overrides	FY 2018 GAA Post Overrides
9110-1900 Elder Nutrition Program	7,268,675	(12,300)	12,300	7,268,675
9110-9002 Grants to Councils on Aging	14,242,900	(635,000)	635,000	14,242,900

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

Juvenile Justice

The current Fiscal Year (FY) 2018 budget funds juvenile justice programs at \$180.5 million, which is essentially level with FY 2017 final funding. The Governor vetoed approximately \$1.8 million from these programs. However, the Legislature overrode the vetoes entirely.

The Governor vetoed \$500,000 for a specific detention diversion advocacy program in the [Residential Services for Detained Population](#) account, which funds detention services for youth awaiting trial. In addition, the Governor vetoed \$1.3 million from the [Residential Services for Committed Population](#) account, which funds facilities and residential programs for Department of Youth Services (DYS) committed youth not living in the community. However, the Legislature overrode these vetoes.

VETO OVERRIDES FOR JUVENILE JUSTICE PROGRAMS

Line Item # Line Item Name	FY 2018 Legislature	Vetoed	Overrides	FY 2018 GAA Post Overrides
4200-0200 Residential Services for Detained Population	28,581,402	(500,000)	500,000	28,581,402
4200-0300 Residential Services for Committed Population	118,863,123	(1,285,943)	1,285,943	118,863,123

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

Transitional Assistance

Transitional assistance programs help low-income individuals and families meet their basic needs and improve their quality of life when faced with an emergency. The current fiscal year (FY) 2018 budget funds transitional assistance programs at \$625.9 million, which is \$31.6 million (4.8 percent) below final FY 2017 funding levels. The Governor vetoed approximately \$7.1 million from these programs, but the Legislature overrode the vetoes entirely.

A large portion of the overall funding decrease of transitional assistance programs comes from the [Transitional Assistance for Families with Dependent Children](#) (TAFDC) account. Funding for TAFDC is \$162.9 million, which is \$28.4 million below final FY 2017 levels. Further, the Governor vetoed \$6.6 million from this account, which the Legislature overrode. The reduction assumes a decrease in caseloads, which one would expect with an improving economy that enables more people to secure

employment and improve their circumstances rather than seek this assistance. However, current caseload reductions may partially result from new administrative changes that make it harder for clients to maintain their benefits. The Legislature also did not adopt changes proposed by the Governor that would have counted SSI benefits to caregivers, who have a severe disability, in determining TAFDC eligibility and benefits. The measure would have reduced or eliminated TAFDC benefits to about 7,000 children.

The current FY 2018 budget increases the **clothing allowance** from \$250 to \$300 per eligible child receiving TAFDC, overriding the Governor’s veto to the increase. The clothing allowance is for annual payments made in September to help low-income families buy back-to-school clothing. The **rent allowance** remains at \$40 per month.

The [Employment Services Program](#) receives \$14.2 million, which reflects a \$150,000 override in specific worker transportation programs. This total is \$1.6 million (or 12.4 percent) above FY 2017 funding levels.

The [Food Stamps Participation Rates Program](#), funds efforts designed to increase the participation of residents eligible, but not currently signed up, to receive SNAP (formerly food stamps). This program receives \$4.4 million, which is \$1.4 million above FY 2017 funding levels. However, the [Supplemental Nutrition Program \(SNAP\) State Supplement](#) receives \$600,000, which is \$100,000 (or 14.3 percent) below FY 2017 funding. The total reflects a \$300,000 override.

The current FY 2018 budget also includes language requiring the Executive Office of Health and Human Services, in conjunction with the Department of Transitional Assistance, to report to the Legislature by January 1, 2018 on the feasibility of creating a **common application** for MassHealth, SNAP, TAFDC, and Emergency Aid to Elders, Disabled, and Children (EAEDC).

VETO OVERRIDES FOR TRANSITIONAL ASSISTANCE PROGRAMS

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	Overrides	FY 2018 GAA Post Overrides
4401-1000	Employment Services Program	14,185,888	(150,000)	150,000	14,185,888
4403-2000	Transitional Aid to Families with Dependent Childr	162,851,212	(6,613,292)	6,613,292	162,851,212
4403-2007	Supplemental Nutritional Program	600,000	(300,000)	300,000	600,000

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

Other Human Services

The current Fiscal Year (FY) 2018 budget includes \$207.0 million for other human services. This funding includes allocations for veterans’ services, food banks, and some cross-agency initiatives. This amount is \$7.1 million less than final budgeted totals for FY 2017. Much of the decrease is associated with the scheduling of rate adjustments 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 FY 2018 budget includes \$17.7 million for the [Emergency Food Assistance Program](#) which is 4.0 percent above FY 2017 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 budget includes \$147.1 million for **veterans’ services**, \$995,000 below FY 2017 totals. Funding for veterans outreach centers totals \$4.6 million, \$761,000 above FY 2017 funding levels.

The budget also includes \$400,000 for the **Low-Income Citizenship Program** in the Office for Refugees and Immigrants, level-funded with FY 2017. This program assists legal permanent residents in becoming citizens.

After a veto of \$4.0 million which was overridden by the Legislature (see table below), the budget includes \$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*.

In addition to funding at the Dept. of Children and Families and included in the Child Welfare section of this *Budget Monitor*, the budget includes \$500,000 for the Executive Office of Health and Human Services to administer and provide technical assistance to the state’s network of [Family Resource Centers](#). The Executive Office lost its FY 2017 funding for these resources in mid-year cuts.

