

The Senate Ways & Means Budget for FY 2015

The Senate Ways & Means Committee (SWM) budget takes small, smart and well-targeted steps towards addressing big challenges. Like the proposals from the Governor and House, however, it doesn't propose solutions at the scale of the challenges we face. The types of major investments in our people and communities that could substantially expand economic opportunity, help all of our children to thrive, and strengthen of our economy in the long run, would require significant new tax revenue – something none of this year's budget proposals call for.

The SWM budget does include a number of initiatives that will immediately help children and adults across the Commonwealth, and ultimately strengthen our economy by allowing more of our people to realize their full potential as individuals and as productive members of our community:

- An increase of \$17.5 million to provide child care to approximately 3,000 of the more than 41,000 children waiting for care. Research overwhelmingly shows that early education and care plays a critical role in helping children, especially the most vulnerable children, to succeed in school, and in life.
- Several efforts to address the crisis at the Department of Children and Families. In addition to modest increases in funding that will make it possible to reduce to a somewhat more manageable level the number of families and children each social worker will be responsible for monitoring and helping, SWM also proposes a \$3.9 million increase in funding for home visiting programs for young families. This reflects an important insight: that helping children at risk of abuse or neglect will likely require not just strengthening DCF, but also supporting families before they become involved with the Department. Bringing that strategy to scale would be costly, but could save resources in the long run, and have a transformative effect on the lives of children who currently face the greatest obstacles to success
- An increase of \$12.5 million in funding for affordable housing vouchers. This is significantly more than was proposed by the Governor or House. The problem of homelessness requires not just sheltering families when they become homeless, but also increasing access to affordable housing so that families can keep a roof over their heads for the long term. This proposed increase addresses that reality.
- An additional \$16.2 million in new funding for substance abuse programs at the Department of Public Health, including a new program to support the creation of drug- and alcohol-free homes. This will allow people in recovery to get necessary supports so that they can successfully return to productive lives in the community.

This Budget Monitor provides an overview of the Senate Ways & Means budget, with discussion of how it compares to other FY 2015 proposals and to historic funding levels.

EDUCATION

Early Education & Care

The Senate Ways & Means FY 2015 budget proposal of \$541.3 million for programs and services administered by the Department of Early Education and Care (EEC) is a \$25.5 million increase over current FY 2014 spending. As the table below outlines, the FY 2015 SWM proposal provides slightly more funding for services and supports for Income Eligible children than either the House or Governor's proposals.

Income Eligible Services and Support					
	Line Item #	FY 14 Current	FY 15 Gov	FY 15 House	FY 15 SWM
Resource and Referral	3000-2000	\$5,873,862	\$5,873,862	\$5,873,862	\$5,803,861
Income Eligible Care	3000-4060	\$214,340,742	\$241,894,678	\$241,894,678	\$227,594,678
FY 15 I.E. Wait List	3000-4040	\$0	\$15,000,000	\$10,000,000	\$17,500,000
FY 14 I.E. Wait List	3000-4070	\$15,000,000	\$0	\$0	\$15,000,000
Total		\$235,214,604	\$262,768,540	\$257,768,540	\$265,898,539

All three proposals are significantly higher than FY 2014, but the SWM proposal provides \$17.5 million for children on the wait list in FY 2015, \$2.5 million more than the Governor and \$7.5 million more than the House. The Governor's proposal limited wait list spending to infants, toddlers and preschool children on the Income Eligible **Wait List** and projected that funding would provide care for about 1,700 children. The SWM proposal opens funding to school-age children for wrap-around care as well as full day care for infants, toddlers, and preschool children. Because school age children need fewer hours of care, the average cost per child for the SWM proposal is less than the Governor's. SWM projects that the \$17.5 million **Wait List** proposal would provide services to around 3,000 more kids.

Although funding increases help EEC support more kids with subsidies, wait lists remain high. The number of kids waiting for a subsidy through the Income Eligible account remains around 40,000 and does not appear to be shrinking significantly. Although not documented publically, about 1,000 kids in foster care are waiting for care through the Supportive Child Care account. Supportive care provides early education and care opportunities to children in the care of the Department of Children and Families, the primary child welfare agency serving kids who have been abused and neglected.

Initiatives introduced by the Governor received a mixed response from SWM. SWM did not fund IT costs to embed the Quality Rating and Improvement System (QRIS) into EEC's current computer system. QRIS is a rating system used by EEC to measure the quality of early education and communicate guidance to providers. The Governor proposed \$2.5 million. SWM provides \$1.0 million for the K1 Classroom Grant Program, \$1.0 million less than the Governor. This grant would fund new pre-k classrooms in cities and towns around the state with a goal of increasing school readiness and improving 3rd grade reading. Gateway cities and districts with struggling schools receive preference. The House did not provide funding for either of these initiatives.

The Children's Trust Fund's **Healthy Families Home Visiting Program** receives \$14.5 million, approximately \$4 million more than FY 14 current spending and both previous FY 2015 proposals. This program provides home visits for first-time parents under the age of 21. The **Universal Pre-Kindergarten** program receives just \$6.5 million. The Governor and House provided \$7.5 million for this program, level with FY 2014 spending.

For more information on these early education and care programs, see the MassBudget [Children's Budget](#).

SWM also provides \$385,000 to continue an assessment of EEC which began in FY 2014. The FY 2014 budget appropriated \$500,000 to hire a nonprofit research organization to undertake a 2 year assessment of the services administered by EEC. Goals of the assessment include identifying promising practices in the administration of subsidies, evaluating the businesses process involved in service delivery, and measuring the effectiveness of the current system in meeting the needs of children and families. Neither the Governor nor the House provided new funding for this assessment in their FY 2015 proposals.

K-12 Education

The SWM budget provides some modest increases to K-12 education programs. All told, however, these increases are roughly in line with annual cost growth and do not represent significant new investments or expansions. Further, when looked at over a longer time horizon, total SWM support for FY 2015 would still be below pre-recession levels – about \$80 million less than in the FY 2009 GAA, adjusted for inflation. For more detail, please see the Education sections of MassBudget's [Children's Budget](#) and [Budget Browser](#).

Two SWM proposals for K-12 grant programs are of particular note. First, in order to help schools better address substance abuse and mental health issues, the SWM budget creates a new \$5.0 million grant program for hiring **Substance Abuse Counselors**. Second, the SWM budget proposes \$70.3 million for [Regional School Transportation](#), a large increase of \$18.7 million over FY 2014 levels. The Governor and House proposed \$51.5 million and \$53.5 million respectively.

In March, to help cities and towns better plan for their local FY 2015 budgets, both the House and Senate passed local aid resolutions committing the legislature early in the budget process to specific funding levels for **Chapter 70 education** aid and Unrestricted General Government Aid (UGGA). The SWM proposal reflects this commitment, funding Chapter 70 aid at \$4.40 billion, which is \$99.5 million, or 2 percent, over FY 2014.

With the House, Senate, and Governor all making identical proposals, this is almost certain to be the final Chapter 70 plan for FY 2015. Specifically, this joint plan:

- Calculates district foundation budgets using updated enrollment and inflation data.
- Includes all pre-kindergarten students currently attending public schools in district foundation budgets, meaning they are counted when calculating state aid. Currently, districts can only count towards their foundation budgets up to two times as many regular education pre-kindergarten students as they have special education pre-kindergarten students. Further, these regular education students must be learning alongside special education students in an inclusive setting. This funding proposal would lift the cap for FY 2015 and allow districts to count towards foundation pre-kindergarten students in non-inclusive settings. As with all grade levels, students can only count towards foundation if they are not charged tuition for attending.

