

## The Senate Fiscal Year 2012 Budget and Conference Differences

### OVERVIEW

With House and Senate budget debate complete, conferees from the two branches are now meeting to resolve differences. The Conference Committee is expected to craft a budget that both branches can approve in time for the Governor to sign it, and veto those sections he disapproves of, before Fiscal Year (FY) 2012 begins on July 1st. This Budget Monitor describes the final Senate budget, including floor amendments, and describes the major differences between the House and Senate in each area of the budget.

During floor debate, the full Senate did not make major changes to the Senate Ways and Means (SWM) budget proposal. Approved amendments added a total of less than \$60 million in net state spending (a few amendments increased Medicaid spending which is partially reimbursed by the federal government). Amendments were adopted that modestly reduced cuts in certain education and youth jobs programs, in services for people with developmental disabilities, and in the clothing allowance for children who receive public assistance. These amendments and many others are described in the discussion of each category of the budget in this Monitor.

This Monitor also describes the major areas of difference between the House and Senate budgets that will need to be resolved by the Conference Committee. Among the largest of the differences are in funding for health care for certain legal immigrants in the Commonwealth Care Bridge program (the House budget included \$25 million and the Senate included \$42 million), and higher Senate funding levels for early intervention and other public health programs. Major differences where the House is higher include child care for low-income working families and reimbursements for school districts with students in need of high-cost special education services. These accounts, and others where there are significant differences, are discussed in more detail in the relevant sections of this Monitor.

While there are differences between the House and Senate budgets, perhaps more important are the similarities in the budgets crafted by the Senate, the House, and the Governor. All seek to close the budget gap primarily with cuts and savings initiatives. As a result, all cut local aid by \$65 million – leading to a cut, after adjusting for inflation, of more than \$500 million since the start of FY 2009. All

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also cut higher education by about \$65 million, for a cut of 16 percent, after adjusting for inflation, since the start of 2009. All also anticipate that in FY 2012 there will be close to \$800 million in cuts or savings from the MassHealth program. All three also make deep cuts across the rest of state government and restore virtually none of the close to \$3 billion in budget cuts already enacted since the start of the fiscal crisis.

In the sections that follow this Monitor describes the Senate amendments, the differences between the Senate and the House proposals, and how these recommendations compare to current spending and, in some cases, to historic spending levels.

## HOW TO READ THE TABLES

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

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

**FY 2012 Senate (Adjusted):** For the Senate FY 2012 budget proposal, MassBudget adjusts funding levels for the University of Massachusetts, state universities, and community colleges to include projected FY12 retained revenue amounts for each campus. The specific amounts are listed in the table below. There is also an adjustment for the proposed shift of the Merit Rating Board from public safety to the Department of Transportation.

Account	Campus	Projected Retained Revenue
7100-0200	University of Massachusetts	\$11,557,889
7109-0100	Bridgewater State University	\$767,750
7110-0100	Fitchburg State University	\$836,941
7112-0100	Framingham State University	\$460,887
7114-0100	Salem State University	\$286,000
7115-0100	Westfield State University	\$257,240
7116-0100	Worcester State University	\$814,801
7502-0100	Berkshire Community College	\$86,883
7503-0100	Bristol Community College	\$58,298
7504-0100	Cape Cod Community College	\$137,687
7505-0100	Greenfield Community College	\$140,877
7506-0100	Holyoke Community College	\$67,806
7507-0100	Massachusetts Bay Community College	\$219,200
7508-0100	Massasoit Community College	\$144,927
7509-0100	Mount Wachusett Community College	\$40,480
7510-0100	Northern Essex Community College	\$196,539
7511-0100	North Shore Community College	\$107,685
7512-0100	Quinsigamond Community College	\$136,556
7514-0100	Springfield Technical Community College	\$186,167
7515-0100	Roxbury Community College	\$58,417
7516-0100	Middlesex Community College	\$163,087
7518-0100	Bunker Hill Community College	\$467,809
Account	Line Item	Amount
1595-6368	Mass. Transportation Trust Fund	(\$8,106,972)
1595-6379	Merit Rating Board	\$8,106,972

**FY 2011 Current:** This is the funding amount included in the current year (FY 2011) budget, which incorporates any changes to funding levels that may have occurred after the budget was enacted at the beginning of the fiscal year (the General Appropriations Act).

**FY 2012 House (Adjusted) and Governor (Adjusted):** These are the funding amounts proposed by the House and Governor for FY 2012, with MassBudget adjustments. For an explanation of the adjustments made to the FY 2012 House and Governor’s proposals, please see the *Budget Monitors* for the Governor’s Fiscal Year 2012 Budget ([www.massbudget.org/775](http://www.massbudget.org/775)) and the House Fiscal Year 2012 Budget ([www.massbudget.org/785](http://www.massbudget.org/785)).

## EDUCATION

The Fiscal Year (FY) 2012 Senate final budget proposes \$6.60 billion for programs within the MassBudget category of Education, which includes early education and care, elementary and secondary education, and the state’s public institutions of higher education. This proposal represents a decrease of \$64.6 million, or 1.0 percent, from the current FY 2011 budget. The final Senate budget is \$35.6 million lower than the House proposal and \$39.0 million below the Governor’s.

Generally speaking, the House and Governor’s proposals for education are quite similar to each other. The Senate proposal, on the other hand, is almost \$40.0 million less than the House and Governor’s proposals. Much of this difference results from the Senate proposal for the Special Education Circuit Breaker account, which is \$19.0 million below the House and Governor’s proposals.

It is important to note that in FY 2011 \$296.5 million in temporary federal recovery money is being used to help fund K-12 education and the state’s public institutions of higher education (this federal recovery money is included in MassBudget totals). Since there are no new sources of federal recovery dollars available for FY 2012, an increase in the state’s own contribution to education spending is proposed for FY 2012 in order to fend off deeper cuts.

Education has been cut significantly over the course of the ongoing fiscal crisis, with the Senate FY 2012 proposal representing a cut of 8.4 percent when compared to FY 2009 GAA inflation-adjusted funding levels.<sup>1</sup> While certainly severe, cuts to education have not been as extreme as those in some other areas of the state budget including Local Aid (cut 37.6 percent), Environment & Recreation (cut 26.7 percent), and Law & Public Safety (cut 14.6 percent). Much of the total cut to Education comes from Non-Chapter 70 Aid programs (cut 24.5 percent), Early Education and Care (cut 18.3 percent), and Higher Education (cut 16.4 percent).<sup>2</sup>

FY 2012 Budget Proposal Comparisons	
FY 2012 Senate (Adjusted)	\$6,600,069,897
FY 2012 House (Adjusted)	\$6,635,644,651
FY 2011 Current	\$6,664,644,226

*\* When budget proposals shift line items between categories, we make adjustments in order to provide more accurate across-year comparisons. See “How to Read the Tables.”*

### Early Education & Care

During floor debate the Senate did not alter any Senate Ways & Means (SWM) funding levels for programs within the MassBudget category of Early Education and Care. However, there are several

<sup>1</sup> Since Chapter 70 education aid is funded through a formula designed to ensure adequate resources for every district, fully funding the formula often requires greater resources than simply inflating nominal dollar amounts from prior years. For more information on cuts to Chapter 70 since the onset of the Great Recession in the fall of 2008, please see the MassBudget paper *Fiscal Fallout* available online at: <http://www.massbudget.org/781>

<sup>2</sup> It should be noted that calculating cuts off of inflation-adjusted numbers, as we do here, often misstates the true difference between current funding levels and programs’ actual funding needs for providing a consistent level of services. During the current fiscal crisis, for example, demand for many state programs has increased and inflation calculations do not account for increased program enrollment. General inflation adjustments are also often imperfect measures because they track the changing costs of a broad market basket of goods that is sometimes quite different from the mix of things government purchases. Health care costs, for example, have grown significantly faster than most other goods tracked by general inflation measures.

programs for which the Senate and House proposals differ, and these will need to be reconciled during the upcoming Conference Committee negotiations. The table below outlines these differences, which are discussed in further detail in this section.

Line Item	Name	FY11 Current	FY12 Senate	FY12 House	Senate - House
3000-1000	Dept. of EEA Admin.	11,305,673	11,104,990	11,683,491	-578,501
3000-2000	Access Management	5,933,862	4,433,862	5,933,862	-1,500,000
3000-2050	Children's Trust Fund	1,094,507	1,094,507	1,026,106	68,401
3000-4050	TANF Related Child Care	127,358,313	132,458,313	133,371,287	-912,974
3000-4060	Low-Income Child Care	233,527,427	227,965,287	237,397,940	-9,432,653
3000-6000, 3000-7050, 3000-7070	Family support line items (Quality Program Supports, Family Support & Engagement, Reach Out & Read)	19,011,633	18,986,633	19,486,633	-500,000
3000-6075	Early Childhood Mental Health Services	750,000	600,000	750,000	-150,000
3000-7000	Healthy Families Home Visiting Program	10,538,066	10,482,355	10,463,346	19,009

Overall, the Senate final FY 2012 budget proposes to fund programs within Early Education and Care at \$449.6 million, a decrease of \$10.7 million, or 2.1 percent, from the current FY 2011 budget. This is \$13.0 million below the House proposal and \$10.6 million below the Governor's. The Senate proposal represents a cut of 18.3 percent when compared to FY 2009 GAA inflation-adjusted funding levels.

The Senate proposal maintains three dedicated line items for **child care subsidies** for certain types of children: 1) children of low-income families; 2) children of families served by or transitioning from Transitional Aid for Families with Dependent Children (TAFDC); and 3) children with active cases at the Department of Children and Families (DCF).<sup>3</sup> The Governor's proposal, by contrast, consolidated these programs into one line item without earmarks. Taken together, the Senate proposal for these three line items is \$8.7 million lower than the current FY 2011 budget and \$8.3 million lower than the Governor's FY 2012 proposal. Specifically, the FY 2012 Senate budget proposes:

- \$228.0 million in **child care funding for income-eligible families**, a \$5.6 million decrease from the current FY 2011 budget. This proposal is \$9.4 million lower than the House's.
- \$132.5 million in **TANF-related child care funding**, a \$5.1 million increase from the current FY 2011 budget. This proposal is \$913,000 lower than the House's.
- \$77.4 million in **child care subsidies for children with active cases at the DCF**, an \$8.3 million decrease from the current FY 2011 budget. This proposal is identical to the House's.

Also within Early Education & Care, the Senate proposes:

- \$4.2 million for **Family Support and Engagement** and \$800,000 to reestablish a separate line item for **Reach Out and Read**, a program that supports parents in providing early literacy education to their children. Taken together, the \$5.0 million proposed for these line items represents level funding from the current FY 2011 budget. The Governor proposed to keep

<sup>3</sup> For more information comparing child care rates paid by the state and rates paid by private payers, please see the Early Education and Care section in MassBudget's recent paper *Quality, Cost, and Purpose: Comparisons of Government and Private Sector Payments for Similar Services* available online at: <http://www.massbudget.org/773>

these programs together within the Family Support and Engagement line item and also proposed level funding. The House, on the other hand, proposed rolling **Quality Program Supports** into the **Family Support and Engagement** line item, resulting in a total funding level of \$19.0 million for these family support-related programs. Taken together, the Senate proposal for these programs is \$500,000 less than the House proposal and is essentially the same as the Governor’s.

- \$10.5 million for the **Healthy Families Home Visiting Program**, a decrease of \$56,000, or 0.5 percent, from the current FY 2011 budget. This proposal is \$19,000 **above the House budget and \$56,000 less than Governor’s, which proposed level funding.**
- \$7.5 million for **Head Start**, level funding from the current FY 2011 budget. This proposal is identical to both the House and Governor’s proposals.
- \$7.5 million for **Universal Pre-Kindergarten**, level funding from the current FY 2011 budget. This proposal is identical to both the House and Governor’s proposals.

## Total State Funding for K-12 Education

The following three MassBudget subcategories – Chapter 70 Aid, Non-Chapter 70 Aid, and School Building – together represent the state’s contribution to K-12 education.

**Total State Funding for K-12 Education**

Subcategory	FY 2011 Current	FY 2012 Governor	FY 2012 House	FY 2012 Senate
Chapter 70 Aid	\$4,072,341,440	\$3,990,519,337	\$3,990,812,681	\$3,990,812,680
Non-Chapter 70 Aid	\$425,501,546	\$506,949,036	\$505,378,764	\$482,653,435
School Building	\$644,348,851	\$678,100,000	\$678,124,324	\$678,124,324
<b>TOTAL</b>	<b>\$5,142,191,837</b>	<b>\$5,175,568,373</b>	<b>\$5,174,315,769</b>	<b>\$5,151,590,439</b>

The Senate final FY 2012 budget proposes to fund K-12 education at \$5.15 billion, an increase of \$9.4 million, or 0.2 percent, from the current FY 2011 budget. This proposal is \$22.7 million below the House’s proposal and \$24.0 million below the Governor’s.

## K-12: Chapter 70 Aid

During floor debate the Senate did not alter the SWM proposal to fund **Chapter 70 education aid** to local and regional school districts at \$3.99 billion, a decrease of \$81.5 million from current FY 2011 funding levels (which include \$221.1 million in federal recovery money that was available to districts in FY 2011). This proposal is essentially identical to the House and Governor’s proposals. Chapter 70 aid has seen less severe cuts over the last several years than have many other state programs, with the Senate proposal representing a somewhat modest 2.5 percent decrease from FY 2009 inflation-adjusted levels.

Not counting federal recovery money, state funding for Chapter 70 was \$3.85 billion in FY 2011. Therefore, while the Senate proposal is \$81.5 million *below* the total amount available in FY 2011, it is \$139.6 million *above* the state's FY 2011 appropriation, narrowly defined.

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

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

This FY 2011 revenue picture is complicated by the fact that federal dollars distributed locally are not actually required to be spent fully during the fiscal year in which they are allocated. While essentially all of the \$20.7 million in SFSF money allocated to school districts will be spent during the current fiscal year, districts have until September 30, 2012 (the first quarter of FY 2013) to spend their Education Jobs Fund allocation. As of April 2011, only \$92.2 million of the \$200.5 million in Education Jobs Fund money intended for use in FY 2011 has actually been claimed by local districts for this fiscal year; some districts have partially claimed their allocation for FY 2011, whereas 45 districts have chosen to defer their entire allocation to FY 2012 and/or the first quarter of FY 2013. Therefore, the \$4.07 billion budgeted amount for Chapter 70 aid in FY 2011 somewhat overstates resources actually being spent on education this year and, conversely, the Senate's \$3.99 billion proposed state contribution for FY 2012 somewhat understates the resources likely to be available next year.

Under the Senate proposal, 73.3 percent of districts would receive a cut in their Chapter 70 aid of between 5.0 and 7.5 percent, with no district being cut so much that its net school spending falls below its foundation budget. The effect of these cuts would be mitigated for districts that do not spend their entire Education Jobs Fund allocation in FY 2011.

Through the FY 2007 budget process a set of reforms to the Chapter 70 formula was planned to be phased in over five years, finishing in FY 2011.<sup>4</sup> Since these reforms require additional state funding, the Legislature chose to slow this phase-in process during FY 2010 and FY 2011 as the financial crisis strained state resources. Similar to the past two fiscal years, the Senate proposal for FY 2012 continues a freeze on phasing in some reform provisions, and it partially phases in another: an additional reduction of required local contributions for districts above their target local contributions. Qualifying districts would have their local contribution reduced by 20 percent of the gap between their preliminary contribution and their target contribution, resulting in \$11.7 million more Chapter 70 aid for these districts.

The Senate did propose a new **Regionalization and Efficiency Incentive Grant** line item within the MassBudget category of Local Aid that includes a \$2.0 million grant program related to Chapter 70 aid. Under the Senate language, this \$2.0 million would fund a Department of Elementary and Secondary Education grant program for K-12 school districts whose Chapter 70 aid in FY 2012 as a percentage of their foundation budgets is less than their target Chapter 70 aid share. Qualifying districts would apply through a competitive process for shares of this funding.

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<sup>4</sup> For more information on the 2007 reform plan, please see the November 2006 MassBudget paper *Public School Funding in Massachusetts: Where We Are, What Has Changed, and Options Ahead*, available here:

[http://www.massbudget.org/file\\_storage/documents/Public\\_School\\_Funding-Where\\_We\\_Are\\_What\\_Has\\_Changed\\_-\\_FINAL.pdf](http://www.massbudget.org/file_storage/documents/Public_School_Funding-Where_We_Are_What_Has_Changed_-_FINAL.pdf)

## K-12: Non-Chapter 70 Aid

During floor debate the Senate increased SWM funding levels for seven programs within the MassBudget category of K-12: Non-Chapter 70 Aid, which covers elementary and secondary education grant programs – most are grant programs distributed to individual schools and/or school districts to advance specific priority initiatives. The Senate added:

- \$11.0 million to the **Special Education Circuit Breaker** account, for a total of \$194.1 million. The final Senate proposal represents a \$61.0 million increase from the current FY 2011 budget, but it is still \$19.0 million below both the House and Governor’s proposals of \$213.1 million, which restore the circuit breaker program closer to the pre-recession FY 2009 GAA funding level of \$230.0 million. While the circuit breaker was reduced during FY 2010 and FY 2011, a comparable amount of additional one-time federal recovery money was available during these years through the Individuals with Disabilities Education Act (IDEA), which also funds special education services.
- \$3.0 million for the **transportation of pupils in regional school districts**, for a total of \$43.5 million. The final Senate proposal represents an increase of \$3.0 million over the FY 2011 current budget. Both the House and Governor propose level funding.
- \$643,000 for the **METCO** program to reduce racial imbalance across school districts, for a total of \$17.6 million, level with the current FY 2011 budget. Both the House and Governor also propose level funding.
- \$400,000 for **Teacher Content Training**, for a total of \$746,000, although a Senate floor amendment also included language earmarking at least \$400,000 of this appropriation for Advanced Placement teacher training. This final Senate proposal represents an increase of \$393,000 over the FY 2011 current budget. The proposed increase is very similar to the House’s, whereas the Governor proposes level funding.
- \$363,000 for a **Smart Growth School Cost Reimbursement (40S) fund**, designed to offset the increasing school costs associated with smart growth zoning. This new line item was not funded in the SWM budget or the Governor’s. It did receive \$363,000 in the final House proposal.
- \$300,000 for **One Time Regionalization Bonus Aid** to encourage the further regionalization of school districts. This new line item was not funded in the SWM budget or the Governor’s. It did receive \$300,000 in the final House proposal.
- \$150,000 for **Youth-Build Grants**, for a total of \$1.3 million, level funding from the current FY 2011 budget. Both the House and Governor also propose level funding.