The Governor vetoed and the Legislature overrode the following amounts from the following line items:

VETO OVERRIDES FOR OTHER HUMAN SERVICES

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	Overrides	FY 2018 GAA Post Overrides
1599-6903	Chapter 257 Reserve	39,698,478	(4,000,000)	4,000,000	39,698,478
2511-0105	Emergency Food Assistance Program	17,673,831	(673,831)	673,831	17,673,831
4180-0100	Soldiers' Home in Massachusetts Admin.	27,210,690	(303,734)	303,734	27,210,690

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

INFRASTRUCTURE, HOUSING & ECONOMIC DEVELOPMENT

Transportation

The state supports an array of transportation systems, including roads, bridges, rail, buses, airports, and ferries that enable people and goods to travel where they need to go. Much state funding for

transportation takes place through dedicated revenue sources and a separate capital budget process. For a chart and description of funding for transportation operations and debt service, see MassBudget's fact sheet, "[What Does Massachusetts Transportation Funding Support and What Are the Revenue Sources?](#)"

The **Massachusetts Transportation Trust Fund (MTTF)** contributes to highways, transit, intercity rail, small airports, the Massachusetts Turnpike, and the Motor Vehicle Registry. The MTTF receives funds from tolls and federal transportation sources as well as a transfer from the Commonwealth Transportation Fund. The Governor's vetoes reduced spending for the MTTF by \$1.2 million, proposing to eliminate 14 specific local transportation improvement projects. The Legislature overrode these vetoes. With the overrides the FY 2018 budget support to the MTTF is \$303.3 million, which is a reduction of \$89.6 million compared to FY 2017 levels (22.8 percent).

As part of the reduction in support to the MTTF, the snow and ice control fund is underfunded for FY 2018 by about \$19 million below normal expected spending levels. Lawmakers have tended to underfund the snow and ice removal account, knowing that if needed the Legislature will appropriate additional funds for this purpose in a later supplementary budget.

Following earlier proposals in this budget cycle, the Legislature reduced **Massachusetts Bay Transportation Authority (MBTA)** operating assistance to \$127.0 million, a reduction of \$60.0 million compared to the FY 2017 budget. This reduction is expected to be accompanied by an increase in capital funding of the same amount. Anticipating this shift, the Department of Transportation's (MassDOT's) draft capital plan in May included \$60.0 million in the state bond cap [allocation](#) that had not been in the earlier draft. This capital allocation, supported through the issuance of state bonds, would be for "[s]upplemental capital funding for state of good repair and modernization projects across the system including signal upgrades and station improvements." The budget includes language that requires the MBTA to provide quarterly reports accounting for how future operating transfers are spent and it mandates that the authority report the level of funding they expect to request through 2021. The legislative language also stipulates that the MBTA is required to include this funding in their future presentations on the structural deficit – instead of presenting a structural deficit that omits this funding – and, that the money "shall be used to prevent diminished service levels and diminished personnel levels." In the last two years the MBTA has redirected a growing portion of operating assistance to its capital account while arguing that projected operating deficits [made it necessary](#) to end late-night bus service, curtail the scope of paratransit service, raise fares, and privatize some functions.

After the Legislature's budget reduced funding for the state's 15 **Regional Transit Authorities (RTAs)** to \$80.4 million in FY 2018, the Governor's veto further reduced support to \$80.0 million, but the Legislature overrode the veto. The resulting amount remains below the \$82.0 million that the RTAs received in FY 2017 and FY 2016.

Updated projections of sales tax revenue have also changed budget assumptions about the automatic sales tax transfer to the MBTA. At the start of the budget process, the Governor projected that a growing economy and measures to modernize sales tax collection would generate \$1,021,640,000 from the "penny for the T." The budget approved by the Legislature in July reflected slower than anticipated sales tax revenues and revised projections of a \$1,007,100,000 dedicated transfer to the MBTA in FY 2018. With sales tax collections falling short of those lower projections, the Comptroller in mid-November certified an approximately \$300,000 reduction in the FY 2018 sales tax transfer, based on a

formula that sets a revenue floor for growth. The Comptroller’s projected transfer for FY 2018 is \$8.9 million over the FY 2017 transfer.

FUNDING FOR TRANSPORTATION

Line Item #	Line Item Name	FY 2017 Final	FY 2018 Current	Difference: FY18 Current - FY17 Final	Notes
1595-6368	Massachusetts Transportation Trust Fund (MTTF)	392,913,358	303,341,772	(89,571,586)	
1595-6369	MBTA Additional Assistance	187,000,000	127,000,000	(60,000,000)	\$60M to capital
1595-6370	Regional Transit Authorities	82,000,000	80,400,000	(1,600,000)	
1595-6379	Merit Rating Board	9,695,430	9,404,567	(290,863)	insurers reimburse
T0100340	MBTA Sales Tax Transfer	997,900,000	1,006,809,769	8,909,769	Base rev amt

The FY 2018 budget also includes several outside sections making transportation-related policy changes:

- Requiring MassDOT to annually report on how much capital expenditures are used to match federal projects and detail departmental employee salaries included in capital expenditures and the impact of including these salaries as capital expenditures.
- Enabling the Pension Reserves Investment Management Board to manage the investment of the MBTA Retirement Fund, if the MBTA Retirement Fund board agrees.
- Requiring MassDOT to convene a working group to evaluate establishing direct seasonal weekend passenger rail service between New York City and Pittsfield between Memorial Day and Columbus Day weekends modeled on the CapeFLYER passenger rail.
- Requiring MassDOT to conduct a feasibility study on establishing a highway interchange on Interstate 90 between the existing interchanges located in the municipalities of Westfield and Lee.
- Increase the value of real estate that MassDOT may sell without a competitive bidding process from less than \$5,000 to \$50,000 or less.

VETO OVERRIDES FOR TRANSPORTATION

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	Overrides	FY 2018 Post Overrides
1595-6368	Massachusetts Transportation Trust Fund (MTTF)*	303,341,772	(1,245,550)	1,245,550	303,341,772
1595-6370	Regional Transit Authorities (RTAs)	80,400,000	(400,000)	400,000	80,400,000

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

Housing

The state budget funds affordable housing and shelter for low-income homeless families and individuals. The Legislature overrode \$7.7 million in vetoes made by the Governor when he signed the Fiscal Year (FY) 2018 General Appropriations Act (GAA) bringing total funding for housing and

homelessness programs to \$440.7 million. This is \$14.1 million less than the amount provided in FY 2017.