Since enrollment counts are set for calculating FY 2015 foundation budgets, this policy change would only cost a modest \$2.3 million in its first year. If continued for future years, however, this change could significantly increase the provision of public early education.

- Phases-in an additional portion of the formula reforms planned in the 2007 budget, but slowed due to the ongoing fiscal crisis. Specifically, the budget provides 50 percent effort reduction and 35 percent downpayment aid. For more information on the reforms of 2007, please see MassBudget's [Demystifying the Chapter 70 Formula](#).
- Provides a minimum \$25 per pupil increase over FY 2014 aid for all districts that wouldn't otherwise receive an increase of this amount.

Additionally, the SWM budget includes language allowing all districts to begin a four-year phase in of counting **health care costs for retired teachers** towards satisfying their net school spending requirements. This provision is also in the House budget. Districts that counted retiree health care costs in FY 1994, when the current Chapter 70 formula was first implemented, have been allowed to continue including them towards net school spending every year since. Districts that did not include retiree health care costs in FY 1994, however, have had to count it separately. While this change would equalize district spending requirements, it would have the ultimate effect of allowing many communities to spend less on public education.

The SWM budget does not include a provision in both the Governor's and House budgets that would convene a **foundation budget review commission** to review the state's approach to determining district foundation budgets. The foundation budget was designed more than twenty years ago and many of its underlying assumptions are increasingly [out of date](#). Further, there is new evidence on what works best in schools that ought to be considered when reforming the foundation budget.

Among other K-12 education programs, the SWM budget provides:

- An increase of \$5.0 million for [Charter School Reimbursements](#), up to \$80.0 million. This proposal would still fall short of fully funding the reimbursements formula, which DESE estimates would require \$104 million. Charter reimbursements have not been fully funded since FY 2012.

It is important to note that the Legislature is currently considering a supplemental spending bill that would increase charter reimbursements by \$27.6 million for FY 2014.

- An increase of \$7.9 million for the [Special Education Circuit Breaker](#), above what both the Governor and House proposed. The SWM Committee projects that its circuit breaker funding level is sufficient to fully fund the reimbursement formula.
- Level funding for [METCO](#).
- Level funding for [Innovation Schools](#). This account was funded at \$1.0 million for FY 2014 and the Governor proposed an increase to \$4.6 million for FY 2015. The House proposed elimination of funding.
- A cut of \$499,000 for [Extended Learning Time Grants](#). Both the Governor and House proposed increases.
- A cut of \$1.0 million for **Adult Basic Education**.
- A cut of \$3.9 million for [Kindergarten Expansion Grants](#). The House proposed level funding and the Governor proposed an increase of \$3.1 million

Additionally, the SWM budget projects an automatic transfer of \$771.5 million in sales tax revenue to the **School Modernization and Reconstruction Trust Fund**, which is used to help school districts pay for school construction and renovation projects. When someone pays the Massachusetts sales tax, one percent of the retail value of the purchase goes to this fund.

Higher Education

The SWM budget proposes a third year of continued reinvestment in public higher education, building on progress begun in FY 2013 and continued this year. Driven largely by state level income tax cuts that cost the state roughly \$3.2 billion annually, and by the lingering effects of the Great Recession, higher education was [cut by roughly a third](#) between FY 2001 and FY 2012 (adjusted for inflation).

While the SWM budget proposes a higher education increase of roughly \$31 million over FY 2014, both the Governor and House proposed even greater increases: \$53.4 million and \$65.1 million respectively. Lower funding for three programs largely explains these differences. They are:

- Supplemental funding for **Community Colleges**, directed through a new funding formula, is not included in the SWM budget. Both the Governor and House proposed funding of \$13.2 million. Without supplemental funding through this new formula, community college campuses are each roughly level funded in the SWM budget.
- **State Universities Incentive Grants**, which receives no funding in the SWM budget. Both the Governor and House proposed roughly \$8.0 million to support projects at state universities that advance goals of the [Commonwealth Vision Project](#).
- **Science, Technology, Engineering and Mathematics (STEM) Starter Academy**, which was proposed by the House as a new program in community colleges, funded at \$4.8 million. Neither the Governor's nor the SWM budgets propose funding for this program.

Additionally, the SWM budget proposes making permanent the STEM Council, which currently functions under an executive order of the Governor. In addition to making the council permanent, SWM proposes expanding its scope to include the arts, renaming it the **STEAM Council**. The House budget also proposed making this council permanent but did not include arts in its purview, so this will need reconciliation in conference committee.

Appropriations to each of the three campus types are detailed in the table below. It is important to note that starting in FY 2012, all campuses began retaining tuition payments from out-of-state students, rather than remitting that revenue back to the state. MassBudget adds in an estimate of these payments for FY 2012 to the present, allowing for more accurate year to year comparisons. Additionally, MassBudget adds collective bargaining accounts and other programs located at particular campuses to their respective campus totals.

	FY 2014	FY 2015 Governor	FY 2015 House	FY 2015 SWM	FY15 SWM - FY14 Current
UMass	500,019,691	533,083,136	539,169,486	536,169,486	36,149,795
State Universities	232,907,944	246,202,891	246,902,939	238,654,163	5,746,218
Community Colleges	255,038,549	267,983,781	272,733,781	255,511,267	472,718
Total, all campuses	987,966,184	1,047,269,808	1,058,806,206	1,030,334,916	42,368,732

*All totals include MassBudget adjustments for tuition retention and other campus-specific appropriations.

The SWM proposal follows through on a commitment made through the FY 2014 budget to increase funding for **UMass** by \$40 million in FY 2015 (due to MassBudget adjustments, this total differs slightly from the UMass increase shown in the table above). If this increase is met, UMass has committed to freezing student tuition and fee increases for FY 2015.

The SWM budget proposes an increase of \$1.0 million for the **State Scholarship Program**. The House also proposed a \$1.0 million increase, whereas the Governor proposed roughly level funding.

Youth Development

Youth Development programs aim to help young people find their path to a promising career. They foster engagement in the community, provide training or employment, and prevent violence or other antisocial behavior.

The SWM Committee budget recommends spending \$31.8 million on Youth Development programs in FY 2015 which is \$2.9 million more than the final House budget. (Each line item in the chart below is described in the *Youth Development* section of MassBudget's *Jobs & Workforce Budget* here: <http://workforce.massbudget.org/youth-development>). The SWM Committee's budget is \$4.9 million less than FY 2014 current funding for these combined programs and \$7.7 million less than the Governor's FY 2015 proposal.

