

BUDGET MONITOR

The FY 2009 House Budget

OVERVIEW

During the floor debate on its budget, the House of Representatives added approximately \$200.0 million in net state spending.¹ Of this spending added during floor debate, the majority was not for new programs; it was to restore cuts that had been included in the budget proposal from the House Committee on Ways & Means (“HWM”). Of the actual new spending, some was spending recommended by the Governor, particularly in education and public safety; a significant amount was for earmarked projects, particularly in economic development accounts; and some was for small increases in other programs including college scholarships and Head Start.

As the budget moves to the Senate, and eventually to the Governor’s desk, each branch will face the challenge of constructing a budget that funds the government services that our people and our economy depend on – but that shows discipline in making sure that budget is fiscally responsible and sustainable as the national and even the state economy weaken.

¹ Although the House added approximately \$300.0 million in amendments, \$95.0 million of this total will not come from the General Fund, and some of the health care expansions will be partially paid for by federal funds.

Because the 2007 tax returns filed in April included payments above the levels anticipated, it appears likely that tax revenue for FY2008 will exceed the initial projections by close to one billion dollars.

As FY 2008 revenues are now likely to exceed projections by a significant amount, it would take only very modest growth for current FY 2009 projections to be exceeded

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as well, in which case the withdrawal from the Stabilization Fund recommended in the House budget could be reduced. Yet the FY2009 budget will still likely show a significant structural gap. The version approved by the House spends \$412.0 million from the Stabilization Fund, forgoes a scheduled \$107.0 million deposit into that fund, and counts on one-time savings such as paying less than a full year of costs in FY2009 for certain Medicaid accounts.

Furthermore, even modest tax revenue growth in FY2009 is not certain. Income tax withholding actually declined in April while payments with returns increased. This suggests that while 2007 was a good year for incomes in Massachusetts, in April of 2008 we may have begun to see more of the effects of the declining national economy.

This *Budget Monitor* describes the floor action on the House budget, provides total spending levels in each area, and makes comparisons to last year's approved budget (called the "GAA" or "General Appropriations Act") and to the Governor's proposal.

LOCAL AID

The House budget proposes \$1.347 billion for unrestricted local aid to cities and towns in FY 2009. This total does not include aid for specific purposes, such as education.

| | |
|----------------------------|-------------------------|
| FY 2008 GAA | \$ 1,345,296,219 |
| FY 2009 House | \$ 1,347,296,219 |
| Increase (decrease) | \$ 2,000,000 |
| Percentage change | 0.15% |

The House budget contains one change made by amendment - an increase of \$2.0

million for Payments in Lieu of Taxes (PILOT), bringing the total to \$30.3 million.

WHAT IS A "MAINTENANCE" BUDGET?

Throughout this document, we refer to a FY 2009 maintenance budget. Sometimes a maintenance budget is also referred to as a "current services" budget or a "level services" budget.

In brief, a maintenance budget estimates the cost of continuing the current year's service level into the next year. A maintenance budget assumes no programmatic expansions or contractions other than those previously committed to, and no policy changes that would affect funding levels.

There are a number of elements that are used to determine the FY 2009 maintenance budget. These include: any supplemental appropriations since the GAA that add new funding; any reserves that are transferred into a program account to pay additional personnel costs associated with collective bargaining agreements, any projected inflation costs, and any assumptions about projected caseloads for the following year.

Maintenance budgets also account for transfers from Purchase of Service (POS) reserves. For instance, the FY 2008 budget included a reserve account of \$23 million to pay for rate increases in human service programs. This money was allocated throughout the budget in a variety of human service programs.

Allocation of the FY 2008 Human Services Rate Reserve (1599-6901)

| | <i>Amount from 1599-6901</i> |
|--------------------------|----------------------------------|
| Early Education and Care | 262,823 |
| Income Supports | 71,796 |
| Health Care | 542,060 |
| Elder Affairs | 2,542,341 |
| Public Health | 883,878 |
| Mental Health | 3,976,838 |
| Mental Retardation | 10,826,454 |
| Social Services | 2,159,146 |
| Other Human Services | 2,386,048 |
| Total | 23,651,385 |

In both FY 2007 and FY 2008, Lottery revenues failed to meet the projections on which the budget was based, forcing the state to transfer money from the General Fund to cover the shortfalls. In FY 2009, the House proposal anticipates this event and provides for an additional transfer from the General Fund in order to level fund Lottery Aid to cities and towns. Lottery revenues are assumed to be \$810.9 million and an additional \$124.2 million will be transferred from the General Fund into what the House proposal is calling the Hold Harmless Lottery Aid fund. Together, these will level fund Lottery Aid at \$935.0 million.

Additional Assistance is level funded at \$378.5 million in the House proposal.