The FY 2018 current budget is lower than FY 2017 largely because it provides \$20.1 million less for [Emergency Assistance](#) (EA). EA provides shelter to low-income, homeless families with children who qualify for assistance. The FY 2018 amount of \$155.9 million is \$8.8 million below the Governor's initial FY 2018 proposal and \$10.2 million below the Senate budget. Because EA provides shelter to all families who are eligible, both the Governor's and Senate's proposals provided funding to meet anticipated caseload levels for FY 2018. The FY 2018 budget created a new **Caseload and Deficiency Reserve Account** of \$104.1 million which could provide supplemental funding to EA, if needed, over the course of the fiscal year. The Legislature overrode the Governor's \$995,000 veto to EA, which included \$800,000 for the Home Works program that provides summer and out-of-school time opportunities for children staying in EA shelters.

The state budget also funds programs that provide short-term assistance to help low-income families avoid shelter altogether or move from shelter into housing. [HomeBASE](#) provides up to \$8,000 in housing assistance, including rent, for 12 months to families who are qualified to stay in EA shelters. The FY 2018 budget provides \$30.1 million, which is \$1.8 million less than in FY 2017.

[Residential Assistance for Families in Transition](#) (RAFT) provides up to \$4,000 in assistance during one year to help keep families from becoming homeless. Because RAFT is not required to help every low-income family who qualifies for assistance, it often runs out of funding before the fiscal year ends. The FY 2018 budget provides \$15.0 million for RAFT, which is \$2.0 million more than FY 2017. The Governor vetoed \$2.0 million, which was overridden by the Legislature. This override will restore funding that expands RAFT services for the elderly, people with disabilities, and unaccompanied youth who are at risk of becoming homeless.

The state budget also funds long-term supports to help families and the elderly secure housing. The [Massachusetts Rental Voucher Program](#) (MRVP) provides housing vouchers to low-income renters. The FY 2018 budget provides \$92.7 million for MRVP, which is \$6.2 million above FY 2017. Because of the revenue shortfall, noted in the Revenue section of this *Monitor*, the FY 2018 budget funds the program below the original \$100.0 million recommended in both the House and the Senate's final budget proposals. In addition, a supplemental budget passed earlier this fall requires that any MRVP funds not spent in FY 2017 be reverted to the General Fund. Both chambers estimated that their initial funding level of \$100 million would have allowed the state to create 300-400 new vouchers in FY 2018. At the lower funding level, it is likely that the Department of Housing and Community Development (DHCD) will not be able to create any new vouchers in FY 2018. The FY 2018 GAA also increases the amount of income that voucher holders can earn before they lose their vouchers. For a discussion of this change, please see the [Housing](#) section of MassBudget's Conference Preview.

[Subsidies to Public Housing Authorities](#) support affordable housing for families and the elderly. The FY 2018 budget provides \$64.5 million to Local Housing Authorities (LHAs), which is the same as FY 2017. The Legislature overrode a \$1.5 million veto made by the Governor.

Other notable stories for housing accounts in the FY 2018 current budget include:

- Providing \$675,000 in funding for services provided to [homeless youth](#) up to age 24 who are not in the care of a parent or guardian. The Governor vetoed funding for this program, which

the Legislature overrode. The FY 2018 budget is \$1.3 million less than the \$2.0 million provided in FY 2017.

- Eliminating funding for the **New Lease** program. The Governor vetoed \$250,000 that the Legislature provided to fund this new program. The Legislature did not override the veto. New Lease would have matched homeless families, living in hotels and motels, with housing and support services to remain housed over the long term.
- Including \$650,000 for **Secure Jobs Connect**, which provides employment and housing stabilization services to low-income families who receive housing assistance through DHCD.
- Providing \$47.8 million to help **homeless individuals**, including \$2.0 million for the **Home and Healthy for Good** program, which helps chronically homeless individuals remain housed. The Governor vetoed \$570,000 in funding for specific programs included in the two accounts, which the Legislature overrode.
- Providing \$1.0 million to expand **housing courts**. The Governor vetoed \$250,000, noting that he was reducing funding to the amount he deemed necessary. The Legislature overrode his veto. (Note: Because MassBudget includes the Housing Court in its Law and Public Safety category, the amount provided for Housing Court expansion is not included in MassBudget's total for Housing programs.)

VETO OVERRIDES FOR HOUSING

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	Overrides	FY 2018 GAA Post Overrides
4000-0007	Unaccompanied Homeless Youth	675,000	(675,000)	675,000	675,000
7004-0099	DHCD Admin	8,158,469	(1,305,000)	1,305,000	8,158,469
7004-0100	Operation of Homeless Programs	5,090,311	(84,790)	84,790	5,090,311
7004-0101	Emergency Assistance Family Shelters and Services	155,878,948	(995,000)	995,000	155,878,948
7004-0102	Homeless Individuals Assistance	45,770,000	(530,000)	530,000	45,770,000
7004-0104	Home and Healthy for Good Program	2,040,000	(40,000)	40,000	2,040,000
7004-0106	New Lease for Homeless Families	125,000	(125,000)		0
7004-3036	Housing Services and Counseling	2,221,992	(180,000)	180,000	2,221,992
7004-3045	Tenancy Preservation Program	625,000	(125,000)		500,000
7004-9005	Subsidies to Public Housing Authorities	64,500,000	(1,520,407)	1,520,407	64,500,000
7004-9030	Alternative Housing Voucher Program	5,000,000	(400,000)	400,000	5,000,000
7004-9316	Residential Assistance for Families in Transition	15,000,000	(2,000,000)	2,000,000	15,000,000

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

Economic Development

Economic development programs aim to strengthen the state's workforce, support community investments, and stimulate economic activity. The current Fiscal Year (FY) 2018 funds economic development at \$142.7 million, which is \$15.8 million (12.4 percent) above FY 2017 final funding. The

Governor vetoed approximately \$15.7 million from economic development; however, the Legislature overrode the majority of these vetoes -- \$14.7 million.

The current FY 2018 budget establishes a new \$250,000 program, [Learn to Earn](#), which aims to train and place unemployed and underemployed individuals in jobs in high-demand fields through partnerships between public agencies, businesses, community-based organizations, and career centers. The Governor’s FY 2018 budget proposal introduced this program. Originally, this account was funded at \$1.0 million; however, \$750,000 will be transferred from Learn to Earn into the [Workforce Competitiveness Trust Fund](#) (WCTF), which has similar workforce development goals. The remaining \$250,000 for Learn to Earn funds new programs that will address barriers to sustained employment, such as child care and transportation costs. Collectively, these accounts are \$200,000 below FY 2017 funding.