After accounting for these Senate floor amendments, there are several K-12 education grant programs for which the final Senate and House proposals differ, and these will need to be reconciled during the upcoming Conference Committee negotiations. The table below outlines these differences, which are discussed in further detail in this section.

Line Item	Name	FY11 Current	FY12 Senate	FY12 House	Senate - House
1233-2401	Smart Growth School Cost Reimbursements	0	363,399	363,699	-300
7009-1700	Education Information Technology Costs	8,050,854	7,800,854	7,800,454	400
7010-0005	DESE Administration	12,767,009	12,511,669	12,767,009	-255,340
7010-0020, 7030-1005, 7010-0033	Literacy Line Items (Bay State Reading Inst., Targeted Tutorial Literacy, Literacy Programs)	3,947,940	3,868,981	3,947,940	-78,959
7027-0019	School-To-Work Connecting Activities	4,000,000	1,200,000	0	1,200,000
7027-1004	English Language Acquisition	364,937	357,638	364,937	-7,299
7028-0031	School Age Children in Houses of Correction	7,475,804	7,256,897	7,345,373	-88,476
7030-1002	Kindergarten Expansion Grants	22,948,947	20,948,947	22,948,947	-2,000,000
7035-0006	Regional Transportation	40,521,000	43,521,000	40,521,000	3,000,000
7061-0012	SPED Circuit Breaker	133,119,160	194,119,160	213,119,160	-19,000,000
7061-9010	Charter School Reimbursement	71,554,914	71,554,914	73,215,427	-1,660,513
7061-9200	Education Technology Program	894,550	876,659	861,405	15,254
7061-9404	MCAS Support	9,094,804	8,344,804	9,575,175	-1,230,371
7061-9408	Intervention in Underperforming Schools	6,740,746	6,740,746	7,692,193	-951,447
7061-9412	Extended Learning Time Grants	13,918,030	13,139,669	13,918,030	-778,361
7061-9611	After-School and Out-of-School Grants	1,500,000	1,410,000	1,500,000	-90,000
7061-9634	Mentoring Matching Grants	100,000	100,000	250,000	-150,000
7061-9804	Teacher Content Training	353,227	746,162	753,227	-7,065

The Senate final FY 2012 budget proposes to fund elementary and secondary education programs (not including Chapter 70 aid) at \$483.3 million, an increase of \$57.8 million, or 13.6 percent, from the current FY 2011 budget. These education grant programs have been cut significantly over the course of the ongoing fiscal crisis, with the Senate proposal representing a cut of 24.4 percent from FY 2009 General Appropriations Act (GAA) inflation-adjusted levels.

The final Senate FY 2012 proposal is \$22.1 million below the House proposal and \$23.7 below the Governor's, with this difference coming in large part because the Senate funds the Special Education Circuit Breaker at \$19.0 million below the House and Governor's proposals. In addition, however, several programs that received level funding from the House and Governor receive cuts in the Senate proposal. Programs proposed for decreases by the Senate include:

- \$20.1 million for **Kindergarten Expansion Grants**, a decrease of \$2.0 million, or 8.7 percent, from the current FY 2011 budget. Both the House and Governor propose level funding.
- \$13.1 million for **Extended Learning Time Grants**, \$778,000 lower than current FY 2011 funding levels. Both the House and Governor propose level funding.
- \$8.3 million for **MCAS Low-Scoring Student Support**, \$750,000 below current FY 2011 funding levels. This proposal is \$1.2 million below the House proposal and \$1.3 million below the Governor's.
- \$3.9 million combined for three separate literacy-related line items – **Bay State Reading Institute, Targeted Tutorial Literacy Programs, and Literacy Programs** – that are proposed to be consolidated into the Literacy Programs line item in the Governor's FY 2012 budget. The

SWM proposal represents a cut of \$79,000, or 2.0 percent, from the current FY 2011 budget. Both the House and Governor propose level funding.

- \$1.4 million for **After-School** programs, a cut of \$90,000, or 6.0 percent, from current FY 2011 funding levels. Both the House and Governor propose level funding.

Programs proposed for level funding by the Senate include:

- \$71.6 million for **Charter School Reimbursement**. The Governor also proposed level funding, while the House proposed a \$1.7 million increase. The House's proposal is based upon projected full funding of the reimbursement formula, so level funding would likely result in a cut to the reimbursement formula.
- \$27.7 million for **Adult Basic Education**. This proposal is identical to both the House and Governor's proposals.
- \$6.7 million for **Targeted Intervention in Underperforming Schools**. Both the House and Governor, by contrast, propose an increase of \$951,000.
- \$4.1 million for the **School Breakfast Program**. The House also proposes level funding, whereas the Governor proposes an increase of \$290,000.

Additionally, neither the Senate nor the House follow the Governor in proposing the creation of a new \$3.0 million fund within the Executive Office of Education to support the state's **achievement gap-related programs**.

**Connecting Activities**, which provides work opportunities for high school students, particularly in the summer, is one area where a comparison to FY 2011 is somewhat complicated. The Senate proposes \$1.2 million in its FY 2012 budget for Connecting Activities, which was funded at \$2.0 million in both the FY 2010 and FY 2011 GAAs. However, an additional \$2.0 million was added in an April 2011 supplemental budget, increasing the FY 2011 current appropriation to \$4.0 million. This supplemental budget includes language allowing the additional \$2.0 million to be spent on summer jobs, which will technically occur during the beginning of FY 2012. The House proposed no separate funding for Connecting Activities in FY 2012, whereas the Governor proposed \$2.0 million.

## School Building

The Senate FY 2012 budget projects a contribution to the **School Modernization and Reconstruction Trust (SMART)** program of \$678.1 million, an increase of \$33.8 million, or 5.2 percent, from current FY 2011 levels. The SWM proposal was not amended on the Senate floor, and this proposal is identical to the House's and just slightly higher than the Governor's.

Each year the Commonwealth is required to contribute to this trust an amount equal to one penny of the state sales tax. The Senate proposal reflects anticipated increases in the sales tax due to continued economic recovery, not due to policy changes involving the sales tax.

## Higher Education

During floor debate, the Senate approved \$1.8 million worth of increases to SWM funding levels for three programs within the MassBudget category Higher Education. It should be noted, however, that none of these Senate floor increases affect direct appropriations to the state's campuses of public higher education. The Senate added:

- \$1.0 million to the **State Scholarship Program**, for a total of \$87.5 million. The final Senate proposal represents a decrease of \$2.0 million, or 2.2 percent, from current FY 2011 levels. The FY 2011 budget does include, however, \$3.0 million in federal recovery money that is not available for FY 2012, so the Senate proposal represents a small increase in the state's own appropriation, narrowly defined. The Senate proposal is \$100,000 below the House proposal and \$834,000 below the Governor's. Proposed line item language includes for the first time a protection of funding for the Early Childhood Educators Scholarship, which comes from the State Scholarship Program allocation, at a level proportional to what it is for FY 2011.
- \$500,000 to the **Science, Technology, Engineering, and Mathematics Pipeline Fund**. This is a new line item was not funded in the SWM budget. Both the House and Governor proposed \$500,000.
- \$250,000 for **Dual Enrollment Grants**, which support Massachusetts high school students taking courses at the state's higher education campuses. These grants were not funded in the SWM budget. Both the House and Governor proposed \$750,000, level funding from the current FY 2011 budget.

While direct campus appropriations are essentially identical for the Senate and House budgets, there are several programs within Higher Education for which the Senate and House proposals differ, and these will need to be reconciled during the upcoming Conference Committee negotiations. The table below outlines these differences, which are discussed in further detail in this section.

Line Item	Name	FY11 Current	FY12 Senate	FY12 House	Senate - House
7066-0000	Department of Higher Education	1,570,984	1,624,791	1,657,950	-33,159
7066-0015	Community College Workforce Dev. Grants	1,250,000	1,000,000	1,250,000	-250,000
7066-0019	Dual Enrollment Grants	750,000	250,000	750,000	-500,000
7066-0025	Performance Management Set Aside	0	3,000,000	2,500,000	500,000
7070-0065	State Scholarship Program	89,507,756	87,507,756	87,607,756	-100,000
7520-0424	Health/Welfare Reserve for Higher Ed. Personnel	5,494,616	5,709,044	5,581,664	127,380
8700-1150	National Guard Tuition & Fee Waivers	3,350,000	3,350,000	3,600,000	-250,000

The Senate final FY 2012 budget proposes to fund Higher Education at \$948.3 million, a decrease of \$64.0 million, or 6.3 percent, from current FY 2011 levels, which include \$75.3 million in federal State Fiscal Stabilization Fund (SFSF) money that will no longer be available in FY 2012. The final Senate proposal is \$506,000 less than the House proposal and \$5.1 million less than the Governor's.

Higher education has been cut severely during the last several years of the Great Recession, with the Senate proposal representing a cut of 16.4 percent from FY 2009 GAA inflation-adjusted funding levels.

The Senate proposal for higher education reflects two changes recently adopted by the Legislature: schools formerly known as “State Colleges” became known as “State Universities” as of October 2010 and all campuses of public higher education will retain tuition payments from out-of-state students starting in FY 2012, rather than remitting that revenue back to the state. MassBudget adjusts upwards the Governor’s, House, and Senate allocations by these projected amounts so that one can reasonably compare the levels or resources available at an individual campus to previous years when tuition had to be remitted to the state.

New out-of-state tuition retention estimates became available for four campuses (Bridgewater State University, Westfield State University, Massachusetts Bay Community College, and Northern Essex Community College) after release of the Governor’s budget. In order to meet the same projected total resources (campus appropriation + tuition retention) as the Governor’s proposal, the House and Senate adjusted upwards the campus appropriations for these four campuses by the same amount as the decrease of these new tuition retention estimates. Technically speaking, the release of new, lower tuition retention estimates means that the Governor’s proposal now reflects lower total resources for higher education campuses than he had intended. MassBudget is using the older estimates for adjusting the Governor’s budget in order to reflect total projected resources at the time that budget was released.

The vast majority of funding for Higher Education, almost 90 percent, goes directly to the state’s campuses of public higher education, with most of the balance going to the state scholarship program (see below). In total, the Senate proposes to fund community colleges, state universities, and UMass campuses at \$839.7 million, a decrease of \$59.4 million, or 6.6 percent, from the current FY 2011 budget. The Senate proposes the following funding levels for each of the state’s campus categories. These proposals are essentially the same as the House and Governor’s proposals.

- \$434.3 million for **UMass** campuses, a decrease of \$30.3 million, or 6.5 percent, from current FY 2011 levels.
- \$195.0 million for **state universities**, a decrease of \$12.1 million, or 5.8 percent, from current FY 2011 levels.
- \$210.4 million for **community colleges**, a decrease of \$17.1 million, or 7.5 percent, from current FY 2011 levels.

Additionally, the Senate proposes \$3.0 million for the creation of a new **Performance Incentive Fund**, to be distributed through a competitive process to the state’s higher education campuses for advancing goals articulated by the Commonwealth’s Vision Process. This proposal is \$500,000 above the House proposal and \$4.5 million below the Governor’s.

## ENVIRONMENT & RECREATION

The Senate's final Fiscal Year (FY) 2012 budget provides \$161.5 million for environment and recreation programs. Senate funding for this category, which includes environment, fish and game, and parks and recreation programs, is \$3.5 million, or 2.1 percent, less than the FY 2011 current budget and is \$3.5 million more than the House budget.

FY 2012 Budget Proposal Comparisons	
FY 2012 Senate (Adjusted)	\$161,545,292
FY 2012 House (Adjusted)	\$157,998,715
FY 2011 Current	\$165,057,138

*\* When budget proposals shift line items between categories, we make adjustments in order to provide more accurate across-year comparisons. See "How to Read the Tables."*

### Environment

The final Senate budget spends \$71.4 million on environment programs in FY 2012. This level is \$3.3 million, or 4.4 percent, less than current spending and \$3.0 million more than the House budget.

During its floor debate, the Senate added \$150,000 to the administrative account for the **Executive Office of Energy and Environmental Affairs** increasing its funding to \$5.7 million. The final Senate budget for this item is \$150,000 more than the House budget.

As the House and Senate go to conference to develop a final budget for FY 2012 they will need to settle a number of additional differences in the environment budget including:

- The final Senate budget provides \$8.6 million for the **environmental police** which is \$677,000 higher than the House budget but in line with the FY 2011 current budget.
- The Senate budget recommends \$24.9 million for the **Department of Environmental Protection (DEP)**, which is \$2.0 million more than the House budget and \$824,000 less than the FY 2011 current budget.
- The Senate budget includes \$150,000 for a new **Cape Cod wastewater study** which is not in the House-passed budget. Outside Section 138 of the Senate budget authorizes the Cape Cod Commission to use this funding to undertake a study of land and water use in the Cape.

The House and Senate have agreed to the same level of funding for a number of other environment programs including:

- \$275,000 for **redemption centers** which is the same as the FY 2011 current budget. This amount is \$6.2 million less than the Governor's recommendation. In his FY 2012 budget the Governor recommended expanding the bottle bill to include juice, water and coffee drinks and using over \$6 million of the revenue raised through this expansion to improve state recycling and redemption efforts.

- \$12.0 million for **hazardous waste cleanup**, which represents a reduction of \$1.9 million from the FY 2011 current budget.

## Fish & Game

The final Senate budget for FY 2012 recommends spending \$18.8 million on fish and game programs. This is \$1.4 million more than FY 2011 current spending and \$145,000 more than the House budget. Many of the state's fish and game programs are funded through revenues that it receives from the sale of licenses for hunting, fishing, boating and other activities.

During floor debate the Senate added \$150,000 to fund the endangered species program, which is the same amount the House included in its final budget. This program did not receive funding in FY 2011.

While most of the differences between the House and Senate budgets for fish and game programs are quite small, the Senate does provide \$85,000 more for the Division of Fisheries and Wildlife than does the House. In both cases the Legislature recommends increasing funding for this agency by at least \$750,000 above the current FY 2011 budget. The House and Senate agree to the same level of funding for a number of other fish and game programs including:

- \$517,000 in retained revenue from the **saltwater sport fishing license**, an increase of \$415,000 above the current FY 2011 budget.
- \$100,000 in a new retained revenue account for operation and maintenance of the **Newburyport clam plant**.

## Parks & Recreation

The final Senate budget recommends spending \$71.4 million on state parks and recreation in FY 2012. This is \$1.6 million, or 2.2 percent, below the current FY 2011 budget and is \$366,000 more than the House budget. During its floor debate, the Senate did not increase funding for any parks and recreation programs.

There are a number of differences between the House and Senate budgets that will have to be ironed out as conferees negotiate a final budget for FY 2012, including:

- The Senate provides the **Department of Conservation and Recreation (DCR)** with \$209,000 more than the House. The Senate level of \$3.5 million is the same as the FY 2011 current budget. In addition, the House and Senate budgets follow the Governor's recommendation to consolidate DCR into two divisions: one responsible for state and urban parks, parkways, rinks, pools and beaches, and the other responsible for the state's watershed and water supply system.
- The Senate budget provides \$11.2 million in funding for **beaches, pools and seasonal employees**, which is \$436,000 less than the amount approved by the House. The Senate amount is \$1.2 million less than the FY 2011 current budget.

- The Senate budget provides \$42.2 million for **state parks**, which is \$624,000 more than the House budget and \$224,000 less than the FY 2011 current budget.
- The Senate funds the account for snow and ice removal and lighting repair for **state parkways** at \$3.0 million which is \$115,000 less than both the House and the FY 2011 current budgets.

The House and Senate provide the same level of funding for several programs including:

- \$1.0 million for the **watershed management program**, which is the same as the FY 2011 current budget.
- \$290,000 for the office of **dam safety**, which is level funding.
- \$8.4 million for **retained revenue** accounts within DCR, which is level funding.

## HEALTH CARE

The Fiscal Year (FY) 2012 Senate budget proposes \$14.37 billion for the state’s health care programs, adding \$22.6 million in funding to the Senate Ways & Means (SWM) proposal. This amount is \$98.5 million more than that recommended by the House. The Senate budget is \$402.9 million less than current FY 2011 budgeted totals, but is \$142.1 million (1.3 percent) more than FY 2011 totals when excluding funding for the Medical Assistance Trust Fund. The Medical Assistance Trust Fund is fully funded by assessments on providers and matching federal revenue, so changes in funding for this trust are not indicators of changes in the state’s own spending. Total health care funding includes funding for MassHealth (Medicaid) and other programs that support health care for the state’s low- and moderate-income residents, mental health services, public health, and funding for state employee health insurance.