YOUTH DEVELOPMENT PROGRAMS						
Line-Item name (number)	FY14 current	FY15 Governor	FY 15 House	FY 15 SWM	FY15 SWM-FY 14 current	FY15 SWM-FY15 House
Safe and Successful Youth Initiative (4000-0005)	\$8,800,000	\$9,533,708	\$4,100,000	\$4,000,000	(\$4,800,000)	(\$100,000)
Shannon Gang Prevention Grant (8100-0111)	\$7,000,000	\$8,000,000	\$6,000,000	\$6,500,000	(\$500,000)	\$500,000
Youth Works (7002-0012)	\$10,000,000	\$12,000,000	\$8,000,000	\$12,000,000	\$2,000,000	\$4,000,000
School to Career Connecting Activities (7027-0019)	\$2,750,000	\$2,750,000	\$2,750,000	\$2,500,000	(\$250,000)	(\$250,000)
Youth-at-Risk Matching Grants (4590-1507)	\$3,600,000	\$2,700,000	\$3,850,000	\$3,050,000	(\$550,000)	(\$800,000)
Gateway City Career Academies (7009-6402)	\$500,000	\$500,000	\$0	\$0	(\$500,000)	\$0
Youth Build Grants (7061-Transitional Employment Program at Roca (4800-0016)	\$2,000,000	\$2,000,000	\$2,250,000	\$1,750,000	(\$250,000)	(\$500,000)
	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$0	\$0
Total	\$36,650,000	\$39,483,708	\$28,950,000	\$31,800,000	(\$4,850,000)	\$2,850,000

ENVIRONMENT & RECREATION

The state budget funds programs that keep our air and water clean, maintain fish and wildlife habitats and support parks, beaches, pools and other recreation facilities. The SWM Committee recommends spending \$194.7 million on these programs in FY 2015, an increase of \$5.4 million above the current FY 2014 budget. The SWM budget is \$1.6 million less than the House budget and \$3.1 million less than the Governor's proposal. Between FY 2001, when \$3 billion in tax cuts were being implemented, and FY 2014 funding for environment and recreation programs has fallen almost 35 percent in inflation-adjusted dollars.

Of the cuts to state funding for environment and recreation, the largest have been to the Department of Conservation and Recreation (DCR) which oversees the state's beaches, parks, pools and other recreation facilities. Between FY 2001 and FY 2014 the parks and recreation budget has been cut almost in half (43 percent) in inflation-adjusted dollars. This has forced DCR to cut back on maintenance and staffing of its recreation facilities and to shorten the season when many state parks, beaches and pools are open to the public. In its budget the SWM Committee recommends increasing funding for **state beaches and employees** who work at recreation facilities by \$1.4 million above the current FY 2014 budget to \$14.1 million. It recommends reducing funding for **state parks** by \$1.3 million below FY 2014 current spending to \$41.6 million.

In addition to funding for parks and recreation the SWM Committee's budget for environment and recreation programs also:

- Does not expand the bottle bill to water, juice, coffee and tea drinks. The Governor's budget used \$4.0 million from this proposed expansion to increase state support for **redemption centers** to \$4.4 million. The SWM budget recommends level-funding support for these centers at \$375,000. The House recommends providing these centers with \$500,000 in FY 2015.
- Includes \$200,000 in a new account to fund a **state climatologist**. In his FY 2015 budget the Governor recommended hiring a state climatologist at UMass Amherst to research climate change and educate the public about the issue. His budget also recommended providing \$2.0 million to a new account within the Executive Office of Energy and Environmental Affairs to help the state adapt to climate change. While the SWM budget does provide funding for a climatologist, it does not include funding for climate change preparedness. The House budget, by contrast, provides \$1.0 million in funding for climate change preparedness but does not recommend the hiring of a climatologist.

HEALTH CARE

MassHealth (Medicaid) & Health Reform

The Fiscal Year (FY) 2015 budget proposal from the Senate Committee on Ways and Means (SWM) includes \$14.5 billion for the state's Medicaid program (MassHealth) and for other publicly-subsidized health insurance and related programs.

Funding for MassHealth Managed Care (4000-0500) is \$4.8 billion, the same as in the Governor and House proposals. Unlike the Governor or House, however, SWM includes language similar to the language in the FY 2014 budget that would ensure that managed care capitation rates get adjusted based on changes in provider rates.

Funding for MassHealth Senior Care (4000-0600) is \$3.1 billion, \$36.8 million less than in the Governor's proposal and \$54.3 million less than the amount proposed by the House. Funding for MassHealth Fee-for-Service (4000-0700) is \$2.4 billion, \$18.8 million less than in the Governor's proposal and \$19.9 million less than the amount proposed by the House. SWM does not include increased provider rates for nursing homes or for safety net hospitals, as included in the House budget.

All of the budget proposals have differed in their recommendations for adult dental coverage. Unlike the House budget, SWM restores coverage for adult dentures, and specifies that this coverage should be in place by April 1, 2015. This is a benefit that the Governor's budget had proposed to cover starting in January 2015. SWM also asks for a report to the Legislature on the status of adult dental coverage, and how that coverage compares to coverage in 2010. SWM also requires that the coverage for adult dental fillings not be eliminated over the course of the fiscal year.

SWM added a new provision that would allow eligible inmates or persons awaiting trial to be enrolled in MassHealth. While in prison, their membership would be suspended, but if they then required inpatient medical care outside of the prison walls, the MassHealth membership could immediately be re-instated. This would allow the Commonwealth to receive federal reimbursement for the costs of medical care outside of the prison. Currently, medical costs for inmates are borne by the state through the Department of Corrections. Moreover, because it would be easy to re-instate suspended coverage, this would eliminate gaps in coverage for people once they are released from prison.

An outside section added by SWM requires the Executive Office of Health and Human Services to report to the Legislature on how the MassHealth Program will operate to stay within its appropriations. This is similar to language included in the FY 2014 budget.

MassBudget, in conjunction with the Mass. Law Reform Institute and the Mass. Medicaid Policy Institute, publishes detailed briefs about MassHealth and health reform finance over the course of the budget debate. The brief analyzing the Senate budget proposals will be published after the Senate budget debate, and will provide a fuller discussion of these issues.

Mental Health

SWM, like the House, recommends more funding for mental health services than did the Governor. The SWM FY 2015 budget proposal includes \$731.3 million for mental health. This is \$2.2 million more than recommended by the House, \$18.9 million more than recommended by the Governor, and \$23.5 million (3 percent) more than FY 2014 current appropriations.

SWM recommends \$87.6 million for children's mental health services, \$2.4 million more than FY 2014 current appropriations, and roughly equal to the House recommendation. Included in the line item funding children' mental health is language that earmarks \$3.1 million for the Mass. Child Psychiatry Access Project, and language requiring commercial insurers to be assessed for the cost of those services.

This earmark and language, while not in the House budget proposal, was included in the FY 2014 budget.

SWM also recommends a total of \$432.6 million for adult mental health services, \$13.5 million more than the current FY 2014 appropriation total.

The SWM budget includes several provisions to support community-based programming. SWM creates a new line item (5046-0005), directing \$10.0 million for at least 100 new community placements for adults who are ready for discharge from the state's continuing care facilities. The federal Affordable Care Act (ACA) includes a provision that allows states to receive additional federal revenue if they commit to shifting Medicaid spending to non-institutional care. Also within funding for adult mental health services, SWM includes language similar to what was included in the FY 2014 budget that would maintain funding for the state's community-based clubhouse program. This provision was not included in the House budget.

The SWM budget proposal includes language that would ensure funding for at least 671 inpatient beds by the end of the fiscal year (an increase from the FY 2014 budgeted total of 626 beds). Language also requires that of that total, there would be 260 adult continuing care inpatient beds by April 2015, of which 45 of those inpatient beds would be at Taunton State Hospital.

