

A First Look: The House Ways and Means Committee FY 2013 Budget

OVERVIEW

Faced with a significant budget deficit for Fiscal Year 2013 (FY 2013), the House Ways and Means Committee (HWM) proposes to balance the budget largely through cuts and other savings. There are meaningful cuts in a number of areas, including Public Health and Early Education & Care.

Whereas the Governor's budget included some modest tax initiatives – increasing the cigarette tax and eliminating the tax exemption for candy and soda – the HWM budget does not include any revenue from new taxes. Instead, it appears to make use of over \$100 million more in one-time revenues than the Governor's proposal, for a total of over \$600 million in one-time revenue.

Among the more substantial funding increases involves K-12 education aid. In addition to scheduled changes from inflation and student population growth, the HWM budget guarantees each school district a minimum increase of \$40 per pupil.

This "First Look" describes these proposals--and others--as part of an overview of major changes and key programs in the House Ways and Means Committee's budget proposal. We will release our complete *Budget Monitor* early next week which will provide a more comprehensive analysis of the budget as a whole.

SELECTED BUDGET SUBCATEGORIES:

Early Education & Care

The FY 2013 HWM budget follows the Governor's proposal reducing funding for overall child care subsidies by \$8.1 million from FY 2012 levels. The HWM budget does break from the Governor's proposal by maintaining three distinct categories of subsidies for children: 1) children of families served by or transitioning from Transitional Aid for Families with Dependent Children (TAFDC); 2) children under Department of Children and Families (DCF) care; and 3) other children of low-income working families. The Governor's proposal, for the third year running, consolidated these programs into one line item without earmarks.

This is a first look at the FY 2013 HWM budget. Please refer to our forthcoming *Budget Monitor* for an in-depth review of Early Education & Care.

Higher Education

The FY 2013 HWM budget proposes to fund the full *MassBudget* category of Higher Education at \$1.0 billion, an increase above the current FY 2012 funding level of \$954.7 million. Starting in FY 2012, all campuses of public higher education began retaining tuition payments from out-of-state students, rather than remitting that revenue back to the state, so *MassBudget* adjusts upwards the campus allocations by these projected amounts so that one can compare reasonably the levels or resources available at an individual campus to previous years when this tuition was remitted to the state.

As with the Governor's proposal, the HWM proposal includes \$43.5 million in collective bargaining accounts that cover labor costs at each of the campuses. These amounts are built into all *MassBudget* campus totals. Specifically, the HWM budget proposes:

- \$456.7 million for the **UMass** system, which is essentially equal to the Governor's proposal and \$25.1 million above current FY 2012 levels.
- \$205.5 million for **State Universities**, which is equal to the Governor's proposal and \$10.5 million above current FY 2012 levels.
- \$217.7 million for **Community Colleges**, which is \$10.4 million below the Governor's proposal and \$4.0 million above current FY 2012 levels. The Governor's budget proposed significant changes to the state's community college system, offering an additional \$10.4 million in funds while centralizing budget and leadership control over community colleges under the Board of Higher Education. While the HWM budget does not replicate the Governor's governance consolidations, it does include language in a few Outside Sections that gives both the Governor and Board of Higher Education some greater control over community colleges. Language in these Outside Sections also provides mechanisms designed to encourage the workforce development role of these campuses.

The HWM budget proposes \$86.5 million for the **State Scholarship Program**, which is about \$1 million below both the Governor's FY 2013 proposal and current FY 2012 levels.

This is a first look at the FY 2013 HWM budget. Please refer to our forthcoming *Budget Monitor* for an in-depth review of Higher Education.

K-12 Education

The FY 2013 HWM budget funds **Chapter 70 education aid** to cities, towns, and regional school districts at \$4.15 billion, which is \$18.2 million, or 0.4 percent, greater than the Governor's proposal. Chapter 70 aid is currently funded at \$3.99 billion for FY 2012. The HWM budget essentially builds onto the Governor's proposal by adding a provision that guarantees each school district a minimum \$40 per pupil increase over their FY 2012 aid allocation. While increasing education aid statewide will help offset cuts of recent years, spending this additional money through a minimum increase across-the-board raises distributional concerns. The Chapter 70 formula is designed to consider varying needs of different student populations and the varying ability of cities and towns to raise local tax revenue.

Across-the-board increases do not account for these wide variations in communities across the Commonwealth.

The Governor's Chapter 70 proposal, which served as the basis for the HWM proposal, roughly funds the formula outlined in state law, using updated enrollment, inflation, and municipal revenue growth factor measures, helping school districts keep up with the rising cost of providing baseline services. These proposals also partially phase in one of the reforms planned as part of the FY 2007 budget – reducing by 15 percent the gap for districts whose preliminary contribution is above their target. Again, the HWM proposal differs from the Governor's by also including a \$40 per pupil minimum increase provision.