Like both the House and Governor’s FY 2012 budget proposals, the Senate budget imposes substantial funding constraints in the MassHealth program. In particular, given expected caseload growth and expected increases in health care costs, the MassHealth program will need to undergo significant program cuts and aggressive savings measures over the course of the year to keep within the proposed budget levels. However, compared to the House the Senate restores funding to public health and mental health services, bringing the total public health budget close to the amount in the FY 2011 current budget, and recommending additional funding for mental health.

FY 2012 Budget Proposal Comparisons	
FY 2012 Senate (Adjusted)	\$14,367,744,211
FY 2012 House (Adjusted)	\$14,269,266,070
FY 2011 Current	\$14,770,639,662

*\* When budget proposals shift line items between categories, we make adjustments in order to provide more accurate across-year comparisons. See “How to Read the Tables.”*

### MassHealth (Medicaid) & Health Reform

The Senate added \$14.0 million to the budget for MassHealth (Medicaid) and health reform programs, bringing the total to \$11.87 billion. In order to constrain MassHealth and health reform program costs (given expected caseload growth, utilization increases and anticipated health care cost inflation), the Senate follows most of the Governor’s initial recommendations for a range of cuts and savings to be implemented over the course of FY 2012. It is important to remember, however, that the federal government typically reimburses Massachusetts for approximately half of the costs of the MassHealth program. This means that cuts in MassHealth spending will result in reductions in federal revenues coming into the state

Currently the state’s MassHealth program provides health care coverage for nearly 1.3 million residents of the Commonwealth, including more than 535,000 children. Commonwealth Care covers approximately 161,000. In addition to these programs, Massachusetts also currently provides coverage for close to 17,400 legal immigrants in a separate program referred to as the Commonwealth Care Bridge program. These programs continue to play an essential role in providing health care coverage for the Commonwealth’s residents. Nevertheless, close to 21,000 low-income legal immigrants are still currently ineligible for MassHealth, Commonwealth Care or the Commonwealth Care Bridge program.

The Senate budget differs from the House budget in several ways, and funding for several MassHealth services will be areas of debate during Conference Committee deliberations. Moreover, the Senate and the House will need to reconcile their proposals for funding coverage for certain legal immigrants eligible for the Commonwealth Care Bridge program. The Senate – like the Governor – funds the Commonwealth Care Bridge immigrant health care program for a full year, whereas the House only funds this program for six months. Both the House and Senate budget proposals reflect an expected reduction in an operating transfer to the Medical Assistance Trust Fund. Excluding the reduction in that fund (because none of its funding comes from the state’s own resources – see explanation below), total MassHealth and health reform funding in the Senate budget is almost level with FY 2011 current funding. But in order to reach that budget target, the Commonwealth will need to find substantial “savings” in the MassHealth program and in other health care programs.

<b>MassHealth (Medicaid) and Health Reform</b>				
	<b>FY11 Current</b>	<b>FY12 Governor</b>	<b>FY12 House</b>	<b>FY12 Senate</b>
<b>MassHealth (Medicaid)</b>				
MassHealth	10,267,281,031	10,338,292,834	10,333,695,583	10,389,292,834
MassHealth administration	171,818,771	168,933,772	168,042,784	168,498,800
<b>Sub-Total</b>	<b>10,439,099,802</b>	<b>10,507,226,606</b>	<b>10,501,738,367</b>	<b>10,557,791,634</b>
<b>Health Reform and Health Safety Net</b>				
Prescription Advantage Pharmacy Program	31,542,765	21,665,608	21,602,546	21,602,546
Health Care Finance & Other Initiatives	24,057,507	22,357,507	26,357,507	27,357,507
Commonwealth Care Trust*	842,011,822	879,511,822	847,011,822	871,511,822
Health Insurance Technology Trust	0	500,000	500,000	500,000
Medical Assistance Trust	886,101,088	394,025,000	394,025,000	394,025,000
<b>Sub-Total</b>	<b>1,783,713,182</b>	<b>1,318,059,937</b>	<b>1,289,496,875</b>	<b>1,314,996,875</b>
<b>Total</b>	<b>12,222,812,984</b>	<b>11,825,286,543</b>	<b>11,791,235,242</b>	<b>11,872,788,509</b>
<b>Total (excluding Medical Assistance Trust)**</b>	<b>11,336,711,896</b>	<b>11,431,261,543</b>	<b>11,397,210,242</b>	<b>11,478,763,509</b>

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

\*\* This total excludes the Medical Assistance Trust, as this trust is funded only with provider assessments and federal revenues, and the timing of payments to the trust can make totals appear misleading.

## MassHealth

During floor debate the Senate added \$14.0 million to funding for MassHealth, bringing the Senate budget totals to \$10.56 billion. This total includes \$10.39 billion for MassHealth programs and \$168.5 million for MassHealth administration. The Senate total is \$50.6 million more than recommended by the Governor, \$56.1 million more than recommended by the House, and \$118.7 million more than the current FY 2011 budget. This total represents approximately \$749 million less than what it would cost to maintain the MassHealth program in its current form, given expected caseload, utilization and enrollment growth. The FY 2012 budget proposals are built upon the assumption that the MassHealth caseload will grow by approximately 4.6 percent over the course of the year, adding 19,000 children

and 41,000 adults. The Administration estimates that MassHealth caseload will total 1.36 million people in FY 2012.

During floor debate, the Senate added:

- \$10.0 million for “**capacity-building**” within the MassHealth program, in order to provide grants or other supports for health care providers. In past years, similar funding has been made available through what is known as the Essential Community Providers Trust.
- \$4.0 million added to support **adult day habilitation services**, which are rehabilitative community-based supports for developmentally disabled adults. SWM originally cut MassHealth program funding by \$18.0 million, and suggested meeting this target by reducing services from six hours a day to five hours a day. The final Senate budget now includes funding for part of the year and adds language requiring legislative notice of changes in eligibility or rates.
- Language requiring legislative notice of changes in eligibility or rates for the **adult day habilitation program** (see above), as well as for adult foster care and adult day health, and language requiring a report on the impact of reductions to adult dental services.

Other differences between the Senate and House budget proposals include:

- The Senate budget provides \$45.0 million more for **adult day health services** than the House. The Senate budget includes \$55.0 million targeted to fund adult day health services for the full year. The House budget includes \$10.0 million for adult day health in order to protect most adult day health services from eligibility or rate cuts for a six month period. The adult day health program was designed to provide nursing care in community settings to people with significant medical needs so that they may avoid hospitalization or nursing home placement.
- The Senate does not provide targeted funding for **nursing facility rates**, funded at \$12.0 million in the House budget, nor an additional \$2.8 million for a **nursing home pay-for-performance rate incentive**. The Senate budget does, however, include language that would allow for making these rate increases in FY 2012 using funds from FY 2011.
- The Senate does not include \$3.0 million earmarked by the House for a **medical respite program for the homeless**.
- The Senate and House both include language authorizing further cuts in **optional adult MassHealth benefits** if MassHealth does not achieve planned budget savings, but the Senate budget adds language requiring that the Legislature receive 90 day advance notice before MassHealth “restructures” benefits.

In addition to these changes, the Senate budget proposes two new administrative initiatives to improve MassHealth program operations and efficiency. These initiatives are not included in the House budget proposal:

- \$1.0 million for a new **MassHealth auditing** initiative in order to reduce program fraud. This “field auditing” office would increase the ability of the program to identify and eliminate fraudulent claims submissions and provider payments.
- \$400,000 to the Executive Office of Administration and Finance for a new independent **caseload forecasting** office. The intent of this office is to improve the accuracy of estimating caseload and costs for the MassHealth program, as well as for state-subsidized childcare, transitional assistance benefits, emergency assistance and housing, and state employee health insurance. (This funding is included in the “other administrative” budget totals in this Budget Monitor.)

The biggest differences in MassHealth funding for FY 2012, however, are in the comparisons of both the House and Senate proposals to current FY 2011 funding. Both the House and Senate budget propose significant changes in the MassHealth program for FY 2012. Some of these changes include:

- Charging \$2 **co-payments** for non-emergency transportation and increasing co-payments for medications. For most people, the drug co-payment would rise from \$3 to \$4, but for brand name drugs for people over 150 percent of the federal poverty level the co-payment would increase to \$5. There are estimates that the state could save approximately \$5 million with these changes.
- Cuts of \$319.0 million in **rates or payments to health care providers**, for a net savings to the Commonwealth of approximately \$160 million. These cuts include not paying hospitals for what are considered “preventable” readmissions that occur within 30 days of discharge; reducing the payment rates for acute care for certain hospitals; reducing payments for certain specific services; and eliminating rate increases for managed care.
- Expectations that with **aggressive contract negotiations** with health care providers emphasizing new models for care management, service delivery and payment, the program will be able to cut up to an additional \$351 million in payment for care, netting the state about \$176 million in savings. The Administration has recently released a request for response for re-negotiation of the primary care clinician behavioral health provider contract. Similar re-contracting in the Commonwealth Care program and the state’s Group Insurance program (see below) has already netted the state substantial savings, but it is not clear that the state will be able to generate the budgeted level of savings in the MassHealth program within the available time frame.
- Initial estimates the state will be able to net \$25 million in savings by better **integrating health care** for young disabled adults who are dually-eligible for both Medicare and Medicaid. With approval from the federal government, the program will be designed to improve access to primary care and ensure better coordinated and integrated health care services. It is now unlikely, however, that this program will be implemented in FY 2012.

### Health Reform and Safety Net

During floor debate, the Senate did not make any major changes to funding for the programs created by health reform or for the financing of the state’s health safety net. Nevertheless, there are significant differences between the House and Senate budget proposals that will require resolution before the final budget is enacted.

The Senate proposes transferring \$871.5 million into the **Commonwealth Care Trust Fund**, including \$751.5 million directly transferred from the General Fund, and \$120.0 million transferred into the Trust Fund from the cigarette excise tax. The House budget, on the other hand, transfers \$727.0 million directly from the General Fund, and \$120.0 million from the cigarette excise tax, for a total of \$847.0 million. These funds go to support the **Commonwealth Care** health insurance program, a publicly-subsidized health insurance program for low-income people not eligible for Medicaid. The Trust Fund also supports the **Health Safety Net**, a program that partially reimburses hospitals and community health centers for health care provided to people without insurance.

The primary funding difference between the House and Senate proposals involves their funding of the **Commonwealth Care Bridge** program, which provides limited health care coverage to immigrants known as “aliens with special status,” or AWSS, since they were first excluded from eligibility for Commonwealth Care in August 2009. These are primarily legal immigrants with green cards who have been in the country for fewer than five years. Enrollment in Bridge has been closed to new members since August 2009.<sup>5</sup> The Senate budget includes \$42.0 million for a full-year’s funding of person currently eligible for the Bridge program, while the House budget includes only \$25.0 million to provide funding for only six months.

The House budget also divides funding for the trust into two portions, and proposes language that would make funding for the health safety net during the second half of the year contingent upon the implementation of what is known as a “claims adjudication system” to ensure that payments are made to providers only for legitimate claims. The Senate budget does not include this provision.

Another funding difference between the Senate and House proposals is that the Senate directs the Commonwealth Health Insurance Connector to provide \$2.5 million to small businesses that offer **wellness incentive** programs for their employees, and provides an additional \$7.5 million for those incentives from the Commonwealth Care Trust Fund, for a total of \$10.0 million for these incentives. The House budget, on the other hand, does not include the additional \$7.5 million.

In addition to these appropriated funds, both the Senate and House budgets estimate that the **Commonwealth Care Trust Fund** will receive \$14.9 million in “fair share” assessments on certain employers who do not provide health care coverage for their employees, and \$15.0 million in tax penalties from persons not adhering to the individual mandate for health care coverage.

The Senate and House budgets also assume that the **Commonwealth Care caseload** will grow by approximately 8 percent over the course of the year, from about 160,800 members to an estimated 174,000. This increase is in part due to unemployment insurance running out, and people losing coverage under the Medical Security Plan coverage that comes with unemployment insurance. The Commonwealth Care program provides subsidized health care coverage for low- and moderate-income people not eligible for MassHealth. Like in the MassHealth program, the Senate and House budgets expect that with aggressive cost controls and provider re-contracting, the program will be able to maintain current spending levels in spite of caseload growth and health care cost inflation. Already,

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<sup>5</sup> There are approximately 21,000 low-income legal immigrants who would otherwise have been eligible for the Bridge program who are currently receiving care through the Health Safety Net (emergency rooms and certain community health centers). The state Supreme Judicial Court ruled on May 6, 2011 that discrimination against legal immigrants must be judged under the same strict standard required for discrimination based on race or sex. It is likely that during FY 2012, policies related to coverage for legal immigrants will be determined by the courts. The Senate budget proposal does not reflect any budgetary adjustments associated with this ruling.

re-contracting by the Commonwealth Health Insurance Connector for the Commonwealth Care program suggests that the state is on target for these cost controls for FY 2012.

Although not subject to debate in the Conference Committee, other highlights in the Senate and House budgets include:

- The **Prescription Advantage** pharmacy program, which provides elders with “wrap-around” pharmacy coverage for prescriptions not covered by Part D of the federal Medicare program, receives \$21.6 million in both the Senate and House budgets. Although this is \$9.9 million less than current funding in FY 2011, it is likely that this FY 2012 funding level will be sufficient to cover the needs of the program. With the implementation of federal health reform (the Affordable Care Act), more of the gap in prescription drug coverage in the Medicare program known as the “doughnut hole” is now covered by Medicare, reducing the demand on the Prescription Advantage program.
- The Senate and House budgets both recommend creating a special trust fund, the Health Insurance Technology Trust, to allow the state to apply for federal reimbursement for the development of **electronic health records** within the MassHealth program. Using \$500,000 of state “seed” money, Massachusetts could get full reimbursement for the costs of developing such a system. The Senate budget proposal assumes that up to \$50 million could be available for providers to implement electronic health record systems in FY 2012.
- The Senate and House transfer \$394.0 million into the **Medical Assistance Trust Fund**. Through this Trust the state matches assessments received from specific health care providers with federal revenues in order to make payments to providers that care for a large share of low-income patients. In FY 2011, \$886.1 million has been transferred into this trust to support these hospitals. It is important to realize, however, that the Medical Assistance Trust Fund is fully-funded by these assessments on providers and matching federal revenue. The transfers require federal approval and, as of now, the federal government has approved transfer of only \$394.0 million for FY 2012. If the federal government gives approval, there will be additional funds transferred to this trust in FY 2012, bringing the trust’s FY 2012 total closer to the FY 2011 current total. The reduction in funding between FY 2011 and FY 2012 does not show up in the state’s estimate of health care cuts for FY 2012 (because it reflects a change in assessments from providers and federal dollars, rather than a change in the use of the state’s own resources), but it does reflect a decrease in funding for the affected health care providers.
- The Senate budget follows the House proposal to include a new line item appropriating \$4.0 million within the Division of Health Care Finance and Policy for the state’s **All Payer Claims Database**, designed to provide detailed information to the public on health care spending. The Senate and House anticipate that federal reimbursements will be available to support this new appropriation.

## Mental Health

During floor debate, the Senate added \$2.0 million to the SWM mental health budget, bringing the total to \$646.8 million for mental health services, an \$18.5 million increase over FY 2011 current budgeted levels. This total is \$33.1 million more than recommended by the House, and \$39.8 million more than

recommended by the Governor. To partially pay for this increase, the Senate recommends that \$10.0 million from various special mental health trusts be transferred to the General Fund to support inpatient or community services. Because this \$10.0 million can be allocated among the various line items for adult mental health services in the Department of Mental Health, it is difficult to know exactly how the Senate budget compares to the House proposal. The Senate has stated that its budget proposal will allow the department to maintain inpatient care as well as provide support to community-based mental health clubhouse and other community programs.

The addition made on the Senate floor was the allocation of \$2.0 million for a line item funding the **Mass Child Psychiatry Access Project**. This program supports consultations by psychiatrists to pediatric primary care physicians who have patients with mental health diagnoses. In past years, this program has been funded as an earmark within the children's mental health line item; in some years it has had identified funding amounts, in other years not. With this additional \$2.0 million, total **children's mental health services** in the Senate budget are funded at \$71.8 million the same as the House budget.

The Senate and the House differ in other areas of funding for mental health. Differences that will require reconciliation include:

- The Senate provides \$391.8 million for **adult mental health services**, compared to \$386.7 million in the House budget. Funding in the current FY 2011 budget is \$386.2 million. A portion of the additional \$10.0 million in funding available from mental health trusts in the Senate budget would likely be available for these adult services, including support for the state's community-based clubhouse program.
- The Senate provides \$146.7 million for **mental health facilities**, compared to \$128.5 million proposed by the House. Funding in FY 2011 for mental health facilities is currently \$143.9 million. A portion of the additional \$10.0 million in funding available from mental health trusts in the Senate budget will likely be available to support services in mental health facilities.

## Public Health

During floor debate the Senate added \$6.6 million to the SWM public health budget, bringing the totals to \$498.9 million. This total is \$2.2 million more than currently budgeted for FY 2011, and is \$23.1 million more than recommended by the House.

During floor debate the Senate added:

- \$250,000 for **community health center services**, bringing the total to \$964,000, which is \$56,000 more than in FY 2011.
- \$3.5 million more for the **HIV/AIDS drug assistance** program, bringing the total to \$7.5 million, a \$6.0 million increase over FY 2011 current budget totals.
- \$2.7 million more for the **Women, Infants and Children (WIC) nutrition** program, bringing the total to \$12.4 million, level with FY 2011 budgeted totals.

