

## A First Look: The Senate Ways and Means FY 2013 Budget

### OVERVIEW

To address the \$1.3 billion deficit facing the state in FY 2013, the Senate Ways and Means budget (SWM) relies on cuts, savings, and one-time revenues.

Unlike the Governor's budget, which included some modest tax initiatives – increasing the cigarette tax and eliminating the tax exemption for candy and soda – the SWM budget does not include revenue from new taxes. In that regard, it mirrors the House proposal.

One key difference between the House and SWM proposals, however, is in the amount of cuts and savings as compared to the amount of one-time revenue. To reach its balanced budget, the Senate Ways and Means Committee includes roughly \$100 million *less* in one-time revenues than the House – but also \$100 million *more* in cuts & savings.

The bulk of that additional \$100 million of cuts & savings comes from Health Care, and particularly MassHealth. But other areas would be affected too, including Human Services and Housing.

One of the few areas to receive significant additional funding is K-12 education.

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

### SELECTED BUDGET SUBCATEGORIES:

#### Early Education & Care

SWM proposes \$8.6 million in cuts to early education and care programs compared to FY 2012. This proposal is \$926,000 lower than the House budget. **Income-Eligible Child Care**, funded at \$231.4 million receives one of the largest cuts, \$1.5 million below FY 2012 and \$500,000 below the House proposal. In April 2012 the number of families on the waitlist for this program exceeded 36,000 with an 11.8% increase from March to April alone. **Supportive Child Care**, which funds child care for children involved with the Department of Children and Families, receives \$76.6 million, \$836,000 below FY 2012 and \$719,000 less than the House.

The **Reach Out and Read** program receives a proposed boost of \$200,000 over the House proposal bringing it in line with current FY 2012 spending of \$800,000.

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

## Higher Education

The FY 2013 SWM budget proposes to fund the full *MassBudget* category of higher education at \$1.01 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. The SWM budget takes this practice a step further, however, by allowing UMass campuses and State Universities to retain in-state tuition as well, starting July 1, 2013.

The SWM proposal includes \$48.9 million in collective bargaining accounts that cover labor costs at each of the campuses. Except for \$5.7 million of this total that cannot be broken out by campus type, the balance of these collective bargaining amounts is built into *MassBudget* campus totals.

Except for collective bargaining increases, higher education campuses are all close to level-funded from current FY 2012 levels. Specifically, the SWM budget proposes:

- \$457.1 million for the **UMass** system, which is very close to the House proposal and \$25.4 million above current FY 2012 levels.
- \$205.5 million for **State Universities**, which is equal to the House proposal and \$10.5 million above current FY 2012 levels.
- \$217.7 million for **Community Colleges**, very close to the House proposal and \$3.9 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. Similar to the House proposal, the SWM budget does not replicate the Governor's governance consolidations, but it does include language in a few Outside Sections that give both the Governor and Board of Higher Education some greater control over community colleges. Language in these Outside Sections is also designed to encourage the workforce development role of these campuses.

The SWM budget proposes the creation of four new line items:

- **Degree Audit and Tracking System**, funded at \$4.0 million
- **Rapid Response Grants**, funded at \$3.0 million
- **High Demand Scholarship Program**, funded at \$3.0 million
- **Office of Coordination**, funded at \$750,000

The SWM budget proposes \$87.6 million for the **State Scholarship Program**, which is equal to both the House proposal and current FY 2012 levels.

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

## K-12 Education

The FY 2013 SWM budget funds **Chapter 70 education aid** to cities, towns, and regional school districts at \$4.17 billion, which is \$16.5 million higher than the House's proposal and \$180.3 million above current FY 2012 levels.

The SWM budget builds on top of provisions included sequentially in the Governor's and then the House's budgets. The Governor's Chapter 70 proposal, which began the state budget process, roughly funded 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. The Governor's proposal also partially phased 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. Ultimately, the Governor's Chapter 70 proposal reflected a \$145.3 million increase over FY 2012.