K-12 EDUCATION

The House proposes spending \$5.260 billion for K-12 education, a \$321.7 million increase over the FY 2008 GAA. This total includes Chapter 70 aid, other K-12 education aid and \$702.0 million for School Building Assistance, which is funded off-budget via a percentage of sales tax revenue.

| | |
|----------------------------|-------------------------|
| FY 2008 GAA | \$ 4,939,039,932 |
| FY 2009 House | \$ 5,260,779,110 |
| Increase (decrease) | \$ 321,739,178 |
| Percentage change | 6.5% |

Chapter 70

Chapter 70 Aid is provided to cities and towns for public education purposes. The House proposal would provide \$3.949 billion. This is an increase of \$223.2 million, or 5.9 percent, over FY 2008 GAA.

| | |
|----------------------|-------------------------|
| FY 2008 GAA | \$ 3,725,671,328 |
| FY 2009 House | \$ 3,948,824,061 |

| | |
|----------------------------|-----------------------|
| Increase (decrease) | \$ 223,152,733 |
| Percentage change | 5.9% |

There were no amendments offered to Chapter 70 and thus the House proposal is the same as HWM, which mirrored the Governor's proposal. It represents an increase of 5.9 percent over FY 2008 GAA and continues the third year of reforms in the formula. (For further discussion, see the MassBudget *Budget Monitor* for the Governor's budget, at:

<http://www.massbudget.org/FY09GovProposal.pdf>)

Other K-12 Education Funding

The House budget provides \$609.5 million in funding for K-12 initiatives, including grant programs and administration. This is an increase of \$31.3 million over the FY 2008 GAA.

| | |
|----------------------------|-----------------------|
| FY 2008 GAA | \$ 578,668,604 |
| FY 2009 House | \$ 609,955,049 |
| Increase (decrease) | \$ 31,286,445 |
| Percentage change | 5.4% |

The House budget proposal increased several line items that had been level-funded in the Ways and Means version of the budget. However, even with these increases, the recommended funding is lower than what the Governor had proposed. They include the following:

- \$21.6 million for METCO, an increase of \$1.0 million from HWM and \$500,000 less than the Governor proposed;
- \$13.3 million for MCAS Low Scoring Student Support, an increase of \$1.5 million over the HWM

proposal and \$2.1 million less than the Governor proposed;

- \$17.5 million for Extended Learning Time Grants, an increase of \$2.0 million over the HWM proposal and \$8.5 million less than the Governor proposed;
- \$8.9 million for Targeted Intervention, an increase of \$500,000 from the HWM proposal and \$4.8 million less than the Governor proposed;
- \$3.5 million for the Foundation Reserve, which the HWM proposal had eliminated. This is \$2.0 million less than the Governor's proposal of \$5.5 million, which was level funded.

The House budget maintains the HWM funding of \$33.8 million for Kindergarten Expansion Grants, which is level funding from the FY 2008 GAA and \$8.4 million less than the Governor proposed.

The House adopted several other increases from the HWM proposal. These include the following:

- \$5.0 million for After School programs, an increase of \$2.5 million from the HWM and \$3.0 million above the Governor's proposal;
- \$61.3 million for Regional Transportation Reimbursement, an increase of \$3.0 million from both the HWM and Governor's proposal;
- \$400,000 for K-3 class size reduction for low income districts. This item was not included in either the HWM or Governor's proposal.

The House proposal, like HWM, includes the amount necessary to fund the Special Education Circuit Breaker. This program provides relief to cities and towns for special education residential placements.

According to statute, the Commonwealth is to pay 75% of the costs four times above foundation level. The FY 2008 GAA provided \$220.0 million, which the Department of Education initially projected to provide a 72% reimbursement rate. However, that amount has been sufficient to provide the statutorily required 75%.

The HWM proposed \$225.8 million for the Circuit Breaker, which is expected to be sufficient to provide for the 75% reimbursement. During floor debate an additional \$2.0 million was added to provide for partial reimbursement for transportation costs for out-of-district special education placements. In total, the House budget provides \$227.8 million, an increase of \$7.8 million. The Governor had proposed increasing this line item by \$14.3 million over the FY 2008 GAA. It would appear that this might be more than needed to cover the actual cost.

The House budget maintains the HWM funding for Charter School Reimbursements. This is an increase of \$4.3 million, from \$73.8 million to \$78.1 million. This amount is \$3.0 million below the Department of Education's estimate for FY 2009. The Governor had proposed increasing this line item by \$7.9 million.

Finally, while total funding for K-12 Education in the House proposal marks an increase in funding over the FY 2008 GAA, it is \$27.7 million less than the Governor's proposal.