Public Health

The SWM FY 2015 budget proposal includes \$571.0 million for public health. This is \$4.3 million more than recommended by the House, \$10.0 million more than recommended by the Governor, and \$15.8 million (3 percent) more than FY 2014 current appropriations.

The SWM budget proposal puts an emphasis on funding for substance abuse treatment, with a total of \$109.9 million budgeted for substance abuse services. Substance abuse funding in the SWM budget is \$13.5 million more than in the Governor's budget, and \$8.9 million more than in the House budget proposal.

Language in an outside section of the budget creates a substance abuse helpline within the Department of Public Health. This toll-free telephone number would provide information for people of all ages about inpatient and outpatient substance abuse treatment resources. The budget also includes language requiring the department to develop a website providing up-to-date information about treatment and transitional support services across the Commonwealth, particularly regularly-updated information about facilities with open beds.

SWM also creates two new line items to fund substance abuse treatment. SWM appropriates \$500,000 to a new program for the voluntary accreditation of Sober Homes. These community-based residences are drug- and alcohol-free transitional housing for people in recovery. There is also language in outside sections of the budget establishing the language creating these homes.

There is also \$10.0 million for a new non-budgeted Substance Abuse Services Fund to support expansion of substance abuse treatment. Dollars allocated to this fund would be available for substance abuse treatment and services.

Other than in substance abuse programming, there are no major public health initiatives in the SWM budget. The SWM budget includes:

- \$20.5 million for administrative public health functions, \$1.7 million more than in FY 2014;
- \$180.3 million for the public health hospitals, \$3.1 million more than in FY 2014;
- \$67.6 million for maternal and early childhood programs (such as early intervention and the WIC Supplemental Nutrition Program), almost level with FY 2014 appropriations;
- \$4.0 million for smoking prevention and cessation programs, level with the FY 2014 amount. (It always bears noting that in FY 2001, funding for smoking prevention programs topped \$69 million when adjusted for inflation; tax cuts and changed priorities stripped funding from these services);
- \$8.6 million for youth violence prevention programming, \$5.3 million or 38 percent below FY 2014 funding levels;
- \$24.8 million for health care access program, including \$12.4 million for school-based health programs, \$4.9 million for family health/family planning, and \$1.5 million for dental health. The department's health care access programs are funded at roughly the same amounts as in FY 2014.

\$77.2 million for prevention and wellness programs, including \$13.0 million for the state laboratory programs, \$4.0 for suicide prevention, and \$3.3 million for health promotion and disease prevention programs. This total is almost the same as the amount in FY 2014.

HOUSING

The state housing budget funds affordable housing and provides shelter to low-income homeless families as well as homeless individuals. The SWM budget recommends spending \$375.4 million on affordable housing which is only slightly less than the FY 2015 budget adopted by the House and is \$30.2 million less than the Governor's proposal for FY 2015. The SWM budget is \$71.1 million less than FY 2014 current spending.¹ As described below the SWM budget recommends reducing funding below FY 2014 current spending for shelter and short-term housing supports while providing an increase for rental vouchers.

The number of low-income families who have become homeless and are eligible for assistance from the state has grown despite recent efforts to restrict these families' access to shelter and other supports. Over the last several decades, the state steadily cut funding for the Massachusetts Rental Voucher Program (MRVP). The number of vouchers dropped from about 20,000 the late 1980s to fewer than 5,000 by the mid-2000s. This reduction in support for low-income renters, along with economic downturns like the Great Recession, has coincided with an increase in the number of low-income homeless families needing shelter. (See MassBudget's [Shelter and Housing for Homeless Families](#).)

As the number of low-income homeless families has grown, the state has significantly increased funding for shelter even though it has also restricted families' access to shelter. FY 2014 current funding for the [Emergency Assistance](#) (EA) program, which provides shelter to low-income homeless families including those living in hotels and motels, is \$155.1 million; another \$6.2 million is pending

¹ The FY 2014 current budget also provides \$20.0 million in funding for LIHEAP a program largely funded through the federal budget to help low income people pay their energy bills. If the Legislature provides state funding to supplement the federal LIHEAP payments it generally does so in a supplemental budget during the fall or early winter.

before the Legislature in a supplemental budget. The SWM budget recommends \$136.9 million for EA, a reduction of \$24.4 million below the amount the state is expected to spend in FY 2014 if the funding pending in the supplemental budget is approved. The SWM budget proposal for EA is \$3.4 million less than the final House budget and \$42.7 million less than Governor's FY 2015 recommendation. The SWM budget merges the EA family shelter account with the one that helps homeless families living in hotels and motels.

To help low income homeless families avoid shelter, the FY 2012 budget created **HomeBASE** to provide short-term housing supports including rental and housing assistance. (For more details please see MassBudget's Children's Budget here: <http://children.massbudget.org/homebase>.) The SWM budget reduces funding for HomeBASE to \$24.2 million reflecting the fact in the current fiscal year, 5,000 families will no longer receive rental assistance provided by the program. Like the House budget, the SWM proposal increases assistance to help homeless families move into housing from \$4,000 to \$6,000 for one year. The SWM also budget also requires that the Department of Housing and Community Development (DHCD) develop a plan to determine the maximum amount a family would need to secure stable housing; this plan could allow families to access as much as \$8,000 in housing assistance in one year.

The SWM Committee, while providing lower funding for EA in FY 2015 than either the Governor or the House, recommends an increase for **MRVP** of \$12.5 million above FY 2014 current spending to \$70.0 million. This level is \$9.5 million above the final House budget and \$12.5 million above the Governor's recommendation for FY 2015. In recent years the state has increased MRVP funding allowing the state to increase the number of vouchers to about 8,000. Many of the new vouchers created in recent years have been provided to families in shelter or who are losing their HomeBASE subsidies. The SWM Committee estimates its budget will allow the state to fund at least 1,000 new vouchers in FY 2015. The budget stipulates that these new vouchers be used to help reduce waitlists for the program rather than move families from EA shelters. Even with this increase, the budget funds far fewer than the 20,000 vouchers it supported in the late 1980s and early 1990s.

Among other housing programs, the SWM budget recommends:

- \$42.0 million for **shelter and assistance to homeless individuals** including the **Home and Healthy for Good** Program. This amount is \$2.4 million less than the House and \$244,000 less than the current budget.
- \$10.5 million for **RAFT** which is \$500,000 more than the current FY 2014 budget but \$500,000 less than the House proposal. RAFT provides one time funds of up to \$4,000 to help low-income families avoid homelessness. The SWM budget, like the House budget, does not continue funding, included in the FY 2014 budget, that provides up to 7 days of temporary lodging for low-income families who are about to become homeless but are ineligible for EA.
- \$64.0 million for state **subsidies to public housing authorities** which is \$400,000 less than the FY 2014 current budget and is close to the House recommendation.
- Level funding the **alternative housing voucher** (AHV) program for people with disabilities at \$3.5 million and for the **voucher program for Department of Mental Health** (DMH) clients at

\$4 million. The House and Governor both recommended level funding AVH but provide additional funding for vouchers for DMH clients.