- Adding new funding of \$65,000 for the **newborn hearing screening** program, level with FY 2011 current totals.
- \$125,000 for **health promotion and disease prevention** programs, for a total of \$3.5 million, \$2.4 million less than FY 2011 budgeted totals.

There are multiple differences between the Senate and House budgets that will require reconciliation during Conference Committee debate. In some instances the Senate has funded these public health programs at a higher level than has the House, and recommended more than current FY 2011 funding. These include funding for:

- **AIDS/HIV programs**, which the Senate funds at \$38.6 million, and the House at \$35.1 million. Funding in FY 2011 is \$34.6 million. However, the House funds case management and other services at \$33.6 million and the drug rebate program at \$1.5 million; the Senate, on the other hand, provides only \$31.1 million for services (below FY 2011 current funding), and increases the amount of retained revenue for the drug rebate program to \$7.5 million.
- **Early intervention services**, which the Senate funds at \$31.1 million, and the House at \$24.0 million. Funding in FY 2011 is \$29.4 million. The House budget would require cuts to program eligibility and services for the developmentally delayed infants and toddlers who rely on the program, but the Senate budget recommendation is likely sufficient to maintain services at the level currently provided. Both the House and Senate include language recommending that transportation costs for Medicaid-eligible participants be borne by the MassHealth program.
- **Family health services**, which the Senate funds at \$4.7 million (level with FY 2011 funding), and the House at \$4.0 million. Family health services include comprehensive family planning, HIV counseling and testing, and community-based health education and outreach services.
- **Substance abuse services** in the Senate budget receive \$83.0 million, whereas in the House they receive \$80.1 million. The Senate's budget includes restoring funding to FY 2011 levels for a secure treatment program for opiate addicts, and a young adults treatment program. The House budget does not include funding for either of these programs.
- **Academic detailing and primary care loan forgiveness** each receive funding level with FY 2011 in the Senate proposals (\$93,000 and \$157,000 respectively), and receive no funding in the House budget. These two programs were a product of the state's health reform initiative, in recognition of the fact that by supporting the provision of information to physicians about cost-effective prescription use (academic detailing) and by encouraging health professionals to choose primary care careers (the loan forgiveness program), the Commonwealth would be better able to begin to control health care costs.

There are also a few instances for which the House recommends more funding than the Senate:

- **School health services** receive \$11.6 million in the House budget, and \$10.5 million in the Senate budget. Funding in FY 2011 is \$11.9 million. This program provides funding for school-based health clinics and school nursing programs, which are often essential gateways to primary care for at-risk young people.

- **Smoking prevention services** receive \$4.5 million in the House budget (level with FY 2011 funding) and \$4.2 million in the Senate budget.
- **Youth violence prevention** receives \$3.2 million in the House, but only \$2.3 million in the Senate. Funding in FY 2011 was \$2.8 million.

Other areas of difference between the Senate and House budgets are included in the table below.

Line Item	Name	FY11 Current	FY12 Senate	FY12 House	Senate - House
4510-0100	Department of Public Health	17,364,149	15,975,017	13,644,748	2,330,269
4510-0600	Environmental Health Services	3,176,362	3,305,454	3,099,632	205,822
4510-0615	Nuclear Power Reactor Monitoring Fee Retained Revenue	1,661,878	1,674,716	1,624,791	49,925
4510-0616	Prescription Drug Registration and Monitoring Fee Retained Revenue	1,343,703	1,241,668	0	1,241,668
4510-0710	Division of Health Care Quality and Improvement	6,768,109	6,493,455	5,992,959	500,496
4510-0712	Division of Health Care Quality Health Facility Licensing Fee Retained Revenue	1,335,072	2,439,711	1,335,073	1,104,638
4512-0500	Dental Health Services	1,412,792	1,413,911	1,395,761	18,150
4513-1026	Suicide Prevention and Intervention Program	3,569,444	2,248,776	3,569,444	(1,320,668)
4518-0200	Registry of Vital Records and Statistics Fee Retained Revenue	400,000	675,000	415,275	259,725
4570-1502	Infection Prevention Program	319,052	319,777	251,281	68,496
4590-1503	Pediatric Palliative Care	786,444	790,732	788,452	2,280

## State Employee Health Insurance

During floor debate, the Senate did not make any funding changes to funding for state employee health insurance. The Senate budget recommends \$1.35 billion, and the House budget recommends \$1.39 billion. The Senate total is \$39.3 million less than recommended by the House, and \$73.6 million less than current FY 2011 funding.

In order to hold down state employee health care costs, the Administration plans for aggressive re-contracting with the health insurance providers that offer coverage to state employees and retirees. Specifically, the Governor proposes that the state’s Group Insurance Commission (GIC) – the administrator of state employee health benefits – re-negotiate contracts with the current health insurance providers. Health plans with limited networks cost significantly less for the participant. Each participant in a GIC plan is required to select a health plan during a mandatory open enrollment period. Participants who choose lower cost plans receive the financial benefit of lower premiums, as well as a financial incentive equivalent to three months’ worth of health insurance premiums. The Administration estimates that employees who move to lower-cost health plans might save as much as \$800 for individual coverage and \$1,700 for family coverage and might, in the aggregate, save the Commonwealth tens of millions of dollars.

In fact, re-contracting for FY 2012 that has already occurred has met anticipated budget targets, and the lower Senate budget recommendation reflects the savings from these changes. Moreover, the Senate budget includes language prohibiting the GIC from making mid-year changes to health plans.

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

## HUMAN SERVICES

The Senate Fiscal Year (FY) 2012 budget recommends \$3.33 billion for human services. MassBudget includes children, youth, and families; disability services; elder services; transitional assistance; and other human services within this category. During floor debate, amendments adopted by the Senate added \$5.6 million in additional funding to the Senate Ways & Means (SWM) FY 2012 proposal. Almost all human services sub-categories received small amounts of additional funding through the Senate amendments, except for children, youth, and families. The final Senate FY 2012 proposal for human services is \$15.6 million below the House FY 2012 proposal, and is \$42.0 million below the FY 2012 current budget. The biggest difference between the Senate and House proposals is due to a greater amount of funding for disability services in the House proposal, particularly in programs serving those with developmental disabilities. This and other differences between the two proposals, detailed in the discussion below, will be resolved by the Conference Committee.

FY 2012 Budget Proposal Comparisons	
FY 2012 Senate (Adjusted)	\$3,334,599,637
FY 2012 House (Adjusted)	\$3,350,216,702
FY 2011 Current	\$3,376,557,213

\* When budget proposals shift line items between categories, we make adjustments in order to provide more accurate across-year comparisons. See "How to Read the Tables."

### Children, Youth & Families

During floor debate the Senate did not alter any SWM appropriations for programs within the MassBudget category of Children, Youth, and Families (including the Department of Children and Families (DCF) and the Department of Youth Services (DYS)). However, there are fourteen programs for which the Senate and House proposals differ, and these will need to be reconciled during the upcoming Conference Committee negotiations. The table below outlines these differences, which are discussed in further detail in this section.

Line Item	Name	FY11 Current	FY12 Senate	FY12 House	Senate - House
4200-0010	DYS Administration	4,259,148	4,102,498	4,141,463	-38,965
4200-0100	Non-Residential Services for Committed Pop.	21,619,063	21,619,063	21,498,016	121,047
4200-0200	Residential Services for Detained Pop.	19,256,369	15,756,369	18,256,369	-2,500,000
4200-0300	Residential Services for Committed Pop.	96,421,853	93,039,491	96,421,853	-3,382,362
4200-0500	DYS Teacher Salaries	2,500,000	2,000,000	2,500,000	-500,000
4800-0015	DCF Administration	64,575,277	62,616,711	63,677,819	-1,061,108
4800-0016	DCF Transitional Employment Program	2,000,000	1,000,000	2,000,000	-1,000,000
4800-0025	Foster Care Review	2,839,992	3,035,868	2,824,059	211,809
4800-0030	DCF Regional Administration	6,000,000	9,300,000	0	9,300,000
4800-0038	Services for Children and Families	247,433,594	242,173,947	242,507,069	-333,122
4800-0040	Family Support and Stabilization	40,950,000	34,789,000	39,750,000	-4,961,000
4800-0091	Child Welfare Training Institute	2,058,735	1,858,735	2,058,735	-200,000
4800-0151	Placement Services for Juvenile Offenders	270,919	270,919	276,243	-5,324
4800-1400	Domestic Violence Support Services	20,094,458	20,770,858	20,125,062	645,796

The final Senate FY 2012 budget funds all programs within Children, Youth, and Families at \$864.8 million, a decrease of \$22.8 million, or 2.6 percent, from the current FY 2011 budget. This proposal is \$3.7 million below the House's proposal and \$8.6 million below the Governor's. These programs have been cut severely during the ongoing fiscal crisis, with the Senate proposal representing a cut of 16.5 percent compared to FY 2009 GAA inflation-adjusted funding levels.

Programs within the **Department of Children and Families** are proposed to be funded at \$728.3 million, a decrease of \$15.3 million, or 2.1 percent, from the current FY 2011 budget. This proposal is \$2.6 million higher than the House proposal and \$9.5 million below the Governor's.

DCF programs that need to be reconciled during Conference Committee negotiations are detailed below. The final Senate budget proposes:

- \$34.8 million for **Family Support and Stabilization**, a \$6.2 million, or 15.0 percent, decrease from the FY 2011 budget. The Senate proposal is \$5.0 million below the House proposal and \$5.2 million below the Governor's.
- \$20.8 million for **Support Services for People at Risk of Domestic Violence**, a \$676,000, or 3.4 percent, increase over the current FY 2011 budget. Both the House and Governor propose very close to level funding.
- \$9.3 million for **DCF Regional Administration**, which funds regional nonprofits that contract for services, an increase of \$3.3 million, or 55 percent, from the FY 2011 current budget. The Senate proposal is \$1.0 million below the Governor's proposal. As it did in FY 2010 and FY 2011, the House proposed full elimination of funding for these regional nonprofits.

DCF programs for which the House and Senate proposals are either identical or very similar are detailed below. The final Senate budget proposes:

- \$242.2 million for **Services for Children and Families** – which funds family stabilization, unification, permanency, guardianship, and foster care – a \$5.3 million, or 2.1 percent, decrease from the current FY 2011 budget. The Senate proposal is just slightly below the House and Governor's proposals. While not adding any additional funding to the line item total, during floor debate the Senate added an earmark of \$250,000 for one specific service provider.
- \$192.4 million for **Group Care Services** for children in DCF custody, a \$9.2 million, or 4.6 percent, decrease from the current FY 2011 budget. The Senate proposal is identical to both the House and Governor's proposals.
- \$159.5 million for **DCF Social Workers**, a \$4.3 million, or 2.8 percent, increase from the current FY 2011 budget. The Senate proposal is identical to the House proposal and \$1.6 million lower than the Governor's.

Programs within the **Department of Youth Services** are proposed to be funded at \$136.5 million, a decrease of \$7.5 million, or 5.2 percent, from the current FY 2011 budget. The Senate proposal is \$6.3 million below the House proposal and \$949,000 higher than the Governor's. DYS programs that need

to be reconciled during Conference Committee negotiations are detailed below. The final Senate budget proposes:

- \$93.0 million for **Residential Services for youth committed to DYS**, a decrease of \$3.4 million, or 3.5 percent, from the current FY 2011 budget. The Senate proposal is \$3.4 million lower than the House proposal, which represents level funding from FY 2011, and is \$551,000 lower than the Governor's proposal.
- \$15.8 million for **Residential Services for youth detailed by DYS**, a decrease of \$3.5 million, or 18.2 percent, from the current FY 2011 budget. The Senate proposal is \$2.5 less than the House proposal and \$2.0 million higher than the Governor's.

Additionally, the Senate budget appropriates \$21.6 million for **Non-Residential Services for youth committed to DYS**, level funding from the current FY 2011 budget. The Governor also proposes level funding and the House proposes a very small decrease.

## Disability Services

During floor debate, the Senate added \$1.1 million to rehabilitative funding for services for people with disabilities, bringing the Senate total to \$1.36 billion. This is \$2.7 more than current FY 2011 funding, but is \$11.6 million less than recommended by the House. On the floor, the Senate added:

- \$325,000 for **independent living supports** for persons with multiple disabilities.
- \$50,000 for **home care services** for persons with multiple disabilities.
- \$750,000 for **head injury treatment services**.

The biggest difference between the Senate and the House that will have to be reconciled during Conference Committee is in funding for persons with developmental disabilities. However, it is worth noting that the Senate redistributes some funding from residential facilities to community residential supports. Even accounting for these shifts, funding for developmentally disabled adults is likely insufficient to maintain current levels of services for the eligible population.

Key issues in the funding for developmental services include:

- \$123.3 million for **community day and work** programs from the Senate (level with FY 2011 funding) and \$124.3 million from the House. These funding levels may be sufficient to allow the department to continue to provide community services for most young adults newly eligible for adult services, having reached age 22 in FY 2011.
- \$32.6 million for **family supports and respite** services from the Senate, and \$41.0 million from the House. Both of these proposals are significantly below the \$46.5 million in the current FY 2011 budget. The proposals from the Senate and House both likely mean that thousands of families of children and adults with disabilities will lose these supports. These services - for which there is already a high wait list - offer families with disabled children flexible

community-based supports that are particularly important for helping keep children with disabilities out of residential schools.

- \$5.0 million from both the Senate and House for the **Turning 22** account, level with the current FY 2011 budget. It is not clear if this funding will be sufficient to provide transition services for the estimated 700 disabled young adults who will be leaving secondary schools in 2012 and be eligible for supports from the Department.

The Senate and House budgets reflect a continuing commitment to close the larger state-run institutions (state schools) for the developmentally disabled. The House and Senate transfer approximately \$7 million from institutional care to the account funding the state-operated group homes. With this transfer, **state facilities** in the Senate and House budgets receive \$142.2 million (an effective reduction of approximately \$15 million compared to FY 2011); the **state-operated group homes** receive \$164.2 million (an effective increase of approximately \$10 million compared to FY 2011).

Funding for services for the **blind and visually impaired** receive \$18.9 million in the Senate budget, \$273,000 more than the House, and \$347,000 more than current budget totals. With the additional funding added on the Senate floor, funding for **rehabilitation services** is \$42.1 million, \$1.9 million more than the House and \$46,000 million less than current budget totals. Services for the **deaf and hard of hearing** receive \$4.7 million in the Senate budget, \$288,000 less than the House, and \$108,000 less than current budget totals.

## Elder Services

During floor debate, the Senate added \$1.6 million in funding to services for elders, bringing the total in the Senate budget to \$216.9 million. This total is a \$3.7 million cut from FY 2011 current budgeted totals, and is \$1.6 million less than recommended by the House. (For information on the Prescription Advantage elder pharmacy program or funding for elders under the MassHealth program, see the "Health Care" section of this *Budget Monitor*.)

On the floor, the Senate added:

- \$1.0 million for **protective services**, bringing the total to \$16.3 million, level with the House proposal. Although funding will not be debated during the Conference Committee, this is less than what is likely necessary to maintain current service levels. As it is, the program is challenged in keeping up with the demand for full investigation of accusations of abuse or neglect of elders in the community.
- \$214,000 for **congregate housing**, for a total of \$1.7 million, compared to the House proposal of \$1.5 million.
- \$350,000 for grants to **councils on aging**, for a total of \$8.3 million.

The House and Senate budgets for elder services differ in only a few specifics (see chart below). The Senate proposes \$131.8 million for the **elder home care** program, and the House proposes \$133.5 million. Funding in FY 2011 is \$137.4 million. These community-based long-term care services are crucial for helping frail elders remain in their homes in the community and avoid nursing home

placement. The Senate also does not include the \$136,000 for **elder homelessness services** appropriated by the House.

The House and Senate budgets both propose:

- \$6.3 million for **meals on wheels and congregate lunch programs**.
- \$8.3 million for **local councils on aging**.
- \$750,000 for a program funded by the federal government for **elderly veterans** called the Veterans Independence Plus Initiative.

Line Item	Name	FY11 Current	FY12 Senate	FY12 House	Senate - House
9110-0100	Department of Elder Affairs Administration	1,994,374	1,994,374	1,994,374	0
9110-1500	Elder Enhanced Home Care Services Program	45,789,340	45,789,340	45,789,340	0
9110-1604	Supportive Senior Housing Program	4,014,802	4,014,802	4,014,802	0
9110-1630	Elder Home Care Purchased Services	101,680,898	96,780,898	97,780,898	(1,000,000)
9110-1633	Elder Home Care Case Management and Administration	35,738,377	35,000,000	35,738,377	(738,377)
9110-1636	Elder Protective Services	15,250,554	16,250,554	16,250,554	0
9110-1660	Congregate Housing Program	1,503,617	1,717,617	1,503,617	214,000
9110-1700	Residential Placement for Homeless Elders	0	0	136,000	(136,000)
9110-1900	Elder Nutrition Program	6,275,328	6,325,328	6,275,328	50,000
9110-2500	Veterans Independence Plus Initiative	450,000	750,000	750,000	0
9110-9002	Grants to Councils on Aging	7,904,327	8,254,327	8,254,327	0

## Transitional Assistance

The FY 2012 Senate budget proposal provides \$763.6 million for the Department of Transitional Assistance and the services that it administers. This is a reduction of \$21.0 million, or 2.7 percent, from the FY 2011 current budget. The major cuts include reducing funding for the Employment Services Program and a cut in the children’s clothing allowance for recipients of Transitional Aid for Families with Dependent Children. The Governor’s, House, and Senate proposals also reflect savings that resulted from transferring administration of the State Supplement to Supplemental Security income from the federal to state government.