FUNDING FOR LEARN TO EARN & WCTF

Line Item #	Line Item Name	FY 2017 Final	FY 2018	Transfers	FY 2018 Adjusted	Difference: FY18 (in FY17 Structure) - FY17 Final
7002-1075	WCTF	2,200,000	1,000,000	750,000	1,750,000	(450,000)
7002-1080	Learn to Earn	0	1,000,000	(750,000)	250,000	250,000
TOTAL		2,200,000	2,000,000	0	2,000,000	(200,000)

Some highlights of increases in the current FY 2018 budget include:

- \$11.0 million to [YouthWorks](#), the summer jobs program for at-risk youth, a \$900,000 increase over FY 2017 funding. This total reflects a \$300,000 Legislative override to several local projects.
- \$3.1 million to the **Massachusetts Service Alliance** for various workforce training programs and services in the state, a \$1.6 million increase over FY 2017 funding. The total reflects a \$380,000 override to local service projects.
- \$24.5 million to the [Workforce Training Fund](#), a \$1.4 million increase over FY 2017 funding.

The budget also decreased or eliminated funding for several programs including the following:

- \$100,000 decrease from FY 2017 to the [Re-Entry Demonstration Workforce Development Program](#), which provides workforce development and supportive services to individuals transitioning from a correctional facility, bringing total funding to \$150,000.
- \$348,000 decrease from FY 2017 to the [Massachusetts Cultural Council](#), which offers grants and services to nonprofit cultural organizations, schools, communities, and artists in Massachusetts, bringing total funding to \$14.0 million. The decrease would have been steeper since the Governor vetoed \$1.9 million from this account, citing limited projected revenues; however, the Legislature overrode the entire veto.
- The Governor vetoed \$1.0 million from the **Mass Manufacturing Extension Partnership** (MassMEP), eliminating funding. MassMEP, a collaboration of government, business, and

academic partners, helps manufacturers in the state plan and implement strategies for increased competitiveness. The Legislature did not override the veto.

Further, the current FY 2018 budget would have transferred up to \$10.0 million from surplus funds, if there were a state surplus at the end of FY 2017, to the Massachusetts Life Sciences Investment Fund. However, there was no surplus for the FY 2017 budget year. (Additionally, up to \$10.0 million would be transferred to the Community Preservation Trust Fund as described in the section on “Other Local Aid.”)

For travel and tourism, the current FY 2018 budget funds the **Mass. Office of Travel and Tourism** (MOTT) at \$13.4 million. This total reflects an override of a \$6.8 million veto as well as a \$4.0 million transfer from the **Tourism Trust Fund**. For the **Regional Tourism Council Grants**, the current FY 2018 budget provides \$6.0 million. This total comes entirely from the Tourism Trust Fund. The current statute transfers a total of \$10.0 million in room occupancy tax revenue (from hotel room taxes) to the Massachusetts Tourism Trust Fund and distributes 40 percent of this funding (\$4.0 million) to MOTT and 60 percent (\$6.0 million) to the Regional Tourism Councils.

VETO OVERRIDES FOR ECONOMIC DEVELOPMENT

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	Overrides	FY 2018 GAA Post Overrides
0640-0300	Massachusetts Cultural Council	13,950,699	(1,875,000)	1,875,000	13,950,699
2511-0100	Department of Agricultural Resources Administration	5,830,341	(281,264)	281,264	5,830,341
7002-0010	Executive Office of Housing and Economic Development	2,679,257	(425,000)	425,000	2,679,257
7002-0012	Summer Jobs Program for At Risk Youth	10,950,000	(300,000)	300,000	10,950,000
7002-0020	Workforce Development Grant	1,525,000	(175,000)	175,000	1,525,000
7002-0032	Innovation Institute	1,000,000	(250,000)	250,000	1,000,000
7002-0033	International Trade	100,000	(100,000)	100,000	100,000
7002-1502	Transformative Development Fund	250,000	(250,000)	250,000	250,000
7002-1508	Mass. Tech. Collaborative Tech and Innovation Entrepreneurs	1,550,000	(1,550,000)	1,550,000	1,550,000
7002-1512	Big Data Innovation and Workforce Fund	500,000	(500,000)	500,000	500,000
7003-0100	Executive Office of Labor and Workforce Development	975,048	(230,000)	230,000	975,048
7003-0606	Massachusetts Manufacturing Extension Partnership	1,000,000	(1,000,000)	0	0
7003-0803	One Stop Career Centers	3,960,051	(200,000)	200,000	3,960,051
7003-1206	Massachusetts Service Alliance	3,080,000	(380,000)	380,000	3,080,000
7007-0800	Small Business Development Center at UMass	1,386,222	(200,000)	200,000	1,386,222
7007-0952	Commonwealth Zoological Corporation	4,350,000	(350,000)	350,000	4,350,000
7007-1202	Mass. Tech. Collab. Computer Science Education	850,000	(850,000)	850,000	850,000
7008-0900	Massachusetts Office of Travel and Tourism	13,403,337	(6,793,976)	6,793,976	13,403,337

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

LAW & PUBLIC SAFETY

Law and public safety programs include the court system and indigent defense, prosecutors, state prisons and county sheriffs' departments, probation and parole functions, as well as the military division, fire safety services, and various other safety inspection services.

The Governor had vetoed \$9.0 million in law and public safety funding when he signed the Fiscal Year (FY) 2018 General Appropriations Act (GAA). The Legislature overrode all of the Governor’s vetoes. After the overrides, current FY 2018 law and public safety funding comes to \$2.72 billion. This is \$57.1 million (2.1 percent) lower than final FY 2017 funding levels. Some or all of this gap may be covered by a reserve account, discussed below.