HIGHER EDUCATION

The House budget proposes \$1.098 billion for public higher education. This represents a 4.1 percent increase over the FY 2008 GAA.

| | |
|----------------------|-------------------------|
| FY 2008 GAA | \$ 1,054,737,621 |
| FY 2009 House | \$ 1,098,302,355 |

| | |
|----------------------------|----------------------|
| Increase (decrease) | \$ 43,564,734 |
| Percentage change | 4.1% |

The House budget contains two major changes by amendment from the HWM version. There is a \$1.0 million earmark for dual enrollment grants. These grants provide the funds necessary for high school students to enroll in college level courses. (The Governor had proposed these as a separate line item in the amount of \$2.0 million.) The House budget also includes \$96.8 million for the Massachusetts State Scholarship program, an increase of \$2.5 million from both the HWM and Governor's proposals and \$2.9 million above the FY 2008 GAA level.

The House budget proposes an overall increase in Higher Education. It is not clear whether these are actual expansions or simply the funds necessary to provide level services. They include:

- \$493.24 million for the University of Massachusetts system, an increase of \$24.2 million over the FY 2008 GAA and \$3.5 million more than the Governor proposed.
- \$209.4 million for the state colleges, an increase of \$8.1 million over the FY 2008 GAA and \$1.3 million more than the Governor proposed;
- \$249.1 million for community colleges, an increase of \$8.9 million over the FY 2008 GAA and \$4.9

million more than the Governor proposed.

EARLY EDUCATION AND CARE

Funding for Early Education and Care in the House proposal totals \$589.7 million, a \$53.3 million or 9.9 percent increase over the FY 2008 GAA.

| | |
|----------------------|-----------------------|
| FY 2008 GAA | \$ 536,452,420 |
| FY 2009 House | \$ 589,745,818 |

| | |
|----------------------------|----------------------|
| Increase (decrease) | \$ 53,293,398 |
| Percentage change | 9.9% |

Several family support program budgets were increased through amendments adopted by the House.

- \$5.0 million was allocated to the Child Care Rate reserve, which funds increases for early education and care workers' salaries, benefits and professional development stipends. This reserve was funded at \$7.0 million in FY 2008. Neither the House Ways and Means Committee or the Governor funded this reserve in their proposals.
- The final House proposal is \$2.0 million higher than the HWM proposal for the Universal Pre-Kindergarten Program, which provides grants to pre-schools to increase the quality and to improve families' access to them. However, this increase is still \$10.0 million less than the Governor's proposed increase. The House proposal boosts funding by \$5.0 million over the FY 2008 level.

- This budget would increase funding for early education and care providers' professional development by \$250,000 over the two earlier proposals. Specifically, funding would increase from \$3.7 million (after accounting for \$600,000 included in FY 2007 that was shifted to FY 2008) to \$4.6 million. This funding helps early childhood education and care providers to pursue professional development courses and to obtain associates and bachelors degrees.

The final House budget for each of the three major child care programs in the state, including income-eligible child care, TAFDC child care and supportive child care, matches the HWM proposal.

- Income-eligible child care serves lower income families with children up to 13 years of age. This program received \$209.8 million in the FY 2008 GAA. Like the Governor's budget, the final House proposal allocates \$213.6 million to income-eligible child care. During the course of the year, \$3.1 million was transferred from the Child Care Rate Reserve to fund salary adjustments for early education and care workers. Therefore, the two proposals for this program are \$603,000, or 0.3 percent, higher than FY 2008 current spending.
- TAFDC (Transitional Aid to Families with Dependent Children) child care serves families who are currently receiving or recently received TAFDC benefits. This program was funded at \$166.9 million in the FY 2008 GAA. During the course of the year, \$3.1

million was transferred from the Child Care Rate Reserve to fund salary increases for early education and care workers under this program. Under the House proposal, this program would receive \$197.7 million, an increase of \$27.7 million, or 16.3 percent, over the current FY 2008 budget. The House proposal is \$7.5 million higher than the Governor's proposal, because of a higher expected caseload.

- Supportive Child Care serves families receiving services from the Department of Social Services (DSS). This program received \$67.3 million in the FY 2008 GAA. During the course of the year, \$731,000 was transferred from the Child Care Rate Reserve to fund salary increases for early education and care workers under this program. Under the House proposal, this program would receive \$79.0 million, an increase of \$11.0 million, or 16 percent, over the current FY 2008 budget. The final House proposal is \$2.1 million higher than the Governor's proposal, because of a higher expected caseload. Since FY 2007, the state has had a policy of providing child care for all families involved with DSS who need such care.

The two House proposals also provide the same level of funding for other programs, including the Mass Family Networks, Reach Out and Read, and Healthy Families programs.