Among the many, smaller education grant programs that the state funds, the HWM budget proposes cuts to several, including **Adult Basic Education**, **METCO**, **Connecting Activities**, **MCAS Student Support**, and **Youth-Build Grants**. Additionally, the HWM budget funds:

- A new line item for **Homeless Student Transportation** at \$11.3 million. Federal law provides that homeless students living in temporary housing outside of a city or town where the family lived prior to becoming homeless may choose to remain enrolled in the school district of origin. The federal law requires that host districts fund transportation and school services for these children, and this new line item, not included in the Governor's budget, would help reimburse host school districts for the transportation-related portion of these costs.
- Programs for **English Language Learners in Gateway Cities** at \$2.6 million, which is \$1.2 million below the Governor's proposal. This is one line item among four new education grant programs proposed in the Governor's FY 2013 budget for supporting students in Gateway Cities. The other three programs are not funded in the HWM proposal.
- The **Special Education Circuit Breaker** program at \$221.6 million, an increase of \$8.4 million over the Governor's budget, which proposed essentially level funding from FY 2012 levels.
- **Regional School Transportation** at \$45.4 million, an increase of \$1.9 million over the Governor's budget, which proposed level funding from FY 2012 levels.
- **School Modernization and Reconstruction Trust Fund** at \$699.2 million, which is equal to the Governor's proposal and \$21.1 million above current FY 2012 levels.

This is a first look at the FY 2013 HWM budget. Please refer to our forthcoming *Budget Monitor* for an in-depth review of K-12 Education.

MassHealth (Medicaid) & Health Reform

The FY 2013 House Ways and Means (HWM) budget proposes a total of \$12.67 billion in spending on MassHealth and Health Reform programs, slightly below the Governor's proposed spending level of \$12.70 billion. The HWM proposal funds MassHealth programs and administration at levels that are nearly identical to those proposed by the Governor in January. The biggest differences between the two budget plans lie in funding for the Commonwealth Care Trust Fund and for Information Technology (IT) services. The HWM budget proposes a transfer of \$795.0 million from the General Fund to the

Commonwealth Care Trust Fund (CCTF) to support the Commonwealth Care program that provides subsidized insurance to low-income residents of Massachusetts who are not eligible for MassHealth. The Governor proposed \$810 million (made up of a transfer of \$737.1 million from the General Fund and an additional \$72.9 million from a proposed increase in the tobacco tax and extension of the tax to other tobacco products). Both budgets also assume that \$120 million from a portion of the existing tobacco tax will be transferred to the CCTF. Thus the total transfer to the CCTF proposed by the HWM Budget is \$915.0 million, \$15.0 million lower than the Governor's proposal. Similarly, while the Governor had proposed to increase funding for IT services within the Executive Office of Health and Human Services by \$18.6 million, the House proposes an increase of just \$5.0 million.

This is a first look at the FY 2013 HWM budget. Please refer to our forthcoming *Budget Monitor* for an in-depth review of MassHealth (Medicaid) & Health Reform.

Public Health

The HWM FY 2013 budget proposes to cut programs within the Department of Public Health by \$26.3 million, or 5.0 percent, compared to current FY 2012 spending. The proposed public health spending levels represent a cut of 21.7 percent compared to FY 2009 spending on these programs, after adjusting for inflation. In contrast, the Governor's budget proposed a slight increase in funding for public health programs, using \$51.2 million in revenue gained from the proposed elimination of the sales tax exemption on candy and soda. Cuts will affect a variety of programs, including youth violence prevention grants and a variety of substance abuse treatment programs.

Children, Youth & Families

The HWM budget proposal does not follow the Governor's recommendation to comprehensively reorganize services for children, youth and families. Instead, the HWM budget proposal, as it has in the past, eliminates regional administration of the Department of Children and Families (DCF, formerly DSS). This line item funds contracts with nonprofit "lead agencies" across the state that help coordinate services. The Governor had proposed \$10.2 million for these agencies. HWM also funds central administration for DCF at \$3.7 million below the Governor's recommendation.

Like the Governor, HWM includes \$2.1 million in a new line item to provide state funding in the Department of Youth Services for an alternative lock up program. This program – which up until now had been funded only with limited federal dollars – is designed to provide a safe (non-police) environment for alleged juvenile offenders awaiting court appearance. Current federal law restricts police departments from holding juveniles for more than six hours, and in any case many police department facilities do not have appropriate holding areas for children. This funding will allow for the Department to manage funding for the four existing community-based secure and appropriate placements for children awaiting arraignment.

This is a first look at the FY 2013 HWM budget. Please refer to our forthcoming *Budget Monitor* for an in-depth review of Children, Youth & Families.