FUNDING FOR LAW & PUBLIC SAFETY SUB-CATEGORIES

Sub-Category	FY 2017 Final	FY 2018 Current	Difference: FY18 Current - FY17 Final	Notes
Courts & Legal Assistance	765,355,585	710,381,800	(54,973,785)	
Law Enforcement	391,177,692	391,889,640	711,948	
Prisons, Probation & Parole	1,399,218,754	1,395,362,187	(3,856,567)	*incl. adj.
Prosecutors	167,174,293	167,052,331	(121,962)	
Other Law & Public Safety	55,316,925	56,408,344	1,091,419	
Total Law & Public Safety	2,778,243,249	2,721,094,302	(57,148,947)	

*Budget proposals sometimes shift the allocation of funding among line items. The chart above presents those proposals in the FY 2017 funding structure to make comparisons easier.

Many law and public safety accounts, including funding for **sheriffs’ departments** and **private counsel compensation (PCC)** for indigent persons are often underfunded in the annual budget and typically [receive significant mid-year funding](#). In recognition of this, the Legislature established a new **Caseload and Deficiency Reserve** account of \$104.1 million that can be used to supplement funding for, among other items, the sheriffs, and PCC accounts. When signing the FY 2018 GAA, the Governor proposed an additional \$94.1 million to this reserve account – which would bring the total amount in this reserve account to \$198.2 million. This is the total amount of deficiencies the Administration estimated the sheriffs, PCC, and several other areas of the budget will have throughout FY 2018. As of yet, the Legislature has not approved this request, but has provided funding for a few specific deficiencies.

Overall, the **sheriffs’ departments** have \$37.3 million (6.2 percent) less in direct funding allocations compared to FY 2017 spending levels. The Administration had estimated in July 2017 that the sheriffs’ departments were underfunded by a total of \$45.3 million. Funding may be available during FY 2018 from the Caseload and Deficiency Reserve.

Funding for private counsel compensation and related indigent persons court fees is down \$62.1 million from FY 2017 spending to FY 2018. Some of this funding may be restored via a transfer from the Caseload and Deficiency Reserve account. Still, unless the Governor’s \$94 million supplemental funding request for the reserve is passed, it seems likely that either the PCC account or some other caseload-driven account will remain underfunded for the time being. Best budgeting practices would encourage including the full, anticipated cost for all programs as part of the annual budget, rather than assuming mid-year supplemental appropriations, however, this funded reserve account is a step in the right direction.

The most significant increase over last year is an additional \$18.1 million (3.0 percent) for the **Department of Corrections (DOC)**. The Governor had vetoed a \$125,000 earmark to monitor and

document the [reform efforts](#) made at the Bridgewater State Hospital, a medium-security prison and mental health facility. The Legislature overrode this veto.

VETOES FOR LAW & PUBLIC SAFETY ACCOUNTS

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	Overrides	FY 2018 GAA Post Overrides
0321-2100	Prisoners' Legal Services	1,609,465	(122,274)	122,274	1,609,465
0321-2205	Suffolk County Social Law Library	1,906,264	(75,064)	75,064	1,906,264
0336-0003	Housing Court Expansion	1,000,000	(250,000)	250,000	1,000,000
0840-0100	Victim and Witness Assistance Board	587,531	(95,000)	95,000	587,531
1201-0400	Task Force on Illegal Tobacco	897,499	(302,500)	302,500	897,499
8000-0600	Executive Office of Public Safety	4,415,464	(1,987,000)	1,987,000	4,415,464
8000-1001	Boston Regional Intelligence Center	850,000	(600,000)	600,000	850,000
8100-1001	Department of State Police	281,420,645	(1,887,952)	1,887,952	281,420,645
8200-0200	Municipal Police Training Committee	4,837,750	(50,000)	50,000	4,837,750
8324-0000	Department of Fire Services Administration	24,541,413	(2,830,000)	2,830,000	24,541,413
8700-0001	Military Division	9,691,590	(35,000)	35,000	9,691,590
8900-0001	Department of Correction Facility Operations	615,454,903	(125,000)	125,000	615,454,903
8910-0107	Middlesex Sheriff's Department	68,275,072	(250,000)	250,000	68,275,072
8910-0108	Franklin Sheriff's Department	15,914,487	(100,000)	100,000	15,914,487
8910-0110	Hampshire Sheriff's Department	14,165,464	(186,952)	186,952	14,165,464
8910-8500	Nantucket Sheriff's Department	765,348	(100,000)	100,000	765,348

For information on funding for all law and public safety accounts going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

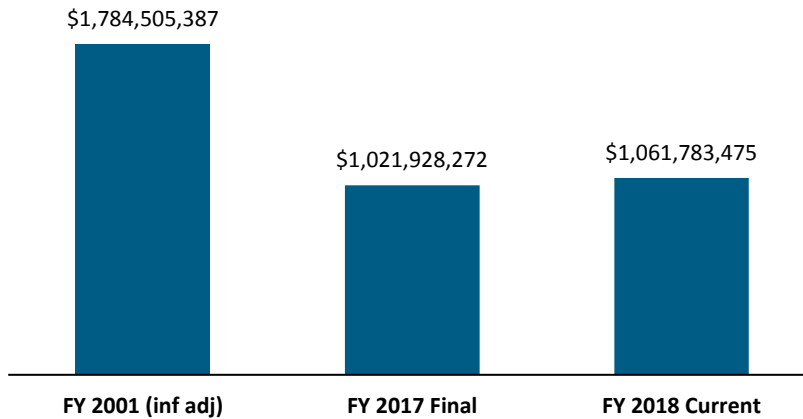
LOCAL AID

Unrestricted Local Aid

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 current Fiscal Year (FY) 2018 budget allots \$1.06 billion for **Unrestricted General Government Local Aid**. Also known as UGGA or "general local aid," the amount is an increase of \$39.9 million over FY 2017 levels.

The Commonwealth's capacity to fund general local aid has been hindered by a series of significant state-level tax cuts during the 1990s and 2000s 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.

General Local Aid



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 vetoed \$1.25 million in targeted local projects in the **Municipal Regionalization and Efficiencies Incentive Reserve**, which were restored by legislative overrides, leaving the total at \$11.5 million in the current FY 2018 budget. This is \$5.2 million more than the FY 2017 amount (\$6.2 million) that remained after the Governor cut the program’s funding in December 2016. Most funds in this reserve are dedicated to four competitive grant programs to promote municipal best practices.