- \$2.4 million for **housing services and counseling**, a \$650,000 increase above the House recommendation but \$250,000 less than the current budget.
- No funding for the new **Secure Jobs Pilot** which received \$500,000 in the House budget. This initiative is a one year demonstration project designed to link families served by EA, HomeBase, MRVP and RAFT with workforce supports.
- Allowing the Department of Housing and Community Development (DHCD) to withdraw up to \$20.0 million from the General Fund to pay for FY 2015 startup costs and energy assistance provided through the Low Income Home Energy Assistance Program (**LIHEAP**). LIHEAP, which is largely funded through the federal budget, helps low-income households pay their energy bills. Outside Section 89 of the Committee's budget requires that once DHCD receives its federal LIHEAP funds, it must reimburse the General Fund for any amount it withdrew for the program.

HUMAN SERVICES

Child Welfare

The FY 2015 SWM Budget proposal for Child Welfare programs and services is \$819.0 million, a 4.0 percent increase over FY 2014 levels and essentially level with both the Governor and House budget proposals. Funding for programs supporting our most vulnerable children remains over 10 percent lower than pre-recession levels.

Multiple initiatives introduced in the House proposal are not included in the SWM proposal. Initiatives not included in SWM are:

- \$200,000 for an emergency review of DCF management, record keeping, and background check policies by the Office of the Child Advocate
- Development of an IT plan to make it easier for case workers in the field to upload real-time data into the state system and to communicate with their supervisors.
- Two amendments that would make it harder for DCF to place foster children with members of their own extended families. DCF would be required to reject families as care providers if their record includes any of a number of offenses, even if the nature of the offense is minor or many years in the past. For more information on these amendments, see the [Massachusetts Law Reform Institutes' analysis of the House Ways & Means proposal](#) (p 8).

The **Department of Children and Families (DCF) Administration** receives \$74.6 million, on par with the Governor and House proposals and 5.0 percent over FY 2014 current spending of \$71.1 million. The SWM proposal includes language earmarking \$1.0 million for general IT improvements and mobile technology solutions for social workers. Language also reinstates a requirement that DCF ensure the

timeliness of fair hearing and file two quarterly reports (December 2014, March 2015) with the legislature on the timeliness of fair hearings. Fair hearings allow children and families to appeal a DCF decision regarding child placement or a finding of neglect or abuse.

Social Workers for Case Management receives \$180.4 million, an increase of \$7.3 million (4.2 percent) compared to FY 2014 current spending. This increase will allow DCF to increase staffing with the intention of reducing the caseload levels of case workers to no more than 15 cases. Currently, many caseworkers have caseload levels of more than 20. The proposed increase matches the Governor's proposal, but is \$5.0 million below the House proposal. Even the House proposal might not have been enough to achieve desired case load levels because of turnover and the time it takes to train new social workers, and the SWM proposal provides even less.

A supplemental budget bill pending before the legislature does include language that would let DCF transfer funding from other accounts into the Social Workers line item. This could provide another source of funding to increase the number of case workers. However, the FY 2015 SWM proposal does not include this language and limits funding transfers to certain service accounts.

The Child Welfare Training Institute, which provides training to new case workers, is basically level with FY 2014 spending. This opens up questions as to whether the training institute has the available resources to train the influx of new case workers supported by the increase in funding by SWM.

Services for Children and Families receives an increase of \$14.2 million over FY 2014 current spending to \$265.4 million. A supplemental bill pending in the legislature would increase the FY 2014 appropriation by \$4.0 million and approximately \$10 million of the proposed increase in FY 2015 is tied to Chapter 257 rate increases. Chapter 257 standardizes rates according to the services delivered by providers to make the system more efficient and fair. For the majority of services, this has meant an increase in the rates paid to providers. Thus, even at the same service level an increased appropriation must be provided to cover the increase in rates. Taken together, this account is essentially funded at a level that will provide the same level of services as FY 2014. For more information on Chapter 257's rate standardization paid to contracted human and social service providers, see this [Chapter 257 update](#). Multiple earmarks in the SWM proposal include:

- \$200,000 for the Children's Advocacy Center of Bristol County
- \$100,000 for the Plymouth County Children's Advocacy Center
- \$100,000 for the Children's Cove Cape and Islands Child Advocacy Center
- \$75,000 for the Julie's Family Learning program
- \$100,000 for the Fragile Beginnings program
- \$224,953 for the College Bound Dorchester Inc. program
- \$25,000 for a learning achievement program in Amherst

The **Transitional Employment Program (ROCA)** receives \$2.0 million in the FY 2015 proposal, the same as last year. ROCA supports youth aging out of the child welfare system, the juvenile justice system, parolees and other high risk youth. Programming teaches youth about work building positive work habits helping youth stay connected. In 2013 ROCA and the MA Executive Office of Administration and Finance launched a social innovation financing project to reduce recidivism among

youth aging out of the juvenile justice system and keep them out of the adult criminal justice system. The program is initially funded with private investment with the state only reimbursing if the program meets certain performance goals. Like the Governor, SWM allocates \$7.0 million for potential future payments to private investors if certain success benchmarks are met. The House proposal allocated only \$250,000, the same as the projected spending level for FY 2014.

Disability Services

Disability services receives \$1.71 billion, an increase of \$172.4 million (11.2 percent) over FY 2014 current spending, but \$731,000 and \$10.1 million below the House and Governor respectively. The major increase goes to **Community Residential Supports** which receives \$991.9 million, an increase of \$144.8 million over FY 2014 current. Most of that increase is needed to cover Chapter 257 rate increases. Chapter 257 standardizes rates according to the services delivered by providers to make the system more efficient and fair. For the majority of services, this has meant an increase in the rates paid to providers necessitating an increased appropriation.

Community Day and Work Programs receives an increase to \$173.7 million, \$11.8 million above FY 2014 and level with the House, but \$5.5 million below the Governor's proposal. This increase supports moving more clients into integrated work environments. SWM also provides \$5.0 million for a **DDS Employment First Reserve** to further support the transition from sheltered workshops to community-based employment and day support programs.

Community Transportation Services receives an increase of \$2.5 million (19.1 percent) to \$15.5 million, \$400,000 less than the House and Governor. **Respite Family Supports** receives \$52.4 million, essentially level with FY 2014 spending, but \$2.5 million below the House and Governor. For many families with disabled children, the respite program is the only source of support for afterschool recreational programming or for specialized caregiving.

SWM does not fund for an initiative introduced in the House that would provide \$1.0 million for a new pilot program for individuals to participate in a community based employment program.

The SWM proposal for programs and services administered by the Massachusetts Rehabilitation Commission (MRC) and the Massachusetts Commission for the Blind (MCB) is quite similar to the House and Governor with increases over FY 2014 projected spending of:

- \$3.4 million (28.2 percent) to \$15.7 million for **Head Injury Treatment Services**.
- \$1.3 million (11.0 percent) to \$13.1 million for the **MCB Turning 22** program.

Elder Services

The SWM proposal funds Elder Services at \$248.1 million, \$12.7 million more than FY 2014 spending, but approximately \$6 million below the House and Governor. **Elder Enhanced Home Care Services** receives a \$10.1 million increase over FY 2014 to \$63.1 million, level with the House and Governor. This increase will avoid wait lists for home care for the elderly allowing over 5,000 elderly to remain at home instead of living in a nursing home.