The House budget then built onto the Governor's proposal by adding a provision that guaranteed each school district a minimum \$40 per pupil increase over their FY 2012 aid allocation. Since this provision was an add-on to the Governor's proposal, it had the effect of adding another \$18.5 million to Chapter 70 for FY 2013. This House provision had a regressive distributional effect, since the additional \$18.5 million would predominantly go to wealthier districts.

Finally, the SWM proposal builds on what both the Governor and House proposed, distributing an additional \$16.5 million for communities whose Chapter 70 aid allocation is below their "target aid percentage." The SWM budget distributes this money only to those districts whose Combined Effort Yield (a uniform measure of local property wealth and incomes available to fund K-12 education) as a percent of their foundation budgets is less than or equal to 107.5. For more information on how the Chapter 70 formula works, see [Demystifying the Chapter 70 Formula](#).

Among the many, smaller education grant programs that the state supports, the SWM budget funds several below the House proposal, including:

- **Regional School Transportation** at \$43.5 million, \$1.9 million below the House.
- **Kindergarten Expansion Grants** at \$20.9 million, \$4.0 million below the House.
- **METCO** at \$16.9 million, \$1.3 million below the House.
- **Targeted Intervention in Underperforming Schools** at \$6.8 million, \$801,000 below the House.

Additionally, a few other proposals of note include funding:

- The **Special Education Circuit Breaker** program at \$242.2 million, an increase of \$29.0 million over current FY 2012 levels. This increase would enable the state to reimburse school districts at close to the full 75 percent statutory reimbursement rate (of costs above four times the state foundation budget per pupil). This increase in circuit breaker funding is coupled with an Outside Section that freezes the annual inflationary increase made for tuition payments to private SPED schools. The House proposed \$221.6 million for the circuit breaker.
- Programs for **English Language Learners in Gateway Cities** at \$3.5 million, which is \$900,000 million above the House proposal and \$250,000 below the Governor's. The SWM proposal also funds **Gateway Cities Career Academies** at \$1.0 million, which is \$500,000 above the House proposal and essentially the same as the Governor's. The Governor's FY 2013 budget proposed two additional programs aimed at supporting students in Gateway Cities, which are not funded in the SWM proposal.
- **Adult Basic Education** at \$30.7 million, equal to current FY 2012 levels.
- **School Modernization and Reconstruction Trust Fund** at \$689.4 million, which is equal to the House proposal and \$11.3 million above current FY 2012 levels.

The SWM budget does not provide funding for a new **Homeless Student Transportation** line item, which the House funded at \$11.3 million.

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

## MassHealth (Medicaid) & Health Reform

The Senate Ways and Means (SWM) budget proposes a total of \$12.59 billion in spending on MassHealth and Health Reform programs in FY 2013, an increase of 5.6 percent compared to FY 2012 spending, and \$64.0 million below the 12.65 billion in appropriations contained in the House budget. This is a net difference that reflects a reduction of \$77.2 million, compared to House appropriation levels, in funding for MassHealth programs and an increase of \$13.2 million over the House's proposed allocations for a number of other health-related line items. The lower spending level for this budget category is the result of two factors. First, the SWM budget funds supplemental rates for nursing homes at \$288.5 million, the same level as proposed by the Governor, but \$30.0 million below the \$318.5 million appropriation contained in the final House budget. Secondly, the Senate appears to assume that savings beyond those proposed by the Governor and House can be found in MassHealth programs, and thus provides lower appropriations levels for a number of line items, particularly the account that funds fee-for-service payments to providers. The Senate does follow the Governor in providing level funding for the MassHealth HIV plan, in contrast to the House budget, which provides \$1.0 million less for this program.