During floor debate, the amendments passed by the Senate increased funding for two line items. Funding for the **Employment Service Program (ESP)**, which provides job training and placement services to recipients of Transitional Assistance for Families with Dependent Children (TAFDC) assistance, was increased by \$185,000 for a total funding amount of \$4.5 million. This is still a \$10.5 million, or 70.2 percent, cut from the FY 2011 current budget. The House recommended \$6.7 million, while the Governor’s FY 2012 proposal eliminated funding for ESP.

The amendments adopted on the Senate floor also increased funding for **TAFDC grant payments** by \$2.7 million, for a total funding amount of \$318.7 million. This is greater than the House and Governor’s proposals by \$5.9 million, but less than the FY 2011 current budget by \$5.3 million. The House and Governor’s budgets had both eliminated the \$150 **clothing allowance for children in families receiving TAFDC assistance**. In supporting documents to the Governor’s budget, eliminating the clothing allowance was described as an actual cut of \$11.5 million, which would affect an estimated 70,000 children. The Senate Ways & Means Committee had only restored the clothing allowance to \$40. The Senate’s final proposal includes language that guarantees at least a \$75 clothing allowance and stipulates that a full \$150 clothing allowance would be provided if funds become available. It is important to note that the \$150 allowance amount has not been increased since 1986 when it was set, and thus does not reflect increases in the cost of living. The even lower \$75 allowance proposed by the Senate will still have significant impacts on those children and families receiving TAFDC assistance.

The Senate FY 2012 proposal for transitional assistance is greater than the House FY 2012 proposal by \$347,000. The major differences between the House and Senate proposals are outlined in the chart below. Funding differences between these items will need to be reconciled during the Conference Committee debate. Further detail on the highlighted programs is also provided in the text below.

Line Item	Name	FY11 Current	FY12 Senate	FY12 House	Senate - House
4400-1000	Department of Transitional Assistance	51,584,416	53,084,416	53,097,438	-13,022
4400-1025	Domestic Violence Specialists	726,455	0	748,734	-748,734
4400-1100	Caseworker Salaries and Benefits	56,386,089	57,618,881	57,535,677	83,204
4401-1000	Employment Services Program	14,979,163	4,464,633	6,689,934	-2,225,301
4403-2000	TAFDC Grant Payments	324,065,899	318,730,614	312,838,539	5,892,075
4403-2119	Teen Structured Settings Program	6,576,576	6,436,708	6,577,740	-141,032

Other notable items in the Senate FY 2012 budget proposal for transitional assistance also include the following, which are the same as the House and Governor’s FY 2012 budget proposals:

- Level funding for **Emergency Assistance to the Elderly, Disabled, and Children**, at \$89.0 million. The House and Governor’s FY 2012 budgets proposed the same.
- \$900,000 in funding for the **Supplemental Nutritional Program (SNAP)**, which supplements the federal food stamp program. Due to certain provisions in the federal recovery act, this program did not receive funding through the state budget in FY 2011. These federal provisions will expire at the end of FY 2011.

Finally, the Senate FY 2012 budget proposal also includes an increase of \$53,000 from the FY 2011 current budget for the **Food Stamp Participation Rate Program**, which aims to increase the state’s participation in the supplemental nutrition assistance program, for a total recommended funding amount of \$3.0 million. The House FY 2012 budget proposed the same, while the Governor had recommended a greater funding amount of \$3.1 million.

## Other Human Services

The Senate FY 2012 budget proposal provides \$130.6 million for other human services, which includes veterans' services, emergency food assistance (food banks), citizenship and various other programs. This is an increase of \$3.0 million from the FY 2011 current budget, or 2.3 percent. It is above the House budget by \$991,000 and less than the Governor's FY 2012 recommendation by \$617,000.

The major differences between the House and Senate proposals are outlined in the chart below. Funding differences between these items will need to be reconciled during the Conference Committee debate. Further detail on the highlighted programs is also provided in the text below.

Line Item	Name	FY11 Current	FY12 Senate	FY12 House	Senate - House
0610-2000	Welcome Home Bill Bonus Payments	3,155,604	2,500,000	2,155,604	344,396
1410-0010	Department of Veterans' Services Administration	2,133,506	2,148,506	2,402,778	-254,272
1410-0012	Veterans' Outreach Centers	1,738,686	1,993,006	1,738,686	254,320
1410-0075	Train Vets to Treat Vets	-	150,000	-	150,000
1410-0100	Veterans' Services Pension Recovery Revenue Maximization	96,500	0	96,350	-96,350
1410-0250	Assistance to Homeless Veterans	2,083,073	2,387,767	2,083,073	304,694
1410-0300	Annuities to Qualified Disabled Veterans	19,862,118	20,035,820	20,135,820	-100,000
1410-0630	Agawam and Winchendon Veterans' Cemeteries	899,451	899,451	948,313	-48,862
4190-0100	Soldiers' Home in Holyoke	19,438,450	19,539,530	19,774,292	-234,762
4190-0300	Holyoke 12 Bed RR	-	671,530	-	671,530

Among the items above that will be resolved by the Conference Committee are two new line items in the Senate FY 2012 budget:

- \$150,000 for a new **Train Vets to Treat Vets** program, which would establish a behavioral health career development program for returning veterans.
- \$672,000 for 12 new long-term care beds at the **Soldiers' Home in Holyoke**.

Other items that are up for debate in the Conference Committee include:

- \$59.0 million in the Senate FY 2012 budget in funding for veterans' benefits and qualified parents and spouses of veterans. This combines two line items: **Annuities to Qualified Disabled Veterans** (included in the table above) and **Veterans' benefits**. This is a \$2.2 million, or 3.8 percent, increase from the FY 2011 current budget, but is 100,000 less than the House budget recommendation.
- Elimination of funding in the Senate FY 2012 budget for the **Veterans' Services Pension Recovery Revenue Maximization** project of the Executive Office of Elder Affairs, which identified individuals who were eligible for veterans' benefits and who were receiving home health care services. This program was funded at \$97,000 in the FY 2011 current budget. The

Governor and House FY 2012 budget proposals had recommended level funding for this program.

Finally, the Senate FY 2012 budget, like the Governor and House budget proposals, also includes level-funding from the FY 2011 current budget for the **Soldiers' Home in Massachusetts**, at \$25.9 million.

## INFRASTRUCTURE, HOUSING, & ECONOMIC DEVELOPMENT

The Senate Fiscal Year (FY) 2012 budget recommends \$1.58 billion for infrastructure, housing, and economic development programs. MassBudget includes programs for housing, economic and workforce development, and transportation within this category. During floor debate, amendments adopted by the Senate added \$11.1 million in additional funding to the Senate Ways & Means (SWM) FY 2012 proposal, with the majority of this funding allocated to economic development and transportation. The final Senate proposal is \$14.7 million above the House FY 2012 budget proposal, but still \$89.7 million below the FY 2011 current budget. It is important to note, however, the supplemental budget passed in April of this year included \$50.0 million for snow and ice removal, which significantly increased the FY 2011 current budget for transportation. The Senate budget proposal for FY 2012, as with the House and Governor’s budget proposals, reflects reorganizations that occurred in each of the three areas. The economic development and transportation reorganizations were a part of an effort to streamline programs and services. For housing, in particular homelessness, the reorganization reflects an effort to transition homeless families into housing instead of shelters.

FY 2012 Budget Proposal Comparisons	
FY 2012 Senate (Adjusted)	\$1,580,714,978
FY 2012 House (Adjusted)	\$1,565,995,508
FY 2011 Current	\$1,670,447,958

*\* When budget proposals shift line items between categories, we make adjustments in order to provide more accurate across-year comparisons. See “How to Read the Tables.”*

### Housing

The Senate budget recommends spending \$299.3 million on affordable housing programs in Fiscal Year (FY) 2012. This level is \$31.3 million, or 9.5 percent, less than the FY 2011 current budget and is slightly higher than the House budget.

During floor debate the Senate adopted a number of amendments increasing funding for housing programs including:

- An additional \$100,000 for the **Home and Healthy for Good Program** that serves chronically homeless individuals. The final Senate funding of \$1.2 million is the same as the House budget and FY 2011 current spending.
- An additional \$400,000 for the **Massachusetts Rental Voucher Program (MRVP)** that provides vouchers to low-income renters in Massachusetts. The Senate level of \$35.9 million is \$100,000 less than House budget and \$1.6 million more than the FY 2011 current budget. Note that the Senate budget also includes a contribution from the Massachusetts Housing Finance Agency (MassHousing) of \$8.4 million to MRVP (see description below).
- An additional \$440,000 for shelter and services for **homeless individuals**, increasing that funding to \$37.3 million. The Senate also included language requiring that organizations providing assistance to homeless individuals receive no less than \$20 per bed, per night. The final Senate budget appropriates \$440,000 more than both the House and FY 2011 current budgets.

The House and Senate will have to iron out differences in funding for several other line items. The major differences are listed in the following table and described either in the discussion of the amendments (above) or in the text below.

Line Item	Name	FY11 Current	FY12 Senate	FY12 House	Senate - House
7004-0099	Department of Housing and Community Development (DHCD)	6,607,910	6,642,317	6,742,317	-100,000
7004-0102	Homeless Individuals Assistance	37,292,852	37,733,331	37,292,852	440,479
7004-3036	Housing Services and Counseling	1,495,996	1,377,812	1,495,996	-118,184
7004-9024	Massachusetts Rental Voucher Program (MRVP)	34,300,000	35,900,000	36,000,000	-100,000
Outside Section 121	MHP contribution to Soft Second Loan Program	2,000,000	2,000,000	0	2,000,000
Outside Section 121	MassHousing contribution to MRVP	2,700,000	8,400,000	0	8,400,000

- The Senate provides \$1.4 million for **housing services and counseling**, which is \$118,000 less than the House and FY 2011 current budgets.
- The Senate provides \$6.6 million in funding for the **Department of Housing and Community Development (DHCD) administrative account**, which is \$100,000 less than the House budget and in line with the FY 2011 current budget.
- In outside section 121 the Senate budget directs the Massachusetts Housing Partnership (MHP), a quasi-public agency, to contribute \$2.0 million to the **Soft Second Loan** program that provides housing loans to first-time, low-income home buyers. This is not included in the House budget. While Soft Second has received \$2.0 million from MHP in past budgets, it has not received state funding since the onset of the fiscal crisis in 2008. (Note that this \$2.0 million contribution is not included in MassBudget's totals for affordable housing program funding since it is not a direct state appropriation.)
- Also in outside section 121 the Senate budget directs MassHousing, another quasi-public agency, to contribute \$8.4 million to **MRVP**. The House does not include this requirement. Since the onset of the fiscal crisis, when the Governor had to make a series of 9C cuts, MassHousing has contributed funding to MRVP, including \$2.7 million since FY 2010. (Note that this \$8.4 million is not included in MassBudget's totals for affordable housing program funding since it is not a direct state appropriation.)

For most of the other major housing programs the House and Senate budgets recommend identical levels of funding though there are differences in language governing the operation of some accounts, most notably those serving homeless families.

The House and Senate agreed to the Governor's recommendation to reorganize how the state provides services to homeless families living at or below 115 percent of poverty. While this reorganization is designed to help these families avoid shelters in favor of permanent housing, it is unclear whether the funding levels in the House and Senate FY 2012 budgets will be adequate. It is important to note that

as demand for services has increased during the recession, the Legislature has passed mid-year appropriations in the last two fiscal years to fully-fund the Emergency Assistance program (EA), which provides shelter to these families. The FY 2010 General Appropriations Act (GAA) appropriated \$91.6 million for EA and added another \$60.1 million over the course of the fiscal year. The FY 2011 GAA appropriated \$115.4 million for the program and another \$46.0 million has been added during the current fiscal year.

**State Funding for Homeless Families**

Program	FY 2011 GAA	FY 2011 Current	FY 2012 Governor	FY 2012 House	FY 2012 Senate
EA	\$115,360,773	\$161,360,773	\$97,797,200	\$97,797,200	\$97,797,200
Home Base			\$38,561,732	\$38,561,732	\$38,561,732
<b>Total</b>	<b>\$115,360,773</b>	<b>\$161,360,773</b>	<b>\$136,358,932</b>	<b>\$136,358,932</b>	<b>\$136,358,932</b>

As part of the reorganization the House and Senate budgets propose spending \$97.8 million for the **Emergency Assistance** (EA) program. In his FY 2012 budget the Governor recommended limiting EA to homeless families whose head of household is 21 years or younger, who have left their homes because of domestic violence, or who have lost their homes due to fire or other natural disaster. The Governor’s budget appeared to deny shelter to other eligible families, who would only receive housing assistance through the newly-created HomeBase program (see description below). During floor debate the Senate adopted amendments that brought its budget in line with the House requirements that EA provide shelter to families served through the HomeBase program if those families are unable to find adequate housing immediately. The House budget requires that \$3.5 million of EA funds be used by DCHD to directly limit families’ use of shelters, particularly hotels and motels. The Senate budget does not include this earmark.

The House and Senate budgets recommend that \$38.6 million be allocated to the new **HomeBase** program, which is designed to help eligible homeless families who are currently served through EA either stay in their existing housing or move to new permanent housing without having to stay in family shelters. In his proposal the Governor recommended providing these families with up to three years of assistance amounting to \$8,000 in the first year and 5.0 percent less in the two subsequent years. There was concern that \$8,000 may not be sufficient to help these families pay for adequate rental housing in high cost regions of the state, like Greater Boston. The House and Senate budgets replaced the Governor’s \$8,000 threshold with a stipulation that families served under the program pay no more than 35 percent of their income in rent and utilities. The two proposals also limit most of DHCD rental assistance through this program to housing that is no more than 80 percent of the fair market rent, as determined by the federal Department of Housing and Urban Development. Like the House, the Senate budget does allow DHCD to exceed the 80 percent threshold if a family is unable to find adequate housing at that rent level. The two budgets also require that HomeBase funds be used to help families gain the skills necessary to remain in permanent housing once the three-year assistance from the state ends. During its floor debate the Senate adopted an amendment stipulating that the time a family spends in temporary shelter while finding permanent housing will not count towards the three years of temporary housing assistance it will receive through HomeBase. The Senate budget also requires that DHCD provide quarterly reports to the Legislature detailing the types of assistance the department provides to families and when families have exhausted their three years of assistance under the program.

In other housing programs the House and Senate agree on funding levels including:

- \$5.0 million for **caseworkers** providing homelessness assistance, which is in line with current spending.
- \$260,000 for **Rental Assistance Program for Families in Transition (RAFT)**, which has provided one-time assistance to prevent families from becoming homeless. This is the same amount as the current FY 2011 budget. In FY 2010 the Legislature appropriated \$3.1 million for RAFT. Because at the time Massachusetts was receiving \$44.6 million in temporary federal funds through the Recovery Act that provided the same services as RAFT, the Governor transferred all but \$160,000 of RAFT funding to MRVP. Even though the federal Recovery Act funds have run out, neither the House nor Senate recommend restoring funding for RAFT.
- \$3.5 million for rental **vouchers for people with disabilities** and \$4.0 million for rental **vouchers for clients of the Department of Mental Health**, which is level funding.
- \$62.5 million in **subsidies for public housing authorities**, which is level funding. The Senate budget does not include language in the House budget that urges DHCD to make repairs to family units if those repairs cost \$10,000 or less. The intent of the House language is to make more units available for families served through EA and Home Base. Given that the subsidies for these housing authorities has stayed level since FY 2010, while costs have increased due to inflation, it is unlikely that there will be the extra funding available to renovate family units that are in need of repair.

## Economic Development

The Senate FY 2012 budget proposal includes \$82.3 million for economic development programs. This is \$17.8 million, or 17.8 percent, less than the FY 2011 current budget for economic development. Funding for this subcategory, which includes economic and community development, cultural and arts, and workforce development programs, has seen significant declines since the onset of the Great Recession; since FY 2009, economic development programs have been cut by 54.1 percent, after adjusting for inflation.

During floor debate, the amendments adopted by the Senate increased funding from the Senate Ways & Means proposal for the following programs:

- \$1 million in additional funding for **Massachusetts Cultural Council Grants**, for a total of \$5.4 million. This is the same amount recommended by the House, and is a cut of \$649,000 from the current FY 2011 budget.
- \$400,000 in additional funding for **Regional Economic Development Grants**, for a total of \$600,000. This is \$200,000 below the FY 2011 current budget. The House FY 2012 proposal eliminated this funding.
- \$325,000 in funding for the **Massachusetts Manufacturing Extension Partnership**. This is level funding from the current FY 2011 budget and also from the House FY 2012 proposal. The Senate Ways & Means committee had proposed eliminating this funding.

The amendments adopted by the Senate also added \$3.0 million in funding for the **YouthWorks** program, which provides summer jobs for at-risk youth. The Senate Ways & Means Committee had not provided any funding in its FY 2012 proposal. Because the fiscal year ends in the middle of the summer, funding for YouthWorks is often provided twice during the fiscal year. Usually, an amount is appropriated with the enacted budget (the GAA) at the beginning of the fiscal year in July and then another amount is usually appropriated mid-year in a supplemental budget. In FY 2010 YouthWorks was appropriated \$4 million in the GAA, but then did not receive any supplemental mid-year funding. For the summer of calendar year 2010, the Governor used both the \$4.0 million amount appropriated in the FY 2010 GAA and then also used the \$3.7 million appropriated in the FY 2011 GAA, for a total of \$7.7 million for YouthWorks in the calendar-year summer of 2010. The supplemental budget passed on April 11th of this year provided \$4.0 million for YouthWorks for the summer in calendar year 2011. The Senate’s proposal of \$3.0 million for YouthWorks, in addition to the \$4.0 million provided in the supplemental budget is a total of \$7.0 million for the summer of calendar year 2011. This is a \$700,000, or 9.0 percent, cut from the funds that were available for the summer of calendar year 2010. In comparison, the House proposed \$2.0 million and the Governor proposed \$4.4 million for Youth Works.