- Like the Governor's proposal, the final House budget would level fund both the Mass Family Networks and the Reach Out and Read Programs at

\$5.4 million and \$1.0 million respectively. Mass Family Networks provides educational services (including family literacy activities) and family supports (including home visits, developmental screenings and parent support groups) to families with infants and toddlers. Reach Out and Read trains pediatricians and nurses to advise parents about the importance of reading aloud to their children and provides books for medical professionals to distribute to children at pediatric checkups.

- The final House budget for the Healthy Families Program (a home visiting program for teen mothers and their children) is \$172,000 higher than the Governor’s proposal and \$428,000 higher than the current FY 2008 budget.

INCOME SUPPORTS

Funding for income supports in the House budget totals \$641.8 million, a \$42.9 million or 7.2 percent increase over the FY 2008 GAA.

| | |
|----------------------------|-----------------------|
| FY 2008 GAA | \$ 598,932,022 |
| FY 2009 House | \$ 641,843,262 |
| Increase (decrease) | \$ 42,911,240 |
| Percentage change | 7.2% |

The final House budget added earmarks for two transportation programs that were not included in the two earlier proposals. Specifically, \$418,074 is earmarked for the Transportation Assistance program, which is operated by Travelers Aid Family Services, a non-profit organization; in addition, \$150,000 is earmarked for the Lift Transportation program, operated by the

same organization. Though these earmarks were not included in the budgets submitted by the Governor and the House Ways and Means Committee, the programs would have also been funded by those budgets at the same levels; the inclusion of these earmarks in the final House budget did not affect the total amount appropriated through the relevant line item. These programs were funded at the same levels in FY 2008.

In other areas, the House budget mirrors the HWM recommendation.

- The House budget increases funding for the TAFDC (Transitional Aid to Families with Dependent Children) program from \$274.5 million in FY 2008 to \$302.7 million in FY 2009 because of a growing caseload. The Governor recommended a budget of \$291.4 million for this program.
- The budget increases funding for the Emergency Aid to Elders, the Disabled and Children (EAEDC) program, which provides cash and limited medical benefits to about 17,000 individuals per year. The House budget proposes increases funding for that EAEDC be increased from \$69.9 million in FY 2008 to \$74.8 million in FY 2009. The Governor recommended allocating \$69.1 million in FY 2009, a drop of \$804,000, or 1.1 percent, over last year’s appropriation.
- Funding for the Employment Services Program, which is available to individuals receiving cash assistance grants under TAFDC, would be essentially level-funded at \$27.2 million, as it was in the Governor’s budget. In addition, both budgets indicate that \$7.0 million

would be available in FY 2009 from federal reimbursements for specific education and job training/readiness services for food stamp recipients. The same amount was available in the FY 2008 budget.

HEALTH CARE

The House FY 2009 budget proposal includes \$10.386 billion for health care programs, a 10.8 percent increase over funding in the FY 2008 GAA.

| | |
|----------------------------|--------------------------|
| FY 2008 GAA | \$ 9,371,356,330 |
| FY 2009 HWM | \$ 10,386,150,582 |
| Increase (decrease) | \$ 1,014,794,252 |
| Percentage change | 10.8% |

During floor debate, the House added \$188.8 million to the HWM budget proposal for health care programs: \$23.8 million in line item appropriations, and \$95.0 million in funding made through transfers to special health-care related trusts.

In thinking about the increases in the cost of health care from one year to another, it is important to keep several things in mind. First of all, private and public sector health care costs tend to increase more rapidly than the rate of inflation. Second, much of the Commonwealth’s spending on health care is partially reimbursable by the federal government through the Medicaid program. Third, the state is implementing a series of reforms that are significantly reducing the number of people without health insurance in Massachusetts. Finally, Massachusetts recently reached a settlement (*Rosie D. v. Romney*) that will require the Commonwealth to expand mental health services for children funded through the Medicaid/MassHealth program.

In this *Budget Monitor*, we divide our analysis of Health Care into several sections. “Medicaid/MassHealth” includes Medicaid/MassHealth line items, as well as funding for Medicare “Clawback” and administrative costs associated with the Executive Office of Health and Human Services and the Office of Medicaid. It also includes the reserve designated for funding costs associated with the *Rosie D.* settlement. The totals for “Other Health Care Programs” include the Children’s Medical Security Plan program, grants to encourage primary care practice, and a new Office of Health Equity in the Governor’s budget. The House budget incorporates the Office of Health Equity into the executive office, included as part of the Medicaid/MassHealth totals here. “Health Care Finance” includes the costs of the Division of Health Care Finance and Policy, as well as the Health Care Quality and Cost Council.