The SWM budget also follows the Governor in providing \$5.1 million for two new MassHealth initiatives, one that will provide additional funding for operations costs in order to improve the MassHealth enrollment and redetermination process, and another that will fund activities related to the implementation of the Affordable Care Act, such as adoption of integrated care models. The final

House budget appropriated \$1.8 million for these two initiatives. The SWM budget also includes an appropriation for Information Technology services at Health and Human Services agencies of \$93.7 million, \$6.9 million higher than what the final House budget proposed, but lower than the Governor's request of \$100.4 million (this funding goes to MassHealth as well as other HHS agencies).

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

## Public Health

The SWM FY 2013 budget proposes a total of \$528.5 million in FY 2013 spending on public health programs, roughly level with FY 2012 spending, and about \$10.0 million higher than the final House budget. The Senate's proposed funding level is 16.8 percent lower than the amount spent on these programs in FY 2009, after adjusting for inflation. The SWM budget includes \$8.0 million for Youth Violence prevention grants, somewhat below the \$10.0 million these programs received in FY 2012. The Governor proposed level funding for these grants in FY 2013, but the House budget did not provide funding for them. The SWM budget also provides \$500,000 for an Academic Detailing program that encourages cost-effective prescribing practices among health providers who have patients in publicly funded health programs.

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## Children, Youth & Families

The FY 2013 SWM budget proposal breaks from the House by level funding **Regional Administration** of the Department of Children and Families (DCF, formerly DSS) at \$9.3 million compared to FY 2012. The House eliminated this program in its budget proposal. Regional administration funds contracts with nonprofit "lead agencies" across the state that help coordinate services. SWM proposes \$69.3 million for **DCF Central Administration**, an increase of \$4.1 million over FY 2012 and \$3.7 million over the House.

SWM funds a number of programs at levels less than the House. Services for **Children and Families** is funded at \$246.5 million, an increase of \$3.3 million compared to FY 2012, but \$1.6 million below the House. **Domestic Violence** services are funded at \$20.7 million, level with FY 2012 and \$756,000 (3.5 percent) below the House.

SWM also funds a few programs above the level proposed by the House. **Placement Services for Juvenile Offenders** is funded at \$1.0 million, \$774,000 above the House and \$734,000 above FY 2012. **DCF Social Workers** is funded at \$166.9 million, a \$4.8 million (3 percent) increase over FY 2012 and \$729,000 above the House. Like the House and Governor, SWM 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 is designed to provide a safe (non-police) environment for alleged juvenile offenders awaiting court appearance.

It is worth noting that even small increases in nominal terms are often insufficient to keep pace with inflation and are tantamount to a cut.

The SWM proposal follows the House by not funding a Governor proposed \$3.0 million data-sharing initiative among the agencies providing services to children, youth and families.

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

## Disability Services

SWM's budget proposal funds disability services \$9.4 million below the House budget proposal. **Respite Family Supports**, funded at \$41.0 million, receives a \$5.5 million cut compared to FY 2012, \$10.0 million below the House proposal. SWM also recommends a \$1.2 million (9.9 percent) cut for **Community Transportation Services** compared to FY 2012.

SWM recommends increasing funding for **Community Work** programs to \$134.0 million, \$9.7 million (7.8 percent) over FY 2012. This increase is \$1.4 million over the House proposal. **Residential Supports** receives a proposed increase of \$15.2 million (9.2 percent) over FY 2012 to \$180.0 million. This proposal is \$1.7 million over the House.

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

## Transitional Assistance

Language in the SWM budget proposal removes some of the more controversial cash assistance restrictions outlined in the House proposal. Products and services taken off the restricted list include performances, cosmetics, professional services, jewelry, and rental goods and property. The SWM proposal creates two new crimes: food stamp benefits trafficking and organizational food stamp benefits trafficking. SWM also requires the Department of Transitional Assistance (DTA) to charge a fee for a replacement card to be deducted from an individual's benefits. DTA will provide notice to a recipient that requests a replacement card 3 or more times in a year, informing the recipient they will now be monitored.