The Senate FY 2012 proposal for economic development is lower than the House FY 2012 proposal by \$367,000. The major differences between the House and Senate proposals are outlined in the chart below. Some of these programs have been reassigned line item numbers or have been consolidated into other line items in the various FY 2012 proposals. The new line item numbers and consolidations are indicated where applicable. Funding differences between these items will need to be reconciled during the Conference Committee debate. Further detail on the highlighted programs is also provided in the text below.

Line Item	Name	FY11 Current	FY12 Senate	FY12 House	Senate - House
2511-0100	Department of Agricultural Resources	4,446,132	4,100,108	4,400,108	-300,000
7002-0010	Executive Office of Housing and Economic Development	434,216	410,140	421,473	-11,333
7002-0012	Summer Jobs Program for At-Risk Youth	7,700,000	3,000,000	2,000,000	1,000,000
7002-0017	Housing and Economic Development Information Technology Costs	2,367,930	2,067,930	2,161,747	-93,817
7001-0100 (current)	Executive Office of Labor & Workforce Development	805,764	750,342	726,875	23,467
7003-0100 (senate)					
7002-0900 (current)	Division of Labor Relations	1,805,890	1,805,890	1,809,882	-3,992
7003-0900 (senate)					
7002-0901 (current)	Arbitration & Mediation Retained Revenue	100,000	86,550	100,00	-13,450
7003-0901 (senate)					
7003-0200	Department of Labor Standards (consolidates the Apprentice Training Program, 7002-0101, and the Division of Occupational Safety, 7002-0200)	2,018,561	2,018,561	2,022,215	-55,214

7003-0702	Individual Training Grants	750,000	500,000	1,350,000	-850,000
7003-0803	One-Stop Career Centers	4,994,467	4,494,467	4,994,467	-500,000
7006-0000	Office of Consumer Affairs and Business Regulation	760,453	768,208	770,019	-1,811
7007-0100 (current)	Massachusetts Office of Business Development	1,719,178	1,666,885	1,624,028	42,857
7007-0300 (senate)					
7007-0150	Regional Economic Development Grants	800,000	600,000	0	600,000
7007-0801	Micro lending	-	0	200,000	-200,000
7007-0802	Year Up	-	200,000	-	200,000
7008-0900	Massachusetts Office of Travel & Tourism (consolidates the Mass Office of Travel & Tourism, 7007-0900, and the Mass Sports & Entertainment Commission, 7007-0901)	2,134,484	1,788,167	1,988,167	-200,000

Among the line items above that will be resolved by the Conference Committee is a new line item, funded at \$200,000, for the **Year Up** program, which would provide one year of employment, training, and job placement for urban adults aged 18-24. This program would also provide internships with college credits and a stipend, and would receive private matching funds.

Like the House and Governor's FY 2012 proposals, the Senate proposal reflects the reorganization of economic development programs that was passed by the Legislature in August 2010. The Senate proposal makes certain additional shifts within the Executive Office of Labor and Workforce Development.

A new agency, the **Massachusetts Marketing Partnership (MMP)**, was created to coordinate efforts to promote the Commonwealth domestically and internationally as an attractive, competitive, and innovative state in which to do businesses. Agency activities also include marketing, tourism, entertainment, sports, and international trade. The Senate proposal for FY 2012 includes three new line items for the MMP, which consolidate several existing line items dedicated to these functions. In sum, the line items that make up the MMP are funded at \$7.9 million in the Senate budget proposal. This is \$3.2 million, or 66.6 percent, more than the FY 2011 current budget. While the House FY 2012 budget proposed \$200,000 more in funding for MMP than the Senate proposal, the Governor's proposal was \$4.2 million less than the Senate proposal.

The first MMP line item is for the **Massachusetts Office of Travel and Tourism**. Like the House and Governor's budgets, the Senate budget for FY 2012 creates a new line item for the Massachusetts Office of Travel and Tourism, which consolidates the former Massachusetts Office of Travel and Tourism and the Massachusetts Sports and Entertainment Commission. The Senate FY 2012 budget proposal recommends \$1.8 million for the Mass Office of Travel and Tourism, a decrease of \$346,000, or 16.2 percent, from the FY 2011 current budget. This is \$200,000 less than the House FY 2012 proposal, but level with the Governor's budget proposal. The Senate and Governor's budget proposals also anticipated a \$5.0 million contribution from the Massachusetts Convention Center Authority for tourism promotion and marketing, which would be additional funding for the Massachusetts Office of Travel and Tourism. However, because this is an outside commitment for funding, MassBudget does not include this amount in the state's funding totals.

The next new line item under the MMP is for **Local Tourist Councils**. Though they are not officially a part of the MMP, funding grants for these councils are administered by the MMP. The Senate FY 2012 budget proposes \$6.0 million for Local Tourist Councils, which is \$3.5 million more than the FY 2011 current budget of \$2.5 million. This is the same amount proposed by the House FY 2012 budget, and is \$4.2 million more than the amount proposed by the Governor.

The last MMP line item is for the **Massachusetts International Trade Office**, which consolidates the existing Massachusetts Office of International Trade and Investment. Like the House and Governor, the Senate FY 2012 proposal includes \$100,000 in funding for this new line item, which is level funded from FY 2011 current amounts. Once again, however, the Senate and Governor's budgets also include an anticipated outside commitment of \$600,000 from the Massachusetts Technology Collaborative and the Massachusetts Port Authority for the International Trade Office.

The economic development reorganization also identifies the **Massachusetts Office of Business Development** as the lead business development agency. This office absorbs the Office of Small Business and Entrepreneurship. The existing Department of Business Development would no longer exist and the funding associated with this department is moved to the Massachusetts Office of Business Development. The Senate 2012 budget proposal includes \$1.7 million for the Massachusetts Office of Business Development, which is \$52,000, or 3.0 percent, above the FY 11 current budget. This amount is above the House proposal by \$43,000 and above the Governor's proposal by \$25,000. The Senate and Governor's proposals also included an anticipated \$700,000 that would be provided to the Office of Small Business through an outside commitment from the Growth Capital Corporation.

The Senate FY 2012 budget also assigns new line item numbers to the programs administered by the **Executive Office of Labor and Workforce Development (EOLWD)**. The Senate proposal recommends consolidating the **Apprentice Training Program** and the **Division of Occupational Safety** into a new **Division of Labor Standards**. The total amount recommended by the SWM proposal for EOLWD is \$24.4 million, a decrease of \$869,000, or 3.4 percent, from the FY 2011 current budget.

Other highlights from the Senate 2012 budget proposal include:

- No funding for **District Local Technical Grants**, which are formula-based grants to Regional Planning Agencies (RPAs) that provide technical assistance to municipalities for various land use, zoning, planning and regionalization initiatives. This was funded at \$2.0 million in FY 2011. The Senate, House, and Governor's budget proposals include a new fund, the Municipal Regionalization and Efficiencies Incentive Reserve, which would provide funding for some of the same initiatives; however, it would be a competitive grant program that both municipalities and RPAs would be able to apply for, rather than a formula-based grant allocated to RPAs, and it would be allocated for implementation of projects instead of providing municipalities with technical assistance. Further explanation of this new fund is included in the MassBudget category for Local Aid.
- No funding for the program for **workforce training for former dog track workers**. This is funded at \$2.0 million in the FY 2011 current budget. The House and Governor's FY 2012 proposals also eliminate this program.

- A reduction of \$250,000, or 33.3 percent, for **Individual Training Grants**. These grants are funded at \$750,000 in the current FY 2011 budget. The House recommended \$1.4 million and the Governor had recommended \$750,000 for these grants.
- A reduction of \$500,000 for **One-Stop Career Centers** for a total recommendation of \$4.5 million. The House and Governor's FY 2012 budget proposals recommended \$5 million.
- \$200,000 in funding for the **Biotech Research Institute**, which has not been funded since FY 2010. The Governor and House had also proposed \$200,000.
- Moving \$19.9 million in funding for the **Workforce Training Fund** to an off-budget trust fund. The House and Governor's FY 2012 budget proposals recommended the same.

## Transportation

The Senate FY 2012 budget proposal provides \$1.15 billion for transportation services. This is a decrease of \$41.8 million, or 3.5 percent, from the FY 2011 current budget. It is important to note that the supplemental budget for FY 2011 passed in April of this year included a \$50.0 million appropriation for snow and ice removal, which significantly increased the FY 2011 current budget. Funding for snow and ice removal is often provided as needed, and therefore similar supplemental funding could be provided in FY 2012 if the need arises. The Senate recommendation is above the House FY 2012 budget proposal by \$15.0 million and is above the Governor's budget proposal by \$14.5 million. The difference between the proposals is due to a larger recommended funding level for the Massachusetts Transportation Trust Fund in the Senate budget, as compared to the House and Governor's budgets.

The Senate, House, and Governor's proposals reflect the second year of implementation of the transportation reorganization that created the **Massachusetts Department of Transportation (MassDOT)**. MassDOT allocates funding for transportation services and programs through four divisions that were created during FY 2011: Highway; Mass Transit, which oversees the Massachusetts Bay Transportation Authority (MBTA) and Regional Transit Authorities (RTAs), as well as other freight and passenger rail; Aeronautics; and the Registry of Motor Vehicles (RMV).

During floor debate the amendments adopted by the Senate increased funding for the **Massachusetts Transportation Trust Fund (MTTF)**, by \$5.2 million for a total recommendation of \$195.1 million. The Senate proposal is level funded from FY 2011 current budgeted amounts and is greater than both the House and Governor's proposals for FY 2012 (by \$15 million and \$500,000 respectively). The policy documents accompanying the Governor's FY 2012 budget outlined several savings and efficiencies for transportation programs. Refinancing MassDOT debt, transferring MassDOT and MBTA employees to the Group Insurance Commission, and other cost avoidance measures resulted in a lower annual appropriation for the MTTF.

The Governor had recommended consolidating \$15.0 million in funding for the **RTAs** with the line item for the MTTF. The Senate and House FY 2012 budgets do not consolidate these two line items, but fund RTAs at \$15.0 million in a distinct line item. This is level funding from the current FY 2011 budget.

The **MBTA** is funded through two sources. One is an operating transfer. The other is a set aside of sales tax revenue, often referred to as “one penny on the sales tax.” At a rate of 6.25 percent, the sales tax is 6.25 cents for every dollar spent on purchases. One penny of the 6.25 cents is dedicated to the MBTA. The Senate FY 2012 budget includes \$160.0 million for the **MBTA operating transfer**, which is level funding compared to the FY 2011 current budget as well as the House and Governor’s FY 2012 proposals. The Senate, House, and Governor’s FY 2012 budget proposals also include \$779.6 million in **sales tax revenues set aside for the MBTA**, an increase of \$12.5 million, or 1.6 percent, from the FY 2011 current budget.

## LAW & PUBLIC SAFETY

During floor debate the Senate added \$5.2 million to the Fiscal Year (FY) 2012 Senate Ways and Means (SWM) budget for law and public safety programs, providing a total of \$2.26 billion for these programs and services. The Senate proposal is \$33.5 million more than the House proposal and \$106.6 million (or 4.5 percent) less than current FY 2011 budget levels. Like the House budget, the FY 2012 Senate budget does not adopt the Governor’s budget recommendations for major consolidations or reorganizations of departments or services related to law and public safety, though the Senate does adopt some of the proposed reforms to indigent defense.

Notable floor changes include restoration of the Massachusetts Legal Assistance Corporation to level funding; increased funding for the Shannon Grant program, the District Attorneys Association, and the Executive Office of Public Safety and Security; and a reduction in cuts to the Parole Board.

Notable differences between the Senate and House budgets include differing proposals to reform how the Commonwealth provides for the legal defense of indigent defendants; higher Senate appropriations for trial court funding; and lower Senate appropriations for probation and parole functions. In addition, the Senate budget proposes a new funding structure for community correction centers, making continued support dependent on meeting certain performance-based standards, an approach not shared by the House.

Law and public safety includes funding for an array of departments and programs, including courts, legal assistance for indigent persons, district attorneys, the Attorney General, public defenders, the Department of Public Safety, law enforcement, prisons, probation, parole, and the state’s military division.

FY 2012 Budget Proposal Comparisons	
FY 2012 Senate (Adjusted)	\$2,255,907,196
FY 2012 House (Adjusted)	\$2,222,776,587
FY 2011 Current	\$2,362,812,899

*\* When budget proposals shift line items between categories, we make adjustments in order to provide more accurate across-year comparisons. See “How to Read the Tables.”*

## Courts & Legal Assistance

In floor debate, the Senate added \$813,000 for courts and legal assistance, bringing the FY 2012 Senate budget proposal for these programs and services to \$596.7 million. This amount represents a decrease of \$74.2 million (or 11.1 percent) from current FY 2011 budget levels.

Notable changes made on the floor include the following:

- The Senate budget provides \$9.5 million for the **Massachusetts Legal Assistance Corporation (MLAC)**, an increase of \$750,000 from the SWM proposal and an amount identical to the proposals of the House and Governor and to the current FY 2011 funding level. MLAC provides legal information, advice, and representation to low-income people faced with non-criminal legal problems. MLAC is the largest funding source for civil legal aid programs in the Commonwealth.

- The Senate added \$63,000 to the SWM budget's proposed funding for the **Commission on Judicial Conduct**, bringing the Senate total to \$575,000, an amount identical to the House proposal. This total is \$63,000 more than is provided currently for FY 2011 spending. This commission investigates complaints of judicial misconduct and, when warranted, recommends disciplinary action to the Supreme Judicial Court.
- The Senate amended the SWM proposal to restructure how the Commonwealth provides for the **legal defense of indigent defendants**. Rather than adopt the SWM proposal to require that public defenders represent defendants in 50 percent of indigent defense cases, the Senate adopts a goal of 30 percent representation by public defenders by the end of FY 2012. Accordingly, the final Senate proposal shifts less money away from paying private attorneys to represent indigent defendants and toward hiring more public defenders than does the SWM proposal. The total proposed FY 2012 appropriation for indigent defense (\$172.2 million), however, does not change from the SWM budget to the Senate budget. The Senate budget also calls for a study of indigent counsel costs and the potential benefits of adding additional public defenders, as well as creating a commission to study the economic impacts to local communities of shifting away from the use of private bar attorneys (for discussion about differences from the House budget, see following section).

The Senate's proposal of \$596.7 million for courts and legal assistance is \$31.0 million more than proposed by the House. The most notable differences between the Senate and House budgets include the following:

- The Senate budget provides \$184.9 million for the **Chief Justice for Administration and Management (CJAM)** (and related accounts), a reduction of \$12.3 million or 6.3 percent from current FY 2011 budget levels, and \$1.1 million less than proposed by the House. Neither the Senate nor House adopt the Governor's proposal to consolidate most trial court funding into the account of the CJAM. Instead, both the Senate and House provide direct, independent funding to each of the courts (Supreme Judicial Court, Appeals Court, Superior Court, District Court, Probate and Family Court, Land Court, Boston Municipal Court, Housing Court, and Juvenile Court). Currently, the CJAM account covers costs for things such as the operation of courthouse facilities; rental of county, municipal and private court facilities; equipment maintenance and repairs; various employee healthcare costs; court security and judicial training; jury expenses; witness fees; and other costs related to court operations.
- The Senate budget provides \$206.8 million for the **trial courts** (excluding the Appeals and Supreme Court accounts), while the House provides \$195.7 million, an \$11.1 million difference.
- Total funding for **indigent defense** in the Senate budget is \$172.2 million, or \$33.0 million (16.1 percent) below current FY 2011 funding levels. The House provides \$151.1 million, an amount that is \$21.1 million less than the Senate. Like the House, the Senate budget does not adopt the Governor's proposal to eliminate the **Committee for Public Counsel Services (CPCS)** and replace it with a new Department of Public Counsel, housed within the Executive branch. The Senate and the House, however, each propose their own set of substantial changes to the Commonwealth's structure for funding the legal defense of indigent defendants.

While the Senate budget proposes that the CPCS bring 30 percent of all indigent defense cases onto the caseloads of public defenders by the end of FY 2012, the House has proposed a goal of 20 percent. Both the House and Senate propose hiring additional public defenders to accomplish this task and increase the CPCS appropriation in order to pay for this change. The Senate provides \$84.2 million for the CPCS public defenders and related accounts (\$37.7 million more than current FY 2011 budget levels), while the House provides \$57.8 million. Both the Senate and House also shift resources away from paying private attorneys to defend indigent clients. The Senate provides \$88.0 million to pay private bar attorneys for indigent defense (\$70.7 million less than current FY 2011 budget levels), while the House provides \$93.3 million. Both the House and Senate propose strengthening the process used to determine if defendants are eligible for a publically funded defense.

## Prisons, Probation, & Parole

In floor debate, the Senate added \$1.5 million for prisons, probation and parole to the FY 2012 SWM budget proposal. The Senate provides a total of **\$1.15 billion**, a decrease of \$30.4 million (or 2.6 percent) relative to current FY 2011 budget levels. This proposal falls \$4.0 million below the House proposal.