In addition to the health care costs funded through line item appropriations, a significant portion of the Commonwealth’s health care – particularly the share of health care associated with the implementation of health reform – is funded through a variety of “off-budget” trust funds. These funds receive specially-designated transfers of funds from the General Fund or other sources. These transfers are explained in the section below referred to as “Health Care Transfer Spending (Health Reform).”

The House budget proposal assumes that \$174.6 million raised by an increase in the tobacco tax would be deposited directly into the Commonwealth Care Trust Fund to help pay for health reform. This funding has been included in the health care totals in this *Budget Monitor*.

Health Care Programs

(in Millions of Dollars)

| | FY 2008 GAA | FY 2009 H.2 | FY 2009 House |
|---|----------------|-----------------|------------------|
| Medicaid/MassHealth | 8,207.9 | 8,613.1 | 8,622.3 |
| Pharmacy Programs | 60.5 | 57.6 | 57.6 |
| Other Health Care Programs | 16.9 | 19.2 | 18.2 |
| Health Care Finance | 15.6 | 20.5 | 21.9 |
| Sub-Total Line Item Appropriations | 8,300.9 | 8,710.4 | 8,720.0 |
| Medical Assistance Trust* | 251.0 | 251.0 | 346.0 |
| Essential Community Provider Trust | 28.0 | 28.0 | 28.0 |
| Commonwealth Care Trust** | 789.7 | 1,292.6 | 1,292.1 |
| Medical Security Trust | 1.8 | 0.0 | 0.0 |
| Sub-Total Transfer Appropriations | 1,070.4 | 1,571.6 | 1,666.1 |
| Total | 9,371.4 | 10,282.0 | 10,386.2 |

**In FY 2008, estimated spending out of the Medical Assistance Trust Fund includes significant one-time spending, including retroactive payments to providers of approximately \$375 million. The totals in this chart do not include this spending.*

***Estimated spending for FY 2008 from the Commonwealth Care Trust is \$1,073.2 million, but only \$789.7 million has been transferred so far from the General Fund. In FY 2009 the House proposes transferring \$174.6 million in tobacco tax revenue directly into the Commonwealth Care Trust Fund.*

Medicaid/MassHealth

The House final budget proposal includes \$8.622 billion for the Medicaid/MassHealth program, adding a total of \$23.8 million to three different line items. This total is \$414.4 million more than in the FY 2008 GAA.

During debate, the House added \$13.6 million more to the Medicaid managed care line item, specifying a \$2.0 million earmark for a Holyoke hospital, and \$10.0 million for pediatric disproportionate share hospitals.

The House also added \$2.0 million to the funding for Senior Care Plans, specifying an increase to \$65 in the personal care needs allowance for residents of long term care facilities. Furthermore, the House added language specifying that community-based elder and disability service organizations would be responsible for a special Medicaid waiver program covering home- and community-based long term care.

The third budgetary amendment to the HWM proposal made by the full House is an additional \$8.2 million for the MassHealth

Indemnity and Third Party Liability program. This amount is in addition to \$10.0 million more in funding for the Indemnity/Third Party Liability account than had been in the Governor's budget proposal, which had been added to provide for increased Medicaid rates for community health centers. This earmark was also in the FY2008 GAA.

The House includes language in its budget proposal implementing all of the benefit restorations, program expansions and rate increases

associated with health reform, and also includes language that continues smoking cessation as a covered MassHealth benefit.

The most significant difference between the House budget and Governor's budget is in the funding for "Communities First." The House budget recommends \$15.0 million for this program. The Communities First program was one of the Governor's primary initiatives in the Medicaid/MassHealth program. It looks to re-direct long term care funding away from institution-based care for elders and disabled adults, and towards more flexible community-based long term care. The Governor had recommended \$45.8 million for this program, but the House asserts that because it will take the program close to eight months to get started, \$15.0 million should be sufficient funding in this first year of implementation.

Like the Governor's budget proposal, the House budget targets the MassHealth program for certain savings. Built into the recommendations are a total of approximately \$295.0 million in what the House refers to as savings, including

purchasing and rate reforms, care management initiatives, and administrative savings.

One notable difference between the House proposal and Governor's proposal, however, is that the House does not include \$6.5 million in "savings" associated with a so-called "appropriate settings" initiative proposed by the Governor that would have re-assessed whether nursing home care remained an appropriate care option for certain elders, or whether they might be able to move into community settings.

Not all of these would be actual savings, however, because this total includes what are in effect one-time deferrals of payment (see details below). Furthermore, because some of these reforms require initial outlays to implement them, and because decreasing MassHealth spending results in decreased federal Medicaid revenue coming to the Commonwealth, the net impact of these cost savings is \$147.5 million. These "savings" show up in the budget as reductions in funding to the Managed Care, Senior Care, and Indemnity/Third Party Liability account line items.