Two programs which receive less than proposals from the House and Governor include:

- **Elder Home Care Purchased Services** at \$99.8 million, an increase of \$1.0 million over FY 2014, but \$4.6 million below the House and Governor.
- **Supportive Senior Housing** at \$4.2 million, level with FY 2014, but \$1.3 million below the House and Governor.

SWM proposes \$500,000 for a **Home and Community Based Services Policy Lab** which would analyze and recommend improvements to programs providing long term home and community-based services.

SWM proposes \$11.5 million for **Grants to Councils on Aging**, \$1.0 million above both current spending and the Governor's proposal, and \$115,000 below the House.

Juvenile Justice

The Department of Youth Services (DYS) receives significant increases in a few of their programs, nearly matching increases proposed by the Governor and the House. The increases will allow DHS to accommodate 17 year olds in the juvenile system. Previously, 17 year olds were treated as adults. "Raise the Age" legislation passed in 2013 places these kids into the juvenile system with appropriate services. These youth will also be safer as youth face a much higher risk of being assaulted, including being the victims of sexual assault, when they are held with adults. Increases over FY 2014 which will help support these 17 year olds include:

- \$25.7 million for **Detained Youth**, an increase of 4.0 percent (\$995,000), \$304,000 less than the House, and \$440,000 less than the Governor.
- \$118.4 million for **Residential Services for Committed Youth**, an increase of 6.2 percent (6.9 million), \$289,000 more than the House, level with the Governor.

Non-Residential Services for Committed Youth actually gets cut slightly to \$22.7 million, \$253,000 below FY 2014 spending. This proposal is level with the Governor and \$86,000 more than the House.

Transitional Assistance

For entitlement programs like transitional assistance, funding levels are significantly affected by anticipated caseload levels. The "entitlement" part means that any qualified person who applies must receive the service. Funding for these then is directly tied to how many people qualify and apply. These caseload levels have dropped over the past calendar year. For more detailed information on caseload levels for transitional assistance accounts, see "Research and Statistics" on the [DTA home page](#). The caseload for **Transitional Assistance for Families with Dependent Children (TAFDC)** dropped from 52,659 in December 2012 to 46,546 in December 2013. That trend has continued this year with the caseload dropping further to 45,190 in April 2014. The decrease in caseloads has led to a decrease in the projected spending amount for FY 2014 and the proposed funding levels for FY 2015 in the Governor, House and SWM proposals.

The FY 2014 GAA budget funded TAFDC grants at \$302.0 million. The Governor's FY 2015 proposal provided \$263.8 million while the House provided \$255.7 million. SWM proposes a further decrease to \$253.2 million, 16.2 percent below FY 2014 current spending, based on projections that the caseload will

continue to fall. It is important to note that under this program, grants given to qualified families have lost significant value over time due to inflation. Instead of decreasing the appropriation, SWM could have proposed increasing the value of the grant to help these children and families pay for basic necessities. For a more in depth analysis of the grants value, see [TAFDC: Declines in Support for Low-Income Children and Families](#).

The current proposal could also have used these savings to provide increases to other programs that help low income children and families, such as child care and job training. Instead, the SWM proposal provides the **Employment Services Program** with just \$4.4 million, a cut of \$3.3 million from FY 2014 current spending, and \$6.4 million below the House proposal. This program provides TAFDC recipients with education, occupational skills and the employment support services needed to acquire and retain jobs. Under the SWM proposal, this program is 85.8 percent below FY 2009 GAA inflation adjusted levels.

Emergency Aid to the Elderly, Disabled and Children (EAEDC) receives \$88.4 million, \$4.8 million below FY 2014 spending, but \$834,000 more than the House proposal. EAEDC is a cash assistance program individuals who are disabled, caring for someone who is disabled, 65 or older, in a Mass. Rehab program, and children who are not able to get TAFDC benefits.

The **Department of Transitional Assistance Administration** receives \$62.7 million, 3.0 percent below FY 2014 current spending of \$64.6 million, but \$1.6 million above the House. The clothing allowance, a one-time payment made in September to TAFDC recipients to help pay for back-to-school clothing, remains at \$150. This allowance has also lost significant value over time due to inflation. A rent allowance of \$40 per month is not included in budget language.

Local Aid

In March, to help cities and towns better plan for their local FY 2015 budgets, both the House and Senate passed local aid resolutions committing the legislature to funding **Unrestricted General Government Aid (UGGA)** at \$945.8 million. The FY 2015 SWM budget reflects this commitment, which is \$25.5 million above FY 2014 levels. The Governor, by contrast, proposed level funding.

UGGA is a form of local aid, money that flows from the state budget to city and town budgets, helping them fund vital local services such as police and fire protection, parks, public works, and schools (UGGA comes in addition to direct school support that districts receive from Chapter 70 aid).

Driven largely by state level income tax cuts that cost the state roughly \$3.2 billion annually and by the lingering effects of the Great Recession, UGGA has been cut dramatically since FY 2001. Specifically, the SWM budget's proposed spending level is \$779.4 million, or 45 percent, below FY 2001 levels, adjusted for inflation. For more information on the history of how general local aid has been distributed, please see *MassBudget's* paper [Demystifying General Local Aid in Massachusetts](#).

Additionally, the SWM budget proposes funding the **Municipal Regionalization and Efficiencies Grant Program** at \$6.4 million, which is below current funding of \$14.6 million but above the roughly \$3.8 million proposed by both the Governor and House. This program provides grants to help cities and towns improve their delivery of local services.

Transportation

The SWM budget continues progress implementing last year's long-term transportation finance law, which planned gradual transportation spending increases each year from FY 2014 through FY 2018. Specifically, the SWM budget increases transportation spending by \$125.7 million over current FY 2014 levels, helping MassDOT modernize its infrastructure, investing in capital improvements at the MBTA and Regional Transit Authorities, and making progress towards ending the practice of borrowing money to pay for MBTA operating costs. Following the framework outlined in last year's transportation finance law, the SWM proposal is very similar to both the Governor's and House proposals.

It is important to note that a significant portion of the state's transportation-related capital spending shows up in separate debt service accounts, the largest of which is the **Consolidated Long-Term Debt Service** line item. For FY 2015, 51.73% percent of this \$2.07 billion account is projected to cover transportation-related debt.

Libraries

The state budget supports libraries by providing funding for a number of programs including direct aid to local libraries; the regional library network including the interlibrary loan program; and, the talking book programs for the visually-impaired located in Worcester and Watertown. The FY 2015 budget proposed by the SWM Committee recommends spending \$26.7 million on all library programs; a \$4.4 million or 20 percent increase above the FY 2014 budget. In its library budget, the SWM Committee recommends a \$3.0 million increase, for a total of \$10.0 million, for **direct aid to local libraries**. Even with this increase, state funding for all library programs will be 44 percent lower, in inflation adjusted dollars, than it was in FY 2001.

REVENUE

As is true of the House and Governor's budgets, the Senate Ways and Means (SWM) FY 2015 budget does not include any sweeping new revenue initiatives. Like the House, the SWM budget also excludes most of the new, ongoing tax changes proposed by the Governor.