Notable changes made on the floor include the following:

- The Senate budget provides an additional \$700,000 to the **Department of Correction (DOC)** for a) aid to incarcerated mothers (\$200,000) and b) mitigation funds for communities hosting DOC facilities (\$500,000).
- The Senate budget provides an additional \$500,000 for **Parole Board** operations, for a total of \$17.1 million.
- The Senate budget provides additional funding for a number of **Sheriff's Departments**. The Barnstable and Plymouth Sheriff's Departments receive an additional \$100,000 each. The Senate also provides \$50,000 to fund a commission that would "conduct a fiscal analysis of the potential cost savings and other efficiencies that may be achieved by reorganization, consolidation, elimination or realignment of sheriffs' offices."

Notable differences between the Senate and House budget for prisons, probation and parole include the following:

- The Senate provides \$128.2 million for the **Department of Probation** and related accounts, \$10.6 million less than the House.
- The Senate provides \$17.1 million for the **Parole Board** and related accounts, \$470,000 less than the House.
- The Senate provides \$474.8 million for the 14 **county sheriff's departments** and related accounts, \$1.8 million more than the House.

- The Senate proposes a total of \$527.1 million for the Department of Correction (DOC) and related accounts, \$5.4 million more than the House. The DOC houses over 11,000 inmates at 18 different facilities and employs over 5000 staff.

Other notable elements of the Senate budget include the following:

- The Senate budget proposes a performance-based funding mechanism for probation functions administered through the **Office of Community Corrections**. The Senate appropriates automatic funding for community corrections centers for the first half of FY 12 only. In order to receive funding for the second half of FY 12, each center must demonstrate that it has met certain performance criteria determined by the Commissioner of Probation. Further, the Office of Community Corrections must deliver to the Legislature a report detailing the spending and management plan for each center, along with details of the progress and performance outcomes of each center.
- The Senate budget, like the House, does not adopt the Governor's proposal to transfer most of the responsibility and funding for probations and parole oversight to a new **Department of Community Supervision** housed within the Executive Branch.
- The Senate budget provides \$5.0 million to level-fund (relative to current FY 2011 spending) the **Massachusetts Alcohol and Substance Abuse Centers**, despite the loss of sales tax collections on alcohol sales (repealed through a ballot initiative). These centers had been funded from revenues earmarked from the sales tax on alcohol tax. Both the House and the Governor eliminate funding for this program, as well as direct funding for the Substance Abuse Services program provided through the Department of Corrections (\$2.0 million in FY 2011) and another such program provided through the Office of Community Corrections (\$1.0 million in FY 2011). The senate also eliminates direct funding for the DOC and OCC programs.
- Relative to current FY 2011 budget levels, in the FY 2012 Senate budget, combined funding for the state and county level **Prison Industries and Farm Services Programs** (and related retained revenue accounts) has been decreased by \$450,000 (or 6.1 percent) to \$6.9 million. This amount is \$134,000 less than provided by the House.

The Senate budget reduces funding for six of the 14 **county sheriff's departments** (Berkshire, Hampshire, Worcester, Essex, Dukes, Nantucket), and increases funding for another five (Plymouth, Norfolk, Suffolk, Bristol, Barnstable). Three of the departments are essentially flat funded (Hampden, Franklin, Middlesex). Reductions range from 1.1 percent to 2.5 percent relative to current FY 2011 budget levels, and increases range from 1.8 percent to 5.2 percent. Included in these tallies are new, direct appropriations to Hampden and Middlesex counties of \$905,000 each for Mental Health Stabilization Units (the Hampden unit is a regional facility). Previously, funding for these mental health programs was provided through a separate, aggregate account.

## Law Enforcement

During floor debate the Senate added \$1.0 million to the SWM proposal for overall law enforcement funding. In total, the FY 2012 Senate budget provides \$318.5 million in funding for law enforcement.

This represents a decrease of \$8.8 million (or 2.7 percent) from current FY 2011 spending levels, and is \$4.2 million more than proposed by the House.

Notable changes made on the floor include the following:

- The Senate budget adds \$1.0 million to the SWM appropriation for anti-gang violence **Shannon Grants**, bringing the Senate FY 2012 appropriation to \$5.5 million compared to current FY 2011 funding of \$7.0 million. However, one of several FY 2011 supplemental funding bills contained \$2.5 million in additional Shannon Grant funding that is intended to be carried over from FY 2011 and used in FY 2012. Carrying this \$2.5 million forward into FY 2012 means that the net total Shannon Grant funding available for use in FY 2012 would be \$8.0 million, under the Senate proposal. This is \$2.5 million more than the total provided by the House for use in FY 2012 (\$2.5 million in supplemental funding + \$3.0 million in direct FY 2012 appropriation = \$5.5 million). The Governor's FY 2012 budget recommendation includes both the \$2.5 million in supplemental funding (carried forward from FY 2011) and proposes an additional \$5.5 million in direct FY 2012 appropriations, for total Shannon Grant funding of \$8.0 million in FY 2012.

Beyond the discrepancy in proposed Shannon Grant funding, other notable differences in law enforcement funding between the Senate and House budgets include the following:

- The Senate budget provides \$2.5 million for the **Quinn Bill** (a program funded at \$5.0 million in FY 2011), while the House provides no funding for the program. The Quinn Bill provides pay incentives to local police officers who hold approved college or advanced degrees in criminal justice, law enforcement, or related areas of study.
- The Senate budget provides \$12.5 million for the **State Police Crime Laboratory**, a decrease of \$658,000 (or 5.0 percent) from current FY 2011 budget levels and \$487,000 less than provided in the House budget.
- The Senate budget provides \$2.1 million for the **Criminal History Systems Board**, an increase of \$115,000 (or 5.8 percent) over current FY 2011 budget levels. The Senate proposal is \$425,000 less than proposed by the House.
- The Senate budget provides level funding at \$3.6 million for the **Sex Offender Registry Board**, \$262,000 more than proposed by the House.
- The Senate budget, like that of the House, does not adopt the Governor's proposal to fund **police training** through an automobile insurance surcharge. The Senate provides level funding of \$3.4 million (including retained revenue authority) for municipal police training, \$24,000 less than the House. While these appropriation amounts are nearly identical, the Senate provides \$2.0 million for training a new State Police class, while the House provides \$2.5 million for this purpose. No money was provided in FY 2011 for training a new class of state police officers.
- The Senate budget creates a new \$9.0 million **Regionalization and Efficiency Incentive Program** designed to help support municipalities seeking efficiencies in the delivery of local services. The House (and Governor) proposes funding this new initiative at \$9.7 million. Line item language in the Senate budget allocates \$3.0 million of the total to an Executive Office of Public Safety grant program that seeks to address police staffing issues and other public safety needs in larger municipalities most affected by the reductions in Local Aid during the ongoing

fiscal crisis. MassBudget counts this funding in its Local Aid category rather than in the Law and Public Safety category.

Other notable elements of the Senate Budget include the following:

- The Senate budget provides \$227.6 million for the **Department of State Police Operations** and related accounts, a decrease of \$6.1 million (or 2.6 percent) from current FY 2011 budget levels. This amount is identical to the Governor's proposal and \$140,000 less than proposed by the House.

## Prosecutors

In floor debate, the Senate added \$1.7 million to the SWM proposal for overall funding for prosecutors. In total, the FY 2012 Senate budget provides \$136.5 million in funding for prosecutors, including funding for functions such as the administration of the Office of the Attorney General, District Attorneys, fraud investigation and prosecution, and victim and witness protection. This represents an increase of \$4.8 million (or 3.7 percent) over current FY 2011 budget levels. This total funding amount is \$112,000 less than that provided by the House.

Notable changes made on the floor include the following:

- The Senate added \$1.7 million to the **District Attorneys Association** account, bringing the total to \$2.0 million. This amount is \$345,000 more than provided by the House.
- The Senate added \$60,000 to the **District Attorneys Wide Area Network** account, bringing the total funding for this account to \$1.3 million. The network provides an integrated IT system to manage major business technology initiatives for the District Attorneys.

Beyond the discrepancy in proposed funding for the DAs Association other notable differences in funding for prosecutors between the Senate and House budgets include the following:

- The Senate budget does not provide any money for a **DA Retention** account, an account that provides resources to increase the salaries of highly effective prosecutors that the DAs particularly hope to retain as employees. The House provides \$500,000 for this fund.
- The Senate budget provides \$2.1 million for **compensation of victims of violent crime**, while the House provides \$100,000 more.
- The Senate budget provides \$3.1 million for the **Wage Enforcement Program**, \$164,000 more than the House.

Other notable elements of the Senate budget include the following:

- An across-the-board 5.0 percent increase in funding for each of the **District Attorneys'** offices (and their accompanying state police overtime accounts) relative to current FY 2011 budget levels. This is identical to the proposals of the House and the Governor.

- A decrease of \$454,000 (or 2.0 percent) to \$22.3 million in funding for the **Office of the Attorney General**, matching the cut proposed by the House and the Governor. Additionally, the Senate cuts \$50,000 (or 12.8 percent) from the AG's accompanying state police overtime account (as do the House and Governor). Funding for the **False Claims Recovery** retained revenue account would be increased by \$200,000 (over current FY 2011 budget levels) to **\$775,000**, an amount identical to that proposed by both the House and the Governor.
- An increase of \$250,000 (or 6.6 percent) in funding for the **Medicaid Fraud Control Unit** to \$4.1 million, an amount matching that proposed by the House and the Governor.

## Other Law & Public Safety

In floor debate, the Senate added \$200,000 to other law and public safety accounts, bringing the Senate total for these accounts to \$50.5 million. This total is \$2.0 million more than current FY 2011 spending levels and \$2.3 million more than proposed by the House. Law and public safety programs include the Massachusetts Emergency Management Agency, the state's military division, the Department of Fire Services Administration, the Department of Public Safety and other emergency relief.

Notable changes made on the floor include the following:

- The Senate added \$200,000 to the funding for the **Executive Office of Public Safety and Security (EOPSS)**, bringing total funding for this account to \$2.1 million, an amount \$238,000 higher than provided by the House.

Beyond the discrepancy in proposed funding for EOPSS, other notable differences between the Senate and House budgets include the following:

- The Senate budget proposes creating a new retained revenue account within the **Department of Public Safety** to provide specific funding to help reduce the inspection and certification backlog of boilers and pressurized tanks. This account is funded at \$1.2 million by the Senate. The House does not propose specific additional funding for this purpose.
- The Senate budget proposes \$17.4 million for **firefighting services**, an increase of \$507,000 (3.0 percent) compared to current FY 2011 levels, and \$740,000 more than proposed by the House.
- Unlike the House (and Governor's) proposal to collapse funding for the **Division of Inspections** into the **Department of Public Safety**, the Senate budget provides separate appropriations for these line items. These two functions, along with a retained revenue account for elevator inspections, are funded cumulatively at \$11.3 million by the Senate, an increase of \$852,000 (or 8.2 percent) over current FY 2011 funding levels. The Senate budget provides \$1.2 million more than the House for these accounts.
- The Senate budget provides \$1.2 million for the **Massachusetts Emergency Management Agency**, an amount \$100,000 less than current FY 2011 funding levels and \$147,000 less than proposed by the House.

- It funds the **Military Division** (and associated retained revenue account) at \$9.6 million, \$135,000 (or 1.4 percent) more than current FY 2011 budget levels, and \$447,000 more than both the House and Governor have proposed.
- Like the Governor, the Senate budget proposes to merge funding for the **Merit Rating Board (MRB)** into the Transportation Trust Fund, and provide an earmark for the MRB within Transportation Trust Fund appropriation. The Senate earmarks \$8.1 million for the MRB out of the trust fund's total appropriation. This \$8.1 million is \$500,000 (or 6.6 percent) more than current FY 2011 funding levels. The House budget provides an identical appropriation for the MRB, but creates a new account with the Department of Transportation through which to fund it (as opposed to providing an earmark within the Transportation Trust Fund account).

## LOCAL AID

The final Senate budget proposes to fund Local Aid at \$871.4 million, a decrease of \$53.8 million, or 5.8 percent, from current FY 2011 levels. Local aid to cities and towns has been cut deeply during the last several years of the fiscal crisis, with the Senate budget representing a cut of 37.6 percent when compared to FY 2009 GAA inflation-adjusted funding levels.

FY 2012 Budget Proposal Comparisons	
FY 2012 Senate (Adjusted)	\$871,400,293
FY 2012 House (Adjusted)	\$870,100,293
FY 2011 Current	\$925,212,293

*\* When budget proposals shift line items between categories, we make adjustments in order to provide more accurate across-year comparisons. See "How to Read the Tables."*

During floor debate the Senate added a total of \$3.0 million to the initial Ways and Means Fiscal Year (FY) 2012 budget proposal for two line items within MassBudget’s Local Aid category (not including Chapter 70 education aid). These two programs are also the only two areas within Local Aid where the Senate proposal differs from the House’s as they head to Conference Committee for reconciliation.

- \$2.0 million was added on the Senate floor for **Reimbursements to Cities in Lieu of Taxes on State Owned Land**, for a final total of \$27.3 million. This proposal represents an increase of \$2.0 million over the current FY 2011 budget. Both the House and Governor propose level funding.
- \$1.0 million was added for the proposed creation of a new **Regionalization and Efficiency Incentive Grant Program**, designed to help support municipalities seeking efficiencies in the delivery of local services, for a total funding level of \$9.0 million. This proposal is \$700,000 lower than both the House and Governor’s proposals of \$9.7 million. Specific language included in the Senate budget, which was not included in either the House or Governor’s budgets, states that of this \$9.0 million program:
  - \$4.0 million would fund a **Division of Local Services competitive grant program** providing transition funding associated with municipal regionalization and other efficiency efforts.
  - \$2.0 million would fund a **Department of Elementary and Secondary Education grant program** for K-12 school districts whose Chapter 70 aid in FY 2012 as a percentage of their foundation budgets is less than their target Chapter 70 aid share.
  - \$3.0 million would fund an **Executive Office of Public Safety grant program** to address police staffing and other public safety needs in municipalities with populations of at least 65,000 whose police departments have per capita operating budgets of less than \$200 in 2010.

Overall, the Senate final FY 2012 proposal is quite similar to the House and Governor’s FY 2012 proposals for Local Aid, as they also propose deep cuts. Additionally, the Senate proposes:

- \$834.0 million for **Unrestricted General Government Local Aid (UGGA)** provided to help cities and towns fund their budgets, a decrease of \$65.0 million, or 7.2 percent, from the current FY 2011 budget. This proposal is identical to both the House and Governor's proposals.

This funding level represents a severe cut of 38.8 percent when compared to FY 2009 GAA inflation-adjusted funding levels.

- \$1.2 million for **Payments to Cities and Towns for Local Share of Racing Tax Revenue**, an increase of \$188,000, or 19.5 percent, from the current FY 2011 budget. This proposal is identical to both the House and Governor's proposals.
- \$9.0 million for the creation of a new **Regionalization and Efficiency Incentive Grant Program** designed to help support municipalities seeking efficiencies in the delivery of local services. Both the House and Governor propose funding this new initiative at \$9.7 million.

Neither the Senate nor the House follow the Governor's FY 2012 budget in proposing the creation of a new \$300,000 **Municipal Performance Initiative** to enhance performance management, accountability, and transparency for local governments.

## Municipal Health Care

Like the House budget, the final Senate FY 2012 budget contains language intended to help cities and towns reduce their health insurance costs by making it easier for them to shift costs to employees and adopt other changes to control health care utilization and costs. The proposals would also make it easier for cities and towns to transfer employees into the Group Insurance Commission (GIC), the state's insurance purchasing pool, as another means of addressing health cost concerns.

### Plan Redesign

Currently municipalities negotiate proposed health benefit changes with public employees. Both the House and Senate language allow municipalities to impose changes such as increased co-pays and deductibles unilaterally, as long as the changes are in line with GIC plans and the municipality shares a portion of the savings with employees. Both plans require a 30-day period for discussion of changes before the municipality implement them; the Senate plan would also require an additional 10 days for scrutiny and approval of cost-sharing estimates by a 3-person review board consisting of municipal and employee representatives and one member selected by the state. The House proposal would require the municipality to share 10 percent of the savings if employees agree with the changes during the 30-day discussion period; if the municipality implemented the plan without employee approval it would be required to share 20 percent of the savings with employees. Under the Senate plan employees and the municipality would negotiate the amount and distribution of shared savings; in cases of disagreement the 3-person review board could increase the shared savings level above the municipality's initial proposal, up to 33 percent of savings.

### GIC Transfer

Under current law municipalities that want to transfer employees to the GIC must obtain the approval of 70 percent of a committee representing public employees. Both House and Senate proposals allow

municipalities to circumvent this requirement and use the process described above (including shared savings requirements) to transfer to the GIC. An amendment adopted during Senate debate would require municipalities proposing a transfer to demonstrate that savings will be 10 percent greater under the GIC than with redesign of the existing plan; if employees disagreed with the transfer, the 3-person panel would have to confirm the 10 percent savings level before approving a transfer. For municipalities using the current process for GIC transfer, the Senate would lower the threshold for employee approval from 70 percent to 50 percent.

Both Senate and the House maintain the collective bargaining process for increases in cost-sharing that exceed GIC plans and for determining the share of health insurance premiums paid by municipal employees in both local and GIC plans.

## OTHER

MassBudget's Other category includes funding for constitutional offices, debt service, executive and legislative operations, libraries, pensions and other administrative offices within state government.