The House budget proposal finds savings from payments to providers and from administrative efficiencies, rather than finding savings by cutting benefits to members. These strategies include:

- \$53.6 million net in savings from several pay-for-performance initiatives. These initiatives withhold certain reimbursements for health care providers pending demonstration that the providers have met specified performance benchmarks. These are likely to be one-time only savings, as these costs will be pushed into FY 2010;

- \$47.5 million in savings derived from eliminating special rates for certain health care providers and other rate changes;
- \$15.9 million (compared to the Governor's \$19.2 million) for several "right care, right setting" initiatives that focus on providing care in the least restrictive environment, and for chronic care management programs; and,
- \$9.5 million for efficient drug utilization.

The House proposes the continuation of \$3.5 million in grants to community agencies that conduct outreach to help people enroll in MassHealth and in the Commonwealth's other health care programs.

The House budget proposal includes \$25.0 million set aside in a reserve to begin paying for the implementation of the *Rosie D. v. Romney* settlement which provides MassHealth reimbursement for mental health screenings and treatment for children. This is an increase from the \$7.8 million added to the budget during FY 2008, but only represents an estimate of what the first year cost of these new services might be.

Pharmacy Programs

The House recommends \$57.6 million for the Prescription Advantage pharmacy program for elders. This is \$2.9 million less than the FY 2008 GAA. Although during floor debate the House did not change the funding for this program as proposed by HWM, the House did add language specifying that there could be cost sharing increases in the program without legislative approval. This language has been included in the past.

With the continued implementation of the Medicare Part D prescription drug coverage

for elders, enrollment in the Prescription Advantage program has stabilized. Nevertheless, it still remains an important part of the medical safety net for the 68,000 people who look to the program to help pay for prescriptions.

Other Health Care Programs

Both the House and the Governor recommend \$16.5 million for the Children's Medical Security Plan. This is equivalent to the FY 2009 maintenance total, meaning that the amount should be sufficient to maintain the expected caseload.

Unlike in the Governor's budget proposal, the House does not include \$1.0 million for a new Office of Health Equity within the Executive Office of Health and Human Services. During floor debate, the House amended the HWM proposal to include an Office of Health Equity within the description of the responsibilities of the Executive Office of Health and Human Services, with no earmarked funding. This office is responsible for developing protocols to eliminate disparities in health outcomes that could be the result of environmental, economic, social or other factors.

Both the House budget and the Governor's budget include \$1.7 million in grants to encourage health care professionals to choose primary care practice, the same amount that was funded in FY 2008. One of the challenges in ensuring universal access to health care has been a chronic shortage of primary care providers. These grants will provide loan forgiveness and other incentives to encourage physicians and other clinicians to practice in community health care settings.

Health Care Finance

Both the House budget and the Governor's budget include several relatively small health care finance accounts. The Division of Health Care Finance and Policy, which is responsible for administering the state's Health Safety Net (formerly the uncompensated care pool), and for rate-setting and other health care regulatory functions, receives \$17.0 million in the House budget proposal. This is a substantial increase – 21.7 percent – over FY 2008 GAA levels, but is at the FY 2009 maintenance level.

The Governor's budget had included \$1.0 million in a reserve for Hale Hospital, but the House proposal increased this to \$2.4 million. Both the House and the Governor recommend \$1.9 million for the Health Care Quality and Cost Council, a real increase of \$500,000 over estimated FY 2009 maintenance costs.

Health Care Transfer Spending (Health Reform)

Much of the Commonwealth's health reform initiative is not paid for out of line item appropriations. Most of health reform is financed through what is commonly referred to as "off-budget" spending, which are actually transfers from the General Fund into a variety of special trust funds. Fiscal Year 2008 saw a dramatic change in health care programming, with the implementation of the first full year of the Commonwealth's health reform legislation. Like the Medicaid/MassHealth program, however, there are significant federal funds that contribute to the costs of the Commonwealth's health reform. Although the exact level of available federal funding is not yet known, the federal government typically reimburses Massachusetts for half

of the costs of its health care programs for low-income people.

The Commonwealth Care Trust Fund pays for the Commonwealth Care health insurance program, certain provider rates, and the costs of the Health Safety Net. The House recommends transferring \$1.118 billion into this fund from the General Fund. The House also anticipates that \$174.6 million will be deposited into this fund directly as a result of a proposed increase in the tobacco tax. This total deposit of \$1.292 billion into the Commonwealth Care Trust Fund is almost the same as the total transfer recommended in the Governor's budget.

The FY 2009 proposed transfer is an increase of \$502.9 million from the transfer of \$789.7 million in the FY 2008 GAA. (FY 2008 spending will likely be greater than this total as the costs of health reform have been greater than initially projected. The Governor has proposed an additional transfer into the Commonwealth Care Trust Fund for FY 2008 of \$153.0 million.)