Disability Services

Compared to services for some of the Commonwealth's other vulnerable populations, services for the disabled fare somewhat better in the HWM budget proposal. HWM recommends increasing funding for the Turning 22 program for the developmentally disabled from \$5.0 million to \$6.0 million, an increase of \$1.0 million compared to FY 2012 funding and to the Governor's proposal. The Turning 22 line item supports the entry of young developmentally disabled adults into the adult service system from the special education system. HWM also increased funding for respite and family supports by \$10.0 million compared to the Governor's proposal, a \$4.5 million increase over the FY 2012 current budget.

This is a first look at the FY 2013 HWM budget. Please refer to our forthcoming *Budget Monitor* for an in-depth review of Disability Services.

Transitional Assistance

Language in the HWM budget restricts the use of cash assistance, ensuring that these funds not be used for such items as alcoholic beverages, lottery tickets, cosmetics, and other listed products and services. The HWM budget also changes language in the line item funding grant payments for recipients of Transitional Assistance (TAFDC), eliminating the specification of a \$40 monthly rent allowance and reducing the clothing allowance from \$150 to \$75.

This is a first look at the FY 2013 HWM budget. Please refer to our forthcoming *Budget Monitor* for an in-depth review of Transitional Assistance.

Housing

The HWM budget includes funding to help low-income homeless families move out of shelters and into permanent housing. The budget recommends reducing funding for EA shelter for these families and increase housing supports to help them move into permanent housing.

Since the onset of the Great Recession, the number of families, living at or below 115 percent of poverty, who need shelter, has increased dramatically. The demand for family shelters has exceeded the number of beds available and has forced the state to contract with hotels and motels to shelter many homeless families. Under the current budget, funding for both family shelters and hotels and motels is provided through the Emergency Assistance (EA) account. The HWM FY 2013 budget recommends splitting family shelter funding into two separate accounts. Under the HWM proposal EA would receive \$88.9 million in FY 2013 to fund the family shelter system. The HWM FY 2013 budget then creates a new account, with \$16.6 million, to support families who are staying in hotels and motels. The total funding for these two accounts is \$5.2 million more than the Governor's FY 2013 recommendation for EA.

The HWM total for FY 2013, however, is \$13.2 million less than the current FY 2012 budget for EA. The HWM budget recommends increases above the FY 2012 current budget, identical to the Governor's FY 2013 proposal, for housing supports in an effort to reduce demand for shelters including:

- An additional \$10.0 million for the Massachusetts Rental Voucher Program which provides vouchers to low-income renters. According to documents supporting the Governor's budget, this increase will allow the state to support an additional 800 vouchers.
- An additional \$8.5 million for Residential Assistance for Families in Transition which provides short term housing assistance to help low-income families stay in current housing or move quickly into new housing. Since the onset of the fiscal crisis, RAFT has received only \$260,000 in funding. This increase will allow RAFT to support low-income families who are at risk of becoming homeless.
- An additional \$25.4 million for HomeBase, created in FY 2012, which provides short-term housing and rental assistance to families who are eligible for EA. Given that demand for HomeBase rental-assistance has far exceeded the state's expectations, this increased funding will only be able to serve families who are already receiving this assistance and will not be open to new families.

It is important to note that despite the state's best efforts to provide housing assistance to low-income families in an effort to reduce demand for shelters, each year since the onset of the economic crisis, the Legislature has had to provide supplemental funding for EA during the course of each fiscal year.

This is a first look at the FY 2013 HWM budget. Please refer to our forthcoming *Budget Monitor* for an in-depth review of Housing programs.

Local Aid

The FY 2013 HWM budget funds **Unrestricted General Government Aid (UGGA)** at \$899.0 million, which is \$65.0 million above the Governor's proposal and equal to current FY 2012 levels.

Both the FY 2012 GAA and the Governor's FY 2013 proposal fund UGGA at a baseline level of \$834.0 million. On top of this, the FY 2012 budget directed 50 percent of all unexpended balances from general fund spending coming out of FY 2011 (up to \$65.0 million) to supplement UGGA appropriations for FY 2012. Unexpended FY 2011 fund balances proved sufficient to fund the full \$65.0 million amount, meaning that cities and towns in FY 2012 will receive the same total UGGA appropriation of \$899.0 million that they received in FY 2011. Similarly, the Governor's FY 2013 proposal directs \$65.0 million of any FY 2012 budget surplus to supplement its baseline \$834.0 million appropriation. It is possible, yet far from certain, that under the Governor's FY 2013 proposal surplus funds would prove sufficient to provide this additional \$65.0 million once again.

It should be noted that even if UGGA is funded at the full \$899.0 million in FY 2013, this nominal level funding is tantamount to a cut since no inflation adjustment would have been made to keep up with rising costs. General local aid has been cut dramatically since FY 2001. Over the last four years from FY 2008 to FY 2012, general local aid has been cut 36 percent. For more information on the history of general local aid, please see *MassBudget's* recent paper *Demystifying General Local Aid in Massachusetts*, available [here](#).