The SWM budget proposes \$9.8 million in cuts to transitional assistance programs and services compared to FY 2012. **TAFDC Grant Payments** funded at \$315.4 million receives the largest proposed cut of \$8.8 million compared to FY 2012, \$7.5 million under the House proposal. The **Employment Services Program** which received an increase over FY 2012 in the House proposal is funded at \$3.9 million, a cut of \$3.2 million (45.1 percent compared to FY 2012). This is \$4.2 million (51.8 percent) below the House proposal.

**Caseworker Salaries** receives an increase of \$3.5 million (5.8 percent) compared to FY 2012, \$1.5 million over the House proposal.

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

## Elder Services

SWM proposes funding elder services \$2.6 million less than the level proposed by the House. The SWM budget eliminates **Residential Placement Services for Homeless Elders**. This program is funded currently at \$136,000 in FY 2012. The House proposal increased funding to \$186,000.

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

## Housing

Like the FY 2013 budgets proposed by the Governor and passed by the House, the SWM budget includes funding to help low-income homeless families move out of Emergency Assistance (EA) shelters and into permanent housing. Unlike the FY 2013 budgets proposed by the Governor and the House the SWM budget does not limit the amount of time that a family can live in an EA shelter. Instead it explicitly requires that families receive housing placement and assistance within 16 weeks of their entry into shelter.

Since the onset of the Great Recession, as low-income families have lost their jobs and their housing, the demand for EA shelter has exceeded the number of beds available requiring the state to contract with hotels and motels to house some of these families. The SWM budget provides \$96.7 million for EA which is \$3.7 million less than the Governor's proposal and \$8.9 million less than total EA funding in the House budget. The SWM proposal does not include a separate account for families staying in hotels and motels which the House created in its FY 2013 budget.

The SWM budget for EA is also \$40.8 million less than the FY 2012 current budget. Instead of increasing funding for EA to match spending in FY 2012, the SWM budget boosts funding for housing assistance to help families eligible for EA move into permanent housing. It is important to note however, since the onset of the economic crisis, the Legislature has had to provide additional mid-year funding for EA despite the state's efforts to move homeless families into permanent housing. The SWM budget proposes:

- \$90.8 million for **HomeBASE** which provides household and rental assistance to EA-eligible families. This amount is \$7.4 million more than the House and Governor's proposals and \$24.3 million more than the FY 2012 current budget. Like the House and Governor's budgets, the SWM budget reduces the amount of time families can receive rental assistance from 3 to 2 years. The SWM budget does increase total annual assistance per family from \$4,000 in the FY 2012 current budget and the House final budget to \$6,000.
- \$41.0 million for the **Massachusetts Rental Voucher Program (MRVP)** which provides vouchers to low-income renters. This is \$5.0 million less than the Governor's and House proposals and is \$5.0 million more than the FY 2012 current budget.

- \$8.8 million for **Residential Assistance for Families in Transition (RAFT)** which provides short-term housing assistance to help low-income families stay in current housing or relocate to new housing. This is an \$8.5 million increase above the current FY 2012 budget and level with the amounts recommended in the House and Governor's FY 2013 budgets.

Unlike the House and the Governor which proposed \$2.0 and \$4.0 million increases respectively in FY 2013, SWM level funds **subsidies for public housing authorities** at \$62.5 million.

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

## Local Aid

The FY 2013 SWM budget funds **Unrestricted General Government Aid (UGGA)** at \$900.0 million, which is essentially equal to both the House proposal and to current FY 2012 levels.

The FY 2012 GAA funded UGGA at a baseline level of \$834.0 million, but with a provision to direct 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. The Governor's FY 2013 proposal was very similar to the FY 2012 approach, with \$65.0 million of any FY 2012 budget surplus directed to supplement a 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 \$900.0 million proposed in the SWM budget for 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 SWM budget. Please refer to our forthcoming *Budget Monitor* for an in-depth review of Local Aid.