In the FY 2009 budget, however, off-setting this increased transfer amount, the House and Governor's budget proposals estimate that federal revenues will also increase by \$220.3 million. Accordingly, if the federal government does reimburse the state at the levels anticipated, the net cost to the General Fund of providing more than \$500.0 million more in health care services would be approximately \$282.6 million.

The FY 2008 GAA projected that the Commonwealth Care health insurance program would cost \$471.9 million. Just a few months into the fiscal year, however, it became quite clear that Commonwealth Care costs were going to be substantially higher than predicted. Instead of \$471.9 million, FY 2008 costs may actually be

closer to \$647.0 million. The Legislature has not yet increased the FY 2008 transfer into the Commonwealth Care Trust Fund to cover these new unanticipated costs of Commonwealth Care. In FY 2009, the Governor's and HWM budget estimate that the costs of Commonwealth Care will increase to \$869.4 million. This amount is expected to be sufficient to cover the 225,000 people expected to enroll in the Commonwealth Care insurance program.

In addition to funding for the Commonwealth Care insurance program and provider reimbursements, the Commonwealth Care Trust Fund transfer includes funding for the Health Safety Net (formerly the uncompensated care pool.) The Health Safety Net is funded with state funds, federal funds, and \$160.0 million assessments from both hospitals and insurance providers. The FY 2008 GAA included \$33.9 million transferred from the Commonwealth Care Trust Fund to the Health Safety Net Trust, for total projected spending of \$353.9 million. Actual FY 2008 costs are expected to be closer to \$517.0 million. The House budget (like the Governor's budget) includes \$63.0 million from state funds for the Health Safety Net, projecting total spending of \$453.0 million.

It is also noteworthy that the FY 2008 GAA had anticipated \$23.6 million in revenue to the fund from employers' contributions through the "fair share assessment." Actual revenues from this assessment will be closer to only \$6.0 million. Moreover, the administrative costs associated with implementing the fair share assessment would be subtracted from this revenue. The House budget and the Governor's budget estimates anticipate \$5.0 million in available revenue from this assessment.

During floor debate, the full House added \$95.0 million to the proposed transfer from the General Fund to the Medical Assistance Trust Fund to make supplemental payments to certain publicly-funded health care providers. With this amendment, the total would be \$346.0 million. In the FY 2008 GAA, the total transfer was \$251.0 million, but during FY 2008, an additional \$30.0 million was transferred into this fund through a supplemental budget, and there were additional significant one-time retroactive payments made from the fund.

The House budget proposal also includes \$28.0 million transferred into the Essential Community Provider Trust which is the same as the allocation in the FY 2008 GAA, and is the same amount recommended by the Governor. This fund provides grants to safety net providers and community health centers that provide health care to low-income persons across the Commonwealth.

ELDER AFFAIRS

The House FY 2009 budget proposal includes \$237.6 million to pay for services to elders. This budget proposal represents a 2.3 percent increase over funding levels in the initial FY 2008 GAA.

| | |
|----------------------------|-----------------------|
| FY 2008 GAA | \$ 232,277,232 |
| FY 2009 House | \$ 237,572,979 |
| Increase (decrease) | \$ 5,295,747 |
| Percentage change | 2.3% |

During debate, the full House added \$1.8 million to the elder services budget as proposed by HWM, increasing funding for elder protective services, elder nutrition services and the councils on aging.

(For a discussion of the funding associated with the Prescription Advantage pharmacy program and MassHealth programs for elders such as the Senior Care Plans, nursing homes and long-term care, see the “Health Care Programs” section of this *Budget Monitor*.)

The House budget proposal for elder services includes \$40.4 million for elder home care administration and case management, and \$106.6 million for elder home care purchased services, essentially the same as the Governor’s proposed funding level. It is important to realize, however, that in FY 2008, elder affairs received a transfer of more than \$2.5 million from the human services rate reserve in order to cover certain increases in costs. Once taking into account these and other costs associated with maintaining existing services provided in FY 2008, these funding levels do not represent an increase in services. In fact, the funding for elder home care in the House budget represents a \$700,000 decrease over projected maintenance funding levels.

By adding \$650,000 in an amendment to the council on aging line item, the House brings funding for these programs to \$8.5 million, which is above projected maintenance levels, and is \$652,000 above funding in the FY 2008 GAA.

The House also added \$1.0 million to the elder protective services line item, bringing funding to \$16.2 million. This is \$1.2 million more than in the FY 2008 GAA, and is also more than a \$1.0 million more than FY 2009 maintenance levels.