The **Community Preservation Act (CPA) Trust Fund** provides state matching funds to municipalities that vote for a targeted property tax increment to fund their own local account dedicated to preserving open space, restoring historical buildings, creating affordable housing, or developing outdoor recreation facilities. State Registry of Deeds filing fees fund the CPA Trust Fund. During the first years of the CPA, the state fund matched 100 percent of the revenue that municipalities raised themselves, but that portion has fallen sharply in recent years. The fund may face additional strains because eleven new municipalities, including Boston, voted in last year to adopt the CPA. The Legislature provided the CPA Trust Fund with up to \$10.0 million in state surplus funds at the end of FY 2017, in the event that any consolidated net surplus should occur. The final accounting for the FY 2017 budget, however, included no consolidated net surplus.

VETO OVERRIDES FOR OTHER LOCAL AID

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	Overrides	FY 2018 GAA Post Overrides
1599-0026	Municipal Regionalization and Efficiencies Incentive Reserve	11,450,000	(1,250,000)	1,250,000	11,450,000

OTHER

Libraries

The state budget supports local libraries; the Boston Public Library, which serves as the primary research and reference service for the Commonwealth; and other library programs in Massachusetts. The current Fiscal Year (FY) 2018 budget provides \$25.5 million for libraries, which is slightly above the FY 2017 budget. The Governor vetoed \$250,000 in funding for libraries, which the Legislature overrode. Even with a slight increase over FY 2017, funding for public libraries has fallen by 48 percent since FY 2001 after adjusting for inflation.

With its overrides, the Legislature restored \$200,000 in funding, vetoed by the Governor, for the **Center for the Book**, a public-private partnership that helps to advance reading and supports outreach for local libraries.

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

VETO OVERRIDES FOR LIBRARIES

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	Overrides	FY 2018 GAA Post Overrides
7000-9402	Talking Book Program Worcester	491,715	(50,000)	50,000	491,715
7000-9508	Center for the Book	200,000	(200,000)	200,000	200,000

Pensions

The FY 2018 budget raises the state's annual contribution to the Pensions Reserves Investment Trust (PRIT) Fund by \$196.4 million over Fiscal Year (FY) 2017, to a total of \$2.39 billion. Based on the recent update by the Secretary of Administration and Finance to the state's five-year pension contribution schedule, the GAA budget also specifies the increased contribution amounts to be made in FY 2019 and FY 2020. (To read more about how PRIT contributions are calculated and about the current schedule for paying down the state's unfunded pension liabilities, see MassBudget's, "[Analyzing the Governor's Budget for FY 2018](#)."

Assets held and managed within the PRIT are used to fund future state employee retirement costs. The funds in the PRIT come from three sources: employee pension contributions, the state's contributions toward employee pensions, and the investment returns generated from the PRIT. To learn more about the Massachusetts state pension system in general, see MassBudget's report "[Demystifying the State Pension System](#)."

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

Additional Line Item Veto Overrides

In addition to the spending accounts discussed above in the *Budget Monitor*, the Legislature also overrode some of the Governor's vetoes in the following MassBudget subcategories: *Commercial Regulatory Entities, Constitutional Officers, and Other Administrative*.

VETO OVERRIDES FOR COMMERCIAL AND REGULATORY ENTITIES

Line Item #	Line Item Name	FY 2018 Legislature	Vetoes	Overrides	FY 2018 GAA Post Overrides
0610-0050	Alcoholic Beverages Control Commission	2,438,091	(49,999)	49,999	2,438,091
7006-0011	Loan Originator & Consumer Counseling Program	2,350,000	(800,000)	800,000	2,350,000

VETO OVERRIDES FOR CONSTITUTIONAL OFFICERS

Line Item #	Line Item Name	FY 2018 Legislature	Vetoes	Overrides	FY 2018 GAA Post Overrides
0511-0000	Secretary of the Commonwealth Administration	6,457,442	(74,980)	74,980	6,457,442
0511-0200	State Archives	665,557	(100,000)	100,000	665,557
0511-0270	Census Data Technical Assistance	574,980	(175,020)	175,020	574,980
0526-0100	Massachusetts Historical Commission	982,724	(50,000)	50,000	982,724
0610-0010	Financial Literacy Programs	495,000	(60,000)	60,000	495,000
0710-0220	Health Care Cost Containment Investigation	375,000	(107,689)	107,689	375,000

VETO OVERRIDES FOR OTHER ADMINISTRATIVE

Line Item #	Line Item Name	FY 2018 Legislature	Vetoes	Overrides	FY 2018 GAA Post Overrides
0910-0200	Office of the Inspector General	2,588,525	(10,000)	10,000	2,588,525
0910-0220	Bureau of Program Integrity	449,980	(50,020)	50,020	449,980
0910-0300	Inspector General MassDOT Office	437,479	(12,521)	12,521	437,479
0920-0300	Office of Campaign and Political Finance	1,617,919	(15,861)	15,861	1,617,919
1231-1000	Water and Sewer Rate Relief Payments	1,100,000	(1,100,000)	1,100,000	1,100,000
1232-0100	Underground Storage Tank Reimbursements	5,500,000	(2,500,000)	2,500,000	5,500,000
1599-2003	Uniform Law Commission	50,000	(50,000)		0

REVENUE AND BALANCE

In this year's budget process there was more variation and disagreement about revenue assumptions than usual. In light of FY 2017 tax revenues falling short of forecasts, the Legislature reduced its tax revenue estimate for FY 2018 by \$650 million. The decline would have been \$83 million larger, but under existing law the deteriorating revenue situation forestalled a previously scheduled reduction in the income tax rate from 5.10 percent to 5.05 percent. The Governor and the Legislature disagreed about their projections for tax revenues in FY 2018. The Governor assumed tax revenues for FY 2018 will be approximately \$99 million lower than the Legislature projected in its budget. Based on tax collections during the first five months of the fiscal year, the Department of Revenue estimates revenues are coming in \$204 million ahead of the Governor's tax projections.