Nevertheless, the SWM budget - like the House and Governor's budgets - does call for additional revenue beyond the amount agreed to in the Consensus Revenue Estimate. (To read more about the Governor's tax package see [MassBudget's review of the Governor's FY 2015 budget](#). To read more about the House's revenue proposals see [MassBudget's review of the House FY 2015 budget](#).) All three budgets rely on additional tax revenue and non-tax revenue, both one-time and ongoing. Like permanent changes in spending levels, ongoing revenue changes affect the state's long term fiscal condition, whereas temporary (one-time) revenue changes are useful for balancing the budget only in the current fiscal year (to read more about the state's projected FY 2015 budget gap, see [MassBudget's FY 2015 Budget Preview](#)).

Overall, SWM calls for some \$36 million less in total additional revenue than the House and \$166 million less than the Governor. While both SWM and the House rely on less one-time revenue than the Governor, it is important to note that SWM and the House each rely on (separate) accounting changes

to fund the health care costs of retired state workers ("Other than Pension Employee Benefits" or OPEB costs) with non-General Fund revenues. In each case, the changes ultimately reduce deposits into the state's Stabilization Fund. This complicates apples-to-apples comparisons of one-time revenue use between the SWM and House budgets on the one hand and the Governor's budget on the other, because while the Governor is withdrawing more from the Stabilization Fund he also is depositing more into the fund. (See Non-Tax Revenue section for further discussion of OPEB funding.)

In the sections below, we examine in closer detail the tax and non-tax revenue proposals included in the SWM FY 2015 budget proposals.

Tax Revenue

The Fiscal Year 2015 consensus tax revenue figure agreed to by the Administration, the House and the Senate is \$24.337 billion, an amount 4.9 percent above the revised FY 2014 revenue estimate of \$23.200 billion. The Senate Ways and Means (SWM) FY 2015 budget proposal, like the House and the Governor's budget proposals, relies on additional revenue to be drawn from on a combination of new tax and non-tax sources. Some of these additional revenues would come from ongoing sources while others would be one-time.

Notable tax revenue proposals include a one-year delay of the FAS 109 corporate tax break, a shift in venue for smaller tax appeal cases (to reduce backlogs), and an extension of the state's Historic Building Rehabilitation Credit. The SWM budget, like the House and Governor's budgets, also establishes a new structure for redirecting large one-time tax settlements and judgments from the Stabilization Fund to the General Fund.

FY 2015 REVENUE PROPOSALS	Governor		House		SWM	
	Ongoing	One-Time	Ongoing	One-Time	Ongoing	One-Time
Tax Revenues						
Eliminate exemptions for candy and soda	67,800,000					
Clarify rules for internet room sellers	8,100,000					
Extend room Occupancy Tax to short-term rentals and B&Bs	2,600,000					
Delay FAS 109 deduction for one year		45,800,000		45,800,000		45,800,000
Reclassify certain securities investment businesses	21,000,000					
Close loophole for insurance company subsidiary income	8,400,000					
Tax revenue enhancements		12,000,000		12,000,000		12,000,000
Redirecting large tax settlements to General Fund	203,500,000		240,000,000		203,500,000	
SUB-TOTAL	311,400,000	57,800,000	240,000,000	57,800,000	203,500,000	57,800,000
Non-Tax Revenues						
Expand "bottle bill" to include water & other drinks	24,200,000					
Stabilization ("Rainy Day") Fund withdrawal		175,000,000		140,000,000		140,000,000
Stabilization ("Rainy Day") Fund interest transfer		10,650,000		10,650,000		10,650,000
Proceeds from gaming licenses		53,500,000		53,500,000		53,500,000
Shift in payment schedule to hospitals		13,000,000		13,000,000		13,000,000
Federal reimbursements for TANF		32,200,000		32,200,000		32,200,000
Trust fund sweeps		10,000,000		10,000,000		10,000,000
Slot parlor gaming revenue	20,000,000		20,000,000		20,000,000	
SUB-TOTAL	44,200,000	294,350,000	20,000,000	259,350,000	20,000,000	259,350,000
TOTAL	355,600,000	352,150,000	260,000,000	317,150,000	223,500,000	317,150,000

FAS 109

The FAS 109 corporate tax break is a tax break that primarily affects about a dozen multi-state businesses. Delaying implementation of this tax break for another year (the tax break has been delayed on a one-year basis in prior budgets) would postpone the loss of an estimated \$45.8 million in corporate income tax collections in FY 2015 (see [Governor's FY 2015 budget documents](#)). While the details of this tax law change involve technical and complex interactions among a corporation's records for tax purposes and its public financial accounting records, the FAS 109 provision, in essence, is an attempt to offset certain costs to publically-traded companies resulting from the 2008 combined reporting tax reform package.

As part of that package, rule changes were enacted that increased the cost of some tax liabilities of some companies operating in the Commonwealth. In certain cases, these rule changes would have required changes to a company's existing financial statements. The FAS 109 tax break would allow publically-traded companies to claim a new tax break that would offset the impact to their financial statements resulting from the effects of combined reporting on deferred tax liabilities.

The Department of Revenue (DOR) estimated that this provision would cost the Commonwealth \$535 million during the period in which it was originally scheduled to be in effect – tax benefits were to be distributed equally across seven years, 2012-2018 (see [DOR report to Legislature](#)). DOR has estimated

further that 88 percent (or \$472 million) of the total tax reductions associated with the FAS 109 tax break will accrue to just fourteen corporations. When this provision was enacted, the cost was unknown and a process was established that would allow an evaluation of the likely cost before the tax break would be implemented.

TAX SETTLEMENT REDIRECTION

Under current law, for any tax settlement or judgment that exceeds \$10 million, the amount in excess of \$10 million is transferred to the Stabilization Fund. In recent years, annual collections from these excesses have ranged from about \$135 million to more than \$420 million, thus directing significant resources to the Stabilization Fund.

Similar to the House and Governor's budgets, the SWM budget proposes a new structure that would redirect the typical excess amount collected annually from these large, one time settlements and judgments to the state's General Fund for direct appropriation to state programs and services. The structure proposed by SWM would direct an estimated \$203.5 million in ongoing revenue to the state budget in FY 2015. This proposal is very similar to the Governor's, but slightly different than the House proposal. The House proposal uses a five-year *average* rather than five-year *median* to calculate the amount transferred from the Stabilization Fund to the General Fund (this produces a somewhat higher estimated gain to the General Fund in FY 2015, \$240 million rather than \$203.5 million). Additionally, the SWM proposal clarifies that the calculated five-year median amount will be transferred to the General Fund even in years when total excess collections fall below the calculated median.

While the new structure(s) may simplify state budgeting, providing a more predictable stream of revenue to the General Fund, it is important to note that these proposals do not generate *new* revenue. Instead, they simply redirect to the General Fund revenue that otherwise would have been deposited in the state's Stabilization Fund. The proposed changes, therefore, would reduce future growth of the Stabilization Fund.

TAX REVENUE ENHANCEMENTS

The SWM FY 2015 budget also relies on an additional \$12 million in revenue enhancements from a proposal to shift more small tax appeal cases from the state's primary Appellate Tax Board (ATB) process to a separate track within the ATB designed to handle these smaller claims in a less formal and speedier fashion. By reducing the backlog of cases pending before the ATB - and by allowing the ATB to focus on cases involving larger tax liabilities and requiring its formal procedural rules - the Department of Revenue estimates that the Commonwealth can collect additional revenue in FY 2015.