## Law & Public Safety

The SWM FY 2013 budget provides a total of \$2.37 billion for law and public safety programs and services. This amount is \$36.2 million or 1.6 percent above current FY 2012 funding levels and \$14.9 million or 0.6 percent more than the total provided in the House FY 2013 budget. Given general year-to-year price inflation, this small increase likely represents a small decline in real funding for these programs relative to FY 12 levels.

The amount provided for law and public safety programs in the SWM FY 2013 budget falls \$340.5 million or 12.5 percent below 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 SWM FY 2013 budget as regards law and public safety programs include the following:

- The move made in FY 12 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. Rather than push the current reforms further in FY13, the SWM budget instead provides funds for an independent evaluation of the reforms made thus far to indigent defense.
- The SWM FY 2013 budget maintains the current structure of providing funding directly to each of the seven trial court departments rather than adopting the Governor's recurring proposal to consolidate trial court funding under the **Chief Justice for Administration and Management (CJAM)**. SWM increases trial court funding by \$19.2 million or 9.5 percent over current FY 12 funding levels.
- Where the Governor, in his FY 2013 budget recommendations, maintains the \$8.0 million available in FY 2012 for anti-gang and youth violence prevention **Shannon Grants**, and the House reduces funding for this program to \$5.5 million, SWM provides \$6.0 million.
- SWM provides \$2.0 million to train a new class of **State Police Officers**. The funds for this training would come from a new assessment on certain motor vehicle violations.
- SWM creates a new **Public Benefit Fraud Unit** within the **Department of State Police**, funding this initiative at \$750,000. The unit is charged with investigating the illegal receipt and use of public benefits and is directed to work with the Attorney General and Auditor's Office, as well as other state and federal authorities as appropriate.
- SWM provides \$9.8 million or 1.8 percent more than the House for the **Department of Corrections** and related accounts, and \$25.4 million or 4.8 percent more than current FY12 funding levels.

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

## Libraries

The SWM FY 2013 budget provides slightly more funding for public libraries above the FY 2012 current budget. While it keeps state aid for local libraries and the regional library networks at FY 2012 levels, the SWM budget provides small increases including an additional:

- \$123,000 for the **Board of Library Commissioners** for a total of \$1.0 million.
- \$58,000 for the **Talking Book Program** at the Perkins School for the Blind for a total of \$2.3 million and an additional \$9,500 for the Talking Book Program in Worcester for a total of \$431,000.

Since the onset of the fiscal crisis, funding for public libraries has fallen 40.5 percent in inflation-adjusted dollars.

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

## Revenue

The SWM FY 2013 budget relies significantly less on one-time revenue than does the House, and uses a similar amount of one-time revenue to the Governor's proposal.

The SWM budget withdraws \$290 million from the state's Stabilization Fund (or "Rainy Day" fund), compared to the House and Governor's budget withdrawals of \$400 million. Unlike the Governor, both the House and SWM propose spending just over \$100 million that currently must be reserved for use in the next fiscal year. From these two major initiatives, both SWM and the Governor rely on approximately \$400 million in one-time revenue, while the House uses closer to \$500 million.

In addition, there are other smaller revenue initiatives included in the SWM budget. Another one-time revenue in the SWM budget is an estimated \$45.9 million from the delay (for another year) of the implementation of the "FAS 109" tax break provided to certain publically-traded companies as part of the 2008 combined reporting corporate tax reform package. Both the House and the Governor included this revenue.

SWM anticipates that with the improvement of the Department of Revenue's enforcement abilities, the Commonwealth will be able to bring in an additional \$36.3 million in FY 2013 revenue that is owed to the Commonwealth but that currently goes uncollected. The Governor's and House budgets estimated \$22.3 million from this improved tax enforcement. The SWM budget also includes \$32 million in estimated tax settlements, including language that would transfer tax settlement revenue into the General Fund for use in the budget.

Finally, the SWM budget relies on an estimated \$20 million from increases in revenues from "abandoned property" such as unclaimed checks (not included in the House or Governor's budgets), and \$6 million in unused trust fund revenue (compared to \$37 million in trust fund revenue in the House budget.)

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