Overall, the current FY 2018 budget uses about \$750 million of temporary revenue and underfunding of account. These include counting 13 months of sales tax revenue during the 12 months of FY 2018, underfunding contributions for state employee health insurance, assuming that approximately \$200 million in unspecified accounts will remain unspent, and underfunding various accounts such as snow removal for which the state will likely require supplementary funding later during the year. This reliance on temporary measures means the FY 2019 budget cycle is likely to begin with a significant gap between ongoing spending and ongoing revenue. On the positive side, however, stronger-than-projected tax revenue growth may replace or offset some of these temporary revenue measures.

Tax Revenue

The budget adopted several “tax modernization” changes that would deliver a mix of both one-time and ongoing revenue. One proposal would have required merchants to remit sales taxes to the Commonwealth daily rather than at the end of the month. In addition to other benefits, this would result in a one-time increase in revenue of \$125.0 million in FY 2018 by counting 13 months of sales tax revenue in the 12 months of FY 2018. Following provisions in this law, the Department of Revenue conducted a study and found that it would not be feasible to implement this change cost-effectively by June. Merchants will continue to remit monthly for now, and a 13th month of sales tax revenue (July 2019) will nonetheless count as one-time revenue in FY 2018. The budget also relies on \$51.0 million in net additional tax revenue, largely from measures to improve compliance. A description of these tax modernization measures can be read in MassBudget’s Governor’s *Budget Monitor* [here](#), though due to later implementation, previous expectations for \$30 million in addition revenue from out-of-state online retailers is reduced to \$22 million.

The Legislature did not adopt a number of proposals for additional revenues: higher taxes on flavored cigars, tighter eligibility and salary caps for Film Tax Credits, and extending the room occupancy tax to short-term rentals such as those made through Airbnb. Nor did the Legislature include an earlier proposal for a Tax Expenditure Review Commission to systematically review and make recommendations about many of the tax breaks provided by the Commonwealth. (For more detail on the growing cost of special business tax breaks in Massachusetts, see MassBudget’s report [here](#)).

The budget expands the **Earned Income Tax Credit (EITC)** by making it easier for married victims of domestic abuse to claim the credit without filing a joint return with their spouses. Along with this change, the budget limits the size of state EITC benefits for part-time residents and eliminates access to the credit for nonresidents. The Legislature also agreed to create a new business tax credit for employers that hire qualified, Massachusetts-based veterans. (For more detail on these two proposed tax credits, see MassBudget’s House Ways and Means Committee *Budget Monitor* [here](#).)

Temporary Non-Tax Revenues

The FY 2018 GAA 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. Some of these non-tax revenues are temporary, and used to balance the budget.

The FY 2018 budget is counting on approximately \$200.0 million from an assessment on employers to help address growing public costs resulting from a shift from employer-sponsored health insurance to publicly-funded health insurance (MassHealth). The Legislature adopted a proposal offered by the Governor in June that would increase the existing **Employer Medical Assistance Coverage (EMAC)** to generate these revenues. The Governor sent these provisions back to the Legislature with proposed amendments that included that same EMAC assessment along with other provisions to restructure MassHealth eligibility and to reform the commercial health insurance market. Although the Legislature has not yet finished considering proposed health reforms, the EMAC assessment was enacted into law in August. (See the “MassHealth (Medicaid) and Health Reform” section of this *Budget Monitor* for a further discussion.) Because the Governor had originally counted on this revenue to balance the budget, we include that amount here, and because the EMAC assessment legislation sunsets the assessment in December 2019, we count it as temporary revenue. There is a new line item appropriation of \$2.9 million to support the administration of this assessment.

There are some non-tax revenues that may become available over the course of the year, but the amounts are unknown. Specifically, it is very likely that by the end of FY 2018, the Administration will be able to transfer (“sweep”) extra funds from a variety of trusts, but the budget is not counting on a specific amount of those funds at this time.

The budget also counts on being able to spend \$205.0 million from unspent FY 2018 appropriations that would otherwise be sent back to the General Fund (“reversions”).

Underfunded Accounts

In addition to the items described above, the budget underfunds a variety of accounts in the budget. The budget provides \$128.8 million less in funding for the **State Retiree Benefits Trust** than is called for by existing law. (See the “State Employee Health Insurance” section of this *Budget Monitor* for discussion.) Similarly, the budget includes a deposit of \$51.5 million less in capital gains tax revenues into the state’s Stabilization (“Rainy Day”) Fund than current law requires.

The budget also underfunds several accounts that will ultimately require additional funding. In many accounts, when the budget provides less in funding than the cost of maintaining services, the state serves fewer people or reduces the level of services. Cuts to those accounts can be harmful, but they don’t cause budget gaps. In some accounts, however, the services are required by law or by the Constitution, or need to be provided for other reasons. In those cases the services are provided even if the initial budget doesn’t fund the full cost and the Legislature provides funding later in the year. The result is that when these accounts are underfunded, the spending total in the initial budget is artificially low. Among the accounts that are underfunded in this way are: emergency shelter, legal counsel for low-income defendants, and required payments to contractors who do snow and ice removal for the Department of Transportation. The Administration has also stated that current MassHealth funding levels are inadequate, and that either significant program changes or additional funding are necessary. The exact amount of this deficiency and the net cost of that deficiency are not included in the chart below, as they are difficult to estimate at this moment, and health reform is still under debate.

To partially address the underfunding of some of these accounts, the Legislature created a \$104.1 million **Caseload and Deficiency Reserve**. The Governor concluded at the time of the signing of the budget, however, that there was a total of \$198.2 million in underfunded accounts, and he proposed a

supplementary budget of \$94.1 million to address the balance of these anticipated shortfalls. The Legislature did not pass the Governor’s proposed funding bill to fill these deficiencies.

Earlier legislative budget proposals included language to divert \$52 million in capital gains tax revenue that would ordinarily go to the state’s Stabilization (“Rainy Day”) Fund instead into the General Fund. This language was sent back by the Governor with an amendment. Because the Legislature did not act on the Governor’s proposal, the existing law remains in effect, thus directing all capital gains revenue above its established threshold into the Stabilization Fund.