FY 2012 Budget Proposal Comparisons	
FY 2012 Senate (Adjusted)	\$4,226,267,760
FY 2012 House (Adjusted)	\$4,263,284,015
FY 2011 Current	\$4,147,691,085

*\* When budget proposals shift line items between categories, we make adjustments in order to provide more accurate across-year comparisons. See "How to Read the Tables."*

## Debt Service

During floor debate, the Senate made no changes to the Senate Ways and Means (SWM) proposals regarding debt service. The Fiscal Year (FY) 2012 Senate budget provides \$2.07 billion for debt service costs, an amount identical to the House and virtually identical to that recommended by the Governor. This amount represents an increase of \$154.0 million (or 8.1 percent) from the \$1.91 billion provided in current FY 2011 spending. Actions were taken last year, however, to shift a portion of FY 2011 debt service costs into future years in order to reduce FY 2011 budgetary demands (see discussion below). Comparison with last year's debt service costs therefore gives a somewhat distorted view of the year-over-year cost growth. A year ago, in the Governor's FY 2011 budget recommendations, \$1.86 billion in debt service costs were included. At that time, estimated debt service costs for FY 2011 were \$2.16 billion (or \$300 million more than the Governor was recommending), in part due to a one-time spike in debt service costs.

As part of his FY 2011 budget proposal, the Governor recommended (and the Legislature adopted) a plan to refinance \$200 million of this debt in order to adjust for this one-time spike, bringing FY 2011 costs down to a level more in keeping with other years, some \$1.96 billion. The Governor further recommended (and the Legislature adopted) a plan to refinance another \$100 million of FY 2011 debt service costs, thereby lowering total debt service costs below trend in order to save money during a challenging budget year. (This cumulative reduction of \$300 million in FY 2011 debt service costs simply shifted these costs into the future, spreading them out over the course of several future years.) The budget appropriation for debt service thus dropped to \$1.86 billion in FY 2011. During FY 2011, however, \$75 million in debt service appropriations previously approved for use in FY 2010 (but which went unused) were made available for increased debt service payments in FY 2011, thus bringing total FY 2011 debt service spending to \$1.91 billion.

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

## Libraries

The final Senate recommends spending \$21.4 million in library aid in Fiscal Year (FY) 2012. The Senate Ways and Means (SWM) funding level is \$97,000, less than the FY 2011 current budget and the final House budget.

During floor debate the Senate added \$350,000 to the state's regional library system, which funds services that public libraries share such as the interlibrary loan and electronic reference resources. This account, for which the Senate provides \$9.1 million, also includes funding for the Boston Public Library. This addition brings the Senate's budget in line with the House final budget and with the FY 2011 current budget.

The only difference that the House and Senate will need to reconcile as they negotiate a final budget for FY 2012 is between the Senate's appropriation of \$818,000 for the Board of Library Commissioners, which is \$97,000 less than the House budget provided.

In other library accounts the final Senate budget provides the same level of funding as the House including:

- \$6.8 million for **state aid to public libraries**. Unlike regional library aid, described above, state aid goes directly to public libraries throughout the state to support the funding they receive from municipal budgets.
- Level funding the **Talking Book programs** in Watertown at \$2.2 million and Worcester at \$421,000. The Talking Book programs, housed at the Perkins School for the Blind in Watertown and the Worcester Public Library, provide library materials for visually impaired residents in the eastern and western parts of the state respectively. In his budget the Governor recommended consolidating the Talking Book programs into a single account. Neither the Senate nor the House budgets includes this consolidation.

## Pensions

Like the House and Governor's FY 2012 budget proposals, the Senate proposal provides \$1.48 billion for state pensions. No changes were made during the Senate floor debate, and since the House and Senate proposals are identical, the recommendation will not be debated in the Conference Committee. This is an increase of \$36.2 million, or 2.5 percent, from the FY 2011 current budget. The proposed funding level incorporates changes to the pension funding schedule that are intended to mitigate the impact of the economic recession. According to the supporting documents to the Governor's budget proposal, without these changes, the FY 2012 appropriation for pensions would otherwise have increased significantly from FY 2011, by about \$800 million to \$900 million.

As explained in the policy documents accompanying the Governor's budget proposal, the primary change has been to extend the pension funding schedule from 2025 to 2040. By extending the schedule by 15 years, the annual appropriation for each year is reduced. However, because the appropriation for pensions was cut by \$157.5 million in FY 2009, provisions are also in place to provide increases to the appropriation in the short term to make up for this cut, and to ensure an adequate level of funding in the long term. Between FY 2013 and FY 2017, the annual appropriation will increase 5 to 6 percent.

Thereafter, the state appropriation could not be reduced even if there are investment gains that would otherwise lower the annual appropriation. Instead, any gains in the pension fund could be used to shorten the funding schedule.

## Other Administrative

The FY 2012 Senate budget includes a number of proposals to coordinate administrative tasks and conduct auditing in an effort make the delivery of state services more efficient and effective. When they meet to resolve differences between the two budgets, the House and Senate will consider whether or not to include the following initiatives in the final FY 2012 budget:

- Up to \$30.0 million in **procurement savings** proposed in the Governor's FY 2012 budget but not included in the budget passed by the House. The Senate budget recommends that state agencies improve their efficiency by sharing administrative tasks such as procurement. By consolidating their orders, agencies and their executive offices could save money on the purchases of goods and services. Outside Section 106 of the Senate budget proposes that the Secretary of Administration and Finance may reduce funding for state agencies to match some or all of the savings achieved by these agencies through this effort.
- Two new programs to improve **auditing of both state agencies and of vendors** who do business with the state. The Senate budget provides \$1.3 million for a competitive grant program for state agencies to hire auditors. To receive the funding, agencies must demonstrate they can save significant amounts by auditing their programs. The budget creates a smaller account with \$475,000 in funds to audit vendors that the operational services division determines are at a high risk of committing fraud.
- A new **Office of Commonwealth Performance, Accountability and Transparency** within the Executive Office of Administration and Finance (ANF). The purpose of this office is to centralize efforts to improve the delivery of state services. The office will, among other things, work with state agencies to develop performance management plans including the development of goals and measures to achieve those goals; work with agencies to maximize the amount of federal revenue the state can receive; improve transparency by developing a searchable website; forecast economic and revenue growth in the state; and streamline paperwork requirements for state agencies.

## REVENUE

The Senate Fiscal Year (FY) 2012 budget proposal, like the proposals from the House and the Governor, does not propose broad-based tax increases or other larger-scale revenue solutions to make up for the close to \$1.5 billion in federal revenues that were available from federal recovery dollars during FY 2011. Although the Senate budget adopts some of the revenue initiatives proposed in the House and Governor's budget, the Senate, like the House, does not include other of the Governor's ongoing revenue initiatives such as the expansion of the so-called "bottle bill" or a change in the corporate excise factor. The Senate follows the House and the Governor on several new sources of ongoing revenue, but these are primarily strategies to bring in additional federal dollars. Like the House and the Governor, the Senate proposes withdrawing slightly more than \$200 million from the state's Stabilization ("Rainy Day") fund. The Senate also relies more heavily on one-time withdrawals from other trust funds.

Taken together, the new revenue proposals in the FY 2012 Senate budget total \$597.9 million in FY 2012, \$111.2 million in tax initiatives and \$486.8 million in non-tax revenues. A portion (\$178.1 million) of these revenue proposals are for ongoing revenues – generating revenues in FY 2012 and into subsequent years – and a portion (\$419.9 million) are one-time or temporary.

REVENUE PROPOSALS	House	Senate
<b>Taxes</b>		
Delay of FAS 109 Provision	45,860,105	45,860,105
Expanded Tax Enforcement*	61,500,000	61,500,000
Limit Life Sciences Tax Credit	5,000,000	5,000,000
Gift of Life Tax Deduction*		(500,000)
Stamper Allowance*		(700,000)
<b>Sub-Total</b>	<b>112,360,105</b>	<b>111,160,105</b>
<b>Non-Tax Revenues</b>		
Stabilization ("Rainy Day") Fund Withdrawal	200,000,000	200,000,000
Stabilization ("Rainy Day") Fund Interest Transfer	9,000,000	9,000,000
Disposal of Abandoned Property	99,000,000	99,000,000
Proceeds from Various Trusts		49,000,000
Sale of Underutilized State Land	12,000,000	12,000,000
Expanded Federal Medicaid Reimbursement*	77,750,000	77,750,000
Revenue Maximization Efforts*	35,000,000	40,000,000
<b>Sub-Total</b>	<b>432,750,000</b>	<b>486,750,000</b>
<b>Total</b>	<b>545,110,105</b>	<b>597,910,105</b>

\* Ongoing revenue initiatives total \$174.3 million in the House proposal, and \$178.1 million in the Senate proposal.

## Tax Revenue

In floor debate, the Senate made only limited changes to the FY 2012 Senate Ways and Means (SWM) budget with regards to tax revenue. The Senate bases its budget on the Fiscal Year 2012 consensus tax revenue figure, agreed to by the Administration, the House, and the Senate. The consensus tax revenue total is \$20.53 billion, an amount 3.7 percent above the revised FY 2011 revenue estimate of \$19.78 billion.

Two changes made on the floor include the following:

- Adoption of a Gift of Life tax deduction that allows organ donors to claim up to \$10,000 of the costs (such as travel, lodging and lost wages) incurred during the course of organ donation. The Senate budget assumes a \$500,000 revenue loss from this tax law change.
- Adoption of a “Stamper Allowance” that will allow companies that apply excise stamps to cigarette packages to retain an increased portion of the cigarette excise tax as compensation for their work. The higher compensation rate offsets some of the cost for new equipment that the stamping companies have had to purchase (or lease) in order to apply new, digitally encrypted excise stamps. These new stamps have replaced the traditional, heat-applied stamps and are intended to help the Commonwealth limit counterfeiting and better track cigarettes sold in Massachusetts. DOR estimates that the new system will allow the Commonwealth to collect approximately \$15 million annually in revenue that otherwise would be lost due to fraud under the old stamp system. The Senate budget assumes a revenue loss of \$700,000 annually due to the higher “stamper allowance” rate.

The Senate budget follows the House and Governor in proposing the following:

- Delaying implementation of a provision included in the Commonwealth’s 2008 package of reforms to corporate taxation. This provision relates to the interaction of Federal Accounting Standard 109 (or “FAS 109”) and the 2008 reform package. Delaying implementation of this provision is projected to save the Commonwealth \$45.9 million in FY 2012. This is one-time revenue.
- Enhancing revenue collections by expanding the number of employees directly performing tax examination, audit and appeals functions (at an additional cost of \$1.2 million in FY 2012). The new employees will allow the state’s Department of Revenue to crack down on tax evasion, both individual and corporate, and collect the taxes that are legally due to the Commonwealth. This initiative is projected to generate \$61.5 million in additional collections for the Commonwealth annually, primarily through increased assessments and collections from taxpayers.
- Capping the value of the Life Sciences Credit at \$20.0 million in total forgone revenues rather than the usual \$25.0 million. This limit on the Life Sciences Credit would generate an additional \$5.0 million in FY 2012.

The Senate budget, like the House, does not follow the Governor’s recommendation to change the share of profits of certain multi-state corporations that would be apportioned to Massachusetts for tax purposes. The Governor had estimated \$20.0 million from this change. Again like the House the

Senate budget does not follow the Governor's proposal to enforce collection by and remittance of the full Room Occupancy Tax on the part of Internet room resellers based on the price they actually charge their online customers. The Governor had estimated \$8.0 million from this change. The Senate budget does not include the House proposal to create a commission that would review the state's tax expenditures.

## Non-Tax Revenue

During floor debate, the Senate did not make significant changes to non-tax revenue estimates. (It is important to remember, however, that changes in MassHealth spending will result in changes in federal Medicaid reimbursement totals.)

Like the House budget, the Senate budget relies on a direct withdrawal of \$200.0 million from the state's Stabilization ("Rainy Day") Fund, as well as the withdrawal of an anticipated \$9.0 million in interest earned by that fund. The House and Senate budgets include other one-time revenue:

- Relying on \$99.0 million from increased sales or other disposal of abandoned property;
- Selling approximately \$12.0 million of state assets.

Whereas the Senate counts on \$49.0 million in one-time revenue "swept" from unused dollars in various trust funds, the House does not include these funds.

The Senate and House budgets also include ongoing revenue initiatives. The House includes close to \$35.0 million that would be brought in from federal reimbursements with expanded revenue maximization efforts, while the Senate budget counts on close to \$40.0 million. These revenues represent part of a larger initiative state-wide to improve program integrity across a wide variety of state agencies, and identify new or expanded federal revenues to support state operations.

## Budget Totals: Budget by Category and Subcategory

(All Fiscal Year 2012 amounts are adjusted totals. For further explanation of each column in this chart, see "How to Read the Tables" in the Overview.)

CATEGORY (in millions)	FY 2011 Current	FY 2012 Governor	FY 2012 House	FY 2012 SWM	FY 2012 Senate	FY 2012 Senate - House
<b>Education</b>	<b>6,664.6</b>	<b>6,639.1</b>	<b>6,635.6</b>	<b>6,582.5</b>	<b>6,600.1</b>	<b>-35.6</b>
Early Education and Care	510.2	510.1	512.6	499.6	499.6	-13.0
Higher Education	1,012.2	953.4	948.8	946.5	948.3	-0.5
K-12: Chapter 70 Aid	4,072.3	3,990.5	3,990.8	3,990.8	3,990.8	0.0
K-12: Non-Chapter 70 Aid	425.5	506.9	505.4	467.4	483.3	-22.1
K-12: School Building	644.3	678.1	678.1	678.1	678.1	0.0
<b>Environment &amp; Recreation</b>	<b>165.1</b>	<b>166.1</b>	<b>158.0</b>	<b>161.2</b>	<b>161.5</b>	<b>3.5</b>
Environment	74.7	77.1	68.3	71.2	71.4	3.0
Fish and Game	17.4	17.7	18.7	18.6	18.8	0.1
Parks and Recreation	73.0	71.3	71.0	71.4	71.4	0.4
<b>Health Care*</b>	<b>14,770.6</b>	<b>14,293.3</b>	<b>14,269.3</b>	<b>14,345.1</b>	<b>14,367.7</b>	<b>98.5</b>
MassHealth (Medicaid) and Health Reform	12,222.8	11,825.3	11,791.2	11,858.8	11,872.8	81.6
Mental Health	628.3	607.0	613.7	644.8	646.8	33.1
Public Health	496.7	472.4	475.8	492.3	498.9	23.1
State Employee Health Insurance*	1,422.8	1,388.6	1,388.5	1,349.2	1,349.2	-39.3
<b>Human Services</b>	<b>3,376.6</b>	<b>3,337.5</b>	<b>3,350.2</b>	<b>3,329.0</b>	<b>3,334.6</b>	<b>-15.6</b>
Children, Youth, and Families	887.7	873.4	868.6	864.8	864.8	-3.7
Disability Services	1,356.0	1,360.1	1,370.3	1,357.5	1,358.6	-11.6
Elder Services	220.6	216.0	218.5	215.3	216.9	-1.6
Transitional Assistance	784.7	756.8	763.3	760.7	763.6	0.3
Other Human Services	127.6	131.2	129.6	130.6	130.6	1.0
<b>Infrastructure, Housing &amp; Economic Development</b>	<b>1,670.4</b>	<b>1,563.5</b>	<b>1,566.0</b>	<b>1,569.6</b>	<b>1,580.7</b>	<b>14.7</b>
Commercial Regulatory Entities	48.3	49.2	49.4	49.4	49.4	0.1
Economic Development	100.1	80.0	82.7	77.4	82.3	-0.4
Housing	330.6	299.1	299.2	298.3	299.3	0.0
Transportation	1,191.5	1,135.2	1,134.7	1,144.5	1,149.7	15.0
<b>Law &amp; Public Safety</b>	<b>2,362.8</b>	<b>2,244.4</b>	<b>2,222.8</b>	<b>2,251.1</b>	<b>2,255.9</b>	<b>33.1</b>
Courts and Legal Assistance	670.9	586.9	565.7	595.9	596.7	31.0
Law Enforcement	327.3	326.1	314.2	317.5	318.5	4.2
Prisons, Probation and Parole	1,184.4	1,147.4	1,158.1	1,152.6	1,154.0	-4.0
Prosecutors	131.7	136.2	136.6	134.8	136.2	-0.5
Other Law and Public Safety	48.4	47.9	48.1	50.3	50.5	2.3
<b>Local Aid</b>	<b>925.2</b>	<b>870.4</b>	<b>870.1</b>	<b>868.4</b>	<b>871.4</b>	<b>1.3</b>
General Local Aid	899.0	834.0	834.0	834.0	834.0	0.0
Other Local Aid	26.2	36.4	36.1	34.4	37.4	1.3
<b>Other</b>	<b>4,147.7</b>	<b>4,228.5</b>	<b>4,263.3</b>	<b>4,225.8</b>	<b>4,226.3</b>	<b>-37.0</b>
Constitutional Officers	82.1	67.6	69.4	68.3	68.3	-1.0
Debt Service	2,104.7	2,260.2	2,260.8	2,255.5	2,255.5	-5.3
Executive and Legislative	65.5	62.8	65.4	65.4	65.4	0.0
Libraries	21.5	21.0	21.5	21.0	21.4	-0.1
Pensions	1,441.8	1,478.0	1,478.0	1,478.0	1,478.0	0.0
Other Administrative	432.1	338.9	368.2	337.5	337.6	-30.5
<b>Total Appropriations &amp; Transfers*</b>	<b>34,083.1</b>	<b>33,342.8</b>	<b>33,335.3</b>	<b>33,332.7</b>	<b>33,398.2</b>	<b>63.0</b>

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