HISTORIC BUILDINGS REHABILITATION CREDIT

The SWM budget extends for another five years a tax credit that otherwise would have expired in December 2017. While this change will not affect the state's FY 2015 fiscal position, it will impact state finances in future fiscal years. Capped at a total cost of \$50 million annually, the Historic Buildings Rehabilitation Credit (HBRC) typically costs the Commonwealth between \$45 million and \$50 million a year in forgone tax revenues.²

² Fiscal Year 2015 Tax Expenditure budget: (pg. 35, item 1.610 and pg. 62, item 2.610): <http://www.mass.gov/dor/tax-professionals/news-and-reports/state-budget-documents/tax-expenditure-budget/>

Non-Tax Revenue

The FY 2015 budget proposal from SWM relies on several sources of non-tax revenues to balance the budget.

There are three main types of non-tax revenue: federal revenues, which are mostly reimbursements from the federal government for state spending on the Medicaid (MassHealth) program; departmental revenues, which are fees, assessments, fines, tuition, and similar receipts; and other revenues, which are mostly funds that the state draws from an assortment of non-budgeted trusts.

FEDERAL AND DEPARTMENTAL REVENUE

Compared to FY 2014, and like in the Governor's and House budget proposals, the FY 2015 SWM budget shows a significant increase in federal revenue. These revenues will come to the Commonwealth as a partial reimbursement for increased spending on MassHealth and health reform expansions with the implementation of the federal Affordable Care Act (ACA).

With the ACA, there will be a large increase in enrollment in the publicly-subsidized health insurance programs that bring in federal reimbursement. At the same time, provisions in the ACA allow for Massachusetts to receive an enhanced reimbursement rate for many of these enrollees, as well as additional reimbursement for some current enrollees. The SWM budget proposal reduces funding for these programs compared to the proposals from the Governor and the House, thereby also reducing the amount of federal reimbursement the Commonwealth will receive. In addition, SWM, the House, and the Governor all anticipate \$32.2 million in revenues from increased federal reimbursements from the TANF program and the soldiers' homes, and also \$13.0 million realized in FY 2015 by delaying certain payments to hospitals into the next fiscal year.

Unrelated to the ACA and other healthcare revenues and expenditures, SWM does not include the \$24.2 million in increased departmental revenue associated with the Governor's proposal to expand the state's "bottle bill."

TRANSFERS FROM TRUSTS AND OTHER SOLUTIONS TO BALANCE THE BUDGET

Like the Governor and House, the SWM budget anticipates \$53.5 million in one-time revenue from gaming licenses, and \$20 million in new ongoing revenue from slot parlors. Also like the Governor and House, SWM anticipates \$10.0 million that will be available as one-time revenue from unused funds remaining in various off-budget trust funds.

The SWM proposes withdrawing \$140.0 million from the state's Stabilization ("Rainy Day") Fund in order to balance the budget. This is a one-time revenue source. SWM also proposes balancing the budget with the continued withdrawal of interest earned by the Stabilization Fund.

Although not included in the chart above, the SWM budget changes the way in which the state funds its liability to the State Retiree Benefits Trust (\$75.9 million), redirecting money that would otherwise go to the Stabilization Fund. In FY 2012, the state passed a law directing that an annually increasing share of the funds from the Master Tobacco Settlement go into the State Retiree Benefits Trust in order to help pay these costs. The SWM budget proposes language changing this formula. The SWM's

proposal recommends that the Commonwealth meet its obligation with 50 percent of capital gains tax revenues that would otherwise go to the Stabilization Fund (\$61 million in FY 2015). The effect of this is reducing the state's deposit into the Stabilization Fund. In FY 2015, SWM also proposes the remainder of the transfer to the State Retiree Benefits Trust would come from unused appropriations for debt service. If that is not enough, the balance would come from the Master Tobacco Settlement funds deposited into the General Fund.

BUDGET BY CATEGORY AND SUBCATEGORY (millions)	FY 2014 Current	FY 2015 Governor	FY 2015 House	FY 2015 SWM
Education	7,258.4	7,504.6	7,494.7	7,490.6
Early Education & Care	515.8	545.8	531.9	541.3
Higher Education	1,115.4	1,168.8	1,180.5	1,146.4
K-12: Chapter 70 Aid	4,301.2	4,400.7	4,400.7	4,400.7
K-12: Non-Chapter 70 Aid	593.9	606.8	610.1	630.7
K-12: School Building	732.0	782.4	771.6	771.5
Environment & Recreation	189.3	197.8	196.3	194.7
Environment	85.2	94.1	89.5	88.3
Fish & Game	23.9	23.9	24.6	25.9
Parks & Recreation	80.2	79.8	82.3	80.6
Health Care	16,157.1	17,248.3	17,342.4	17,218.4
MassHealth (Medicaid) & Health Reform	13,569.6	14,602.0	14,674.0	14,547.7
Mental Health	707.8	712.4	729.1	731.3
Public Health	555.3	561.1	566.7	571.0
State Employee Health Insurance	1,324.4	1,372.9	1,372.7	1,368.4
Human Services	3,678.2	3,884.8	3,857.9	3,843.1
Child Welfare	787.4	819.0	819.3	819.0
Disability Services	1,533.9	1,716.4	1,707.1	1,706.3
Elder Services	235.4	253.9	254.8	248.1
Juvenile Justice	168.3	176.6	176.0	176.1
Transitional Assistance	778.1	737.1	728.5	720.6
Other Human Services	175.0	182.0	172.2	173.0
Infrastructure, Housing & Economic Development	2,129.2	2,129.8	2,097.5	2,105.0
Commercial Regulatory Entities	54.7	56.5	56.5	56.7
Economic Development	206.7	123.6	121.1	125.9
Housing	446.6	405.6	375.8	375.4
Transportation	1,421.3	1,544.1	1,544.1	1,546.9
Law & Public Safety	2,518.9	2,613.4	2,600.8	2,616.6
Courts & Legal Assistance	646.7	699.2	670.1	687.4
Law Enforcement	359.5	353.6	361.9	374.9
Prisons, Probation & Parole	1,316.0	1,361.7	1,365.6	1,350.2
Prosecutors	146.6	148.4	152.0	149.8
Other Law & Public Safety	50.2	50.4	51.2	54.2
Local Aid	987.8	950.3	977.5	979.9
General Local Aid	920.2	920.2	945.8	945.8
Other Local Aid	67.5	30.0	31.7	34.2
Other	4,626.5	4,884.0	4,863.7	4,853.9
Constitutional Officers	79.7	82.1	81.5	82.1
Debt Service	2,422.7	2,497.6	2,497.6	2,497.6
Executive & Legislative	71.0	72.9	73.1	72.9
Libraries	22.2	22.7	23.4	26.7
Pensions	1,630.0	1,793.0	1,793.0	1,793.0
Other	400.9	415.6	395.2	381.6
Total Budget	37,545.3	39,412.9	39,430.8	39,302.1

Note: MassBudget's budget total is higher than other commonly-presented budget totals, in large part because we include "pre-budget" transfers in our budget totals, which in FY 2015, adds approximately \$3.6 billion. These transfers include tax revenues dedicated to the MBTA and to school building assistance, the cigarette excise tax dedicated to the Commonwealth Care Trust Fund, the state contribution to the pension system, and the transfers to the Workforce Training Fund and to the State Retiree Benefits Trust (when designated). We also make several adjustments in order to allow for more accurate across-year comparisons of budget totals.