RELIANCE ON TEMPORARY REVENUE AND UNDERFUNDED ACCOUNTS			
(\$ millions)			
	FY 2018 Legislature	FY 2018 GAA	FY 2018 Current
TEMPORARY TAX REVENUES			
Sales & room-occupancy tax daily remittance*	125	125	125
Cap life sciences credit program	5	5	5
SUBTOTAL	130	130	130
TEMPORARY NON-TAX REVENUES			
Employer health contribution	200	200	200
Transfers from trusts	20		
Assumed reversions of appropriations	205	205	205
SUBTOTAL	425	405	405
UNDERFUNDED ACCOUNTS			
State Retiree Benefits Trust	129	129	129
Emergency assistance (shelter)	10	10	10
Public counsel	64	64	64
Snow and ice appropriations	19	19	19
Sheriffs	45	45	45
Other accounts	60	60	60
Reserve for underfunded accounts	(104)	(104)	(104)
Required capital gains tax deposit to Stabilization Fund	52	52	0
SUBTOTAL	275	275	223
TOTAL	830	810	758

*FY 2018 Legislature and FY 2018 GAA based on accelerated collection of July 2018 sales taxes; FY 2018 Current counts July 2018 sales taxes in FY 2018 but does not accelerate their collection.

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.

FY 2018 Current column shows the budgeted General Appropriation Act as enacted in July 2017, incorporates overrides through November 2017, and includes supplemental budget legislation passed since the start of the fiscal year.

FY 2017 Final column shows the budgeted General Appropriation Act as enacted in July 2016, and as amended by supplemental budget legislation and reduced by mid-year 9c cuts.

For other explanatory information, see details below the chart.

BUDGET BY CATEGORY AND SUBCATEGORY (\$ millions)	FY 2001 Final Adjusted for Inflation to FY 2018	FY 2017 Final	FY 2018 Legislature	FY 2018 GAA (Post Overrides)	FY 2018 Current
Education	7,516.5	7,788.0	7,940.8	7,940.8	7,947.4
Early Education & Care	742.6	567.6	577.0	577.0	577.0
Higher Education	1,370.7	1,171.3	1,171.2	1,171.2	1,172.2
K-12: Chapter 70 Aid	4,243.9	4,628.0	4,747.0	4,747.0	4,747.0
K-12: Non-Chapter 70 Aid	698.1	604.4	604.6	604.6	604.6
K-12: School Building	461.2	816.8	841.0	841.0	846.6
Environment & Recreation	307.7	193.2	199.0	199.0	200.0
Environment	137.1	83.5	84.6	84.6	84.6
Fish & Game	24.9	27.5	29.5	29.5	30.5
Parks & Recreation	145.8	82.3	84.9	84.9	84.9
Health Care	10,272.1	19,514.1	20,099.7	19,890.1	20,252.7
MassHealth (Medicaid) & Health Reform	7,745.3	16,558.7	17,134.3	16,924.9	17,284.5
Mental Health	845.4	763.9	772.5	772.5	772.5
Public Health	772.0	605.0	613.3	613.2	616.2
State Employee Health Insurance	909.5	1,586.4	1,579.5	1,579.5	1,579.5
Human Services	3,793.9	4,170.9	4,229.2	4,229.2	4,229.3
Child Welfare	788.1	947.6	976.9	976.9	976.9
Disability Services	1,376.3	1,900.7	1,953.1	1,953.1	1,953.1
Elder Services	266.7	274.6	286.1	286.1	286.1
Juvenile Justice	169.1	176.3	180.5	180.5	180.5
Transitional Assistance	1,063.1	657.5	625.9	625.9	625.9
Other Human Services	130.6	214.1	206.9	206.9	207.0
Infrastructure, Housing & Economic Development	2,072.0	2,309.6	2,172.5	2,171.2	2,171.9
Commercial Regulatory Entities	61.3	58.4	61.5	61.5	61.5
Economic Development	300.1	126.9	143.7	142.7	142.7
Housing	354.1	454.7	440.3	440.1	440.7
Transportation	1,356.5	1,669.5	1,527.0	1,527.0	1,527.0
Law & Public Safety	2,650.0	2,778.2	2,721.0	2,721.0	2,721.1
Courts & Legal Assistance	802.8	765.4	710.4	710.4	710.4
Law Enforcement	387.4	391.2	391.6	391.9	391.9
Prisons, Probation & Parole	1,249.3	1,399.2	1,395.4	1,395.4	1,395.4
Prosecutors	163.9	167.2	166.9	166.9	167.1
Other Law & Public Safety	46.7	55.3	56.7	56.4	56.4
Local Aid	1,812.3	1,056.1	1,100.7	1,100.7	1,100.7
General Local Aid	1,784.5	1,021.9	1,061.8	1,061.8	1,061.8
Other Local Aid	27.8	34.1	38.9	38.9	38.9
Other	4,781.1	5,427.9	5,688.1	5,688.1	5,688.1
Constitutional Officers	111.6	84.0	75.6	75.6	75.6
Debt Service	2,258.6	2,636.2	2,628.3	2,628.3	2,628.3
Executive & Legislative	86.0	74.4	74.4	74.4	74.4
Libraries	49.1	25.2	25.5	25.5	25.5
Pensions	1,476.0	2,198.1	2,394.5	2,394.5	2,394.5
Other Administrative	799.8	410.1	489.8	489.8	489.8
Total Budget	33,205.7	43,238.1	44,151.0	43,940.1	44,311.3

- MassBudget’s totals include the “**pre-budget transfers**” of funds. Statutes require that the Legislature transfer portions of revenue prior to the appropriation process to support certain functions. Although these transfers function no differently from appropriations, the Governor and Legislature do not reflect these expenditures in their budget totals; instead, they are shown as amounts deducted or transferred from revenue prior to the budgeting process. To better reflect total state funding, MassBudget includes these pre-budget transfers in appropriation totals. In FY 2018, these transfers add \$4.4 billion. These transfers are: 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’s 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 participating municipal governments.
- 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 of 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, all of the UMass campuses 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**. Reversions are appropriated funds that remain unspent by the end of the year that are then returned to the General Fund. 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.