This is a first look at the FY 2013 HWM budget. Please refer to our forthcoming *Budget Monitor* for an in-depth review of Local Aid.

Law & Public Safety

The HWM FY 2013 budget provides a total of \$2.34 billion for law and public safety programs and services. This amount is \$19.2 million or 0.8 percent above current FY 2012 funding levels and \$49.7 million or 2.1 percent less than the total proposed by the Governor in his FY 2013 budget recommendations. In general, this pattern holds true across the other MassBudget Law & Public Safety subcategories, namely that the HWM budget tends to propose slightly more (one to three percent more) than current FY 2012 amounts at the subcategory level (at best, resulting in level funding due to general year-to-year price inflation), but slightly less than recommended by the Governor. An exception is funding for prosecutors, for which HWM proposes an increase over both the Governor and current levels (less than 1 percent more in each case).

The amount for law and public safety programs in the HWM FY 2013 budget represents a \$385.7 million or 14.2 percent decline from the total appropriated for these purposes in the FY 2009 GAA (adjusted for inflation), the last budget enacted before the fiscal effects of the Great Recession became more apparent here in Massachusetts.

Some of the more notable elements of the HWM FY 2013 budget as regards law and public safety programs include the following:

- The move toward funding indigent criminal defense increasingly through the use of public defenders rather than private attorneys is continued. Funding levels for the Committee for Public Counsel Services (CPCS) and for Private Counsel Compensation (PCC) are little changed from their current FY 2012 amounts. This contrasts with the Governor's proposal, however, which pushes the FY 2012 reforms in this area still further, shifting far more funding (some \$22.9 million) away from the PCC and toward the CPCS.
- Where the Governor's budget again proposes consolidating trial court funding under the Chief Justice for Administration and Management (CJAM), the HWM FY 2013 budget maintains the current structure of providing funding directly to each of the seven trial court departments. At the same time, HWM makes substantial adjustments in funding among these seven departments relative to current FY 2012 funding levels.
- Where the Governor, in his FY 2013 budget recommendations, maintains the \$8 million available in FY 2012 for anti-gang Shannon Grants, the HWM FY 2013 budget reduces funding for this program to \$2 million.

This is a first look at the FY 2013 HWM budget. Please refer to our forthcoming *Budget Monitor* for an in-depth review of Law & Public Safety.

Libraries

The HWM budget for FY 2013 provides an additional \$243,300 for public libraries above the FY 2012 current budget. While state funding for local libraries and the regional library networks are kept at FY 2012 levels, the HWM budget provides increases to two accounts including an additional:

- \$84,300 for the Board of Library Commissioners for a total of \$999,000.
- \$159,000 for the Talking Book Program at the Perkins School for the Blind for a total of \$2.4 million.

Since the onset of the economic crisis in FY 2009, state funding for libraries has fallen \$14.7 million or 40 percent in inflation-adjusted dollars.

This is a first look at the HWM FY 2013 budget. Please refer to our forthcoming *Budget Monitor* for an in-depth review of Libraries.

Revenue

The HWM FY 2013 budget appears to rely on several of the same sources as the Governor for revenue above and beyond the \$21.95 billion built into the budget from the consensus revenue estimate. As the Governor also has proposed, the HWM budget makes a \$400 million draw on the state's Stabilization Fund (or "rainy day" fund). As required by current state law, the HWM budget also will make a \$100 million deposit into the Stabilization Fund which is the estimated amount of FY 2013 capital gains revenues in excess of \$1 billion. Together, these transactions would result in a net reduction of approximately \$300 million in the Stabilization Fund's balance. The HWM budget, like the Governor's, also transfers to the General Fund the interest that will be earned by the Stabilization Fund during FY 2013 (approximately \$9.1 million). Both of these revenue sources are one-time resources.

Unlike the Governor, HWM cancels a requirement that approximately \$100 million of revenue from FY 2013 be left unused during the fiscal year (and carried over into the FY 2014 budget.) Canceling this requirement makes the \$100 million available as additional one-time revenue in FY 2013.

Incorporating other elements also proposed by the Governor, the HWM FY 2013 budget delays (for another year) implementation of the "FAS 109" tax break provided to certain publically-traded companies as part of the 2008 combined reporting corporate tax reform package. Delaying this tax break will save the Commonwealth \$45.9 million in FY 2013.

Finally, the HWM budget appears to adopt a proposal to improve the Department of Revenue's enforcement abilities, bringing in an additional \$22.3 million in FY 2013 revenue that is owed to the Commonwealth but that currently goes uncollected. This represents a new and ongoing revenue stream for the state.

This is a first look at the FY 2013 HWM budget. Please refer to our forthcoming *Budget Monitor* for an in-depth review of Revenue.