Compared to estimated FY 2009 maintenance levels, the House budget proposal includes slight decreases in two programs:

- the elder nutrition (lunch) program receives \$6.5 million, thanks to \$150,000 added by an amendment on the House floor. This is \$189,000 more than the FY 2008 GAA, but is still \$440,000 less than maintenance
- the elder enhanced community options program receives a proposed \$47.8 million in funding which is \$437,000 more than the FY 2008 GAA, but \$177,000 less than maintenance (the Governor had recommended \$48.0 million).

Although the funding levels for the following programs do not represent increases over projected FY 2009 maintenance levels, other highlights in the elder services budget include:

- \$4.2 million for supported housing (same as the Governor);
- \$225,000 for a geriatric mental health program (same as the Governor);
- \$253,000 for a family caregivers program (same as the Governor); and, \$2.6 million for congregate housing (same as the Governor).

PUBLIC HEALTH

The House FY 2009 budget proposal includes \$581.9 million for public health programming. This proposal represents a 5.0 percent increase over funding levels in the FY 2008 GAA.

| | |
|----------------------------|-----------------------|
| FY 2008 GAA | \$ 554,388,520 |
| FY 2009 House | \$ 581,906,168 |
| Increase (decrease) | \$ 27,517,648 |
| Percentage change | 5.0% |

During floor debate, the full House added close to \$13.0 million to public health

programs, in seventeen separate programs. Most of this additional funding went to non-hospital based public health programming, bringing these programs up to a total of \$417.8 million. The House added \$300,000 to hospital-based programming, bringing that total to \$164.1 million. The Governor had recommended \$414.4 million for non-hospital based programming and \$165.7 million for public health hospitals. With the additional funding added by House amendments, the House public health budget proposal now represents an increase over estimated FY 2009 maintenance funding. Nevertheless, the House budget proposal is still 9.3 percent below public health funding in FY 2001, after adjusting for inflation. In other words, the cuts to public health in the beginning of this decade were so deep, annual increases in funding have not yet been sufficient to reach our previous public health funding levels.

The House does not follow the Governor's recommendations for certain program consolidations within public health. The House budget does not consolidate funding for the state laboratory, nor does it consolidate public health administrative accounts.

The House also does not follow the Governor's recommendation to coordinate youth violence prevention programming within the Department of Public Health. As part of his public safety initiative, the Governor had recommended combining two separate youth grant programs into one initiative coordinated by the Department of Public Health, and funded at \$9.0 million. The House does not consolidate the programs, and instead funds them separately. House amendments did, however add \$3.0 million to one of these line items and \$1.0 to the other, bringing total funding for youth violence prevention

programming to \$8.0 million. Funding for these line items in the FY 2008 GAA totaled \$7.7 million.

Other House amendments to the HWM budget totals include:

- \$1.0 million more for substance abuse services for a total of \$85.6 million – \$2.7 million more than in the FY 2008 GAA. Like the Governor, the House includes \$5.0 million for a step-down recovery program.
- \$1.0 million more for early intervention services, for a total of \$48.5 million. This is a \$5.7 million increase over the FY 2008 GAA. The additional funding recommended during floor debate may now make the budget total sufficient to cover the costs associated with an anticipated growing caseload of children with more complex needs, in particular children with diagnoses of autism spectrum disorders. The Governor had recommended \$48.4 million.
- \$1.0 million more for smoking prevention programs, bringing the House recommended total to \$13.8 million. Although this is \$1.0 million more than funding was in the FY 2008 GAA, it is still 78 percent less than funding in FY 2001 when adjusted for inflation – a time when Massachusetts was a national model for smoking prevention programming.
- \$100,000 more for school health services, bringing the total to \$17.3 million. This is \$584,000 more than in the FY 2008 GAA. Within this funding, the House recommends earmarking \$300,000 for mental health and substance abuse programming in the schools, \$350,000 for the commission on gay and lesbian youth, and \$150,000 for childhood obesity prevention.
- \$365,000 more for teen pregnancy prevention services, bringing the total to \$3.9 million. This increased total is still \$176,000 less than in the FY 2008 GAA.
- \$500,000 more for prevention and treatment services for people with AIDS/HIV. Total funding in the House budget is \$37.7 million, \$724,000 more than in the FY 2008 GAA.
- \$1.0 million more for community-based suicide prevention, for a total of \$4.8 million. Funding in the FY 2008 was \$3.8 million.
- \$1.2 million more for domestic violence and sexual assault prevention services for a total of \$5.1 million, a 31 percent increase in funding over the FY 2008 GAA.
- \$1.3 million more for family health services for a total of \$7.3 million, a slight increase over funding in the FY 2008 GAA.
- \$400,000 more for dental health services, bringing the total to \$2.0 million. Funding in the FY 2008 GAA was \$2.6 million, and the House total is still 22 percent below projected FY 2009 maintenance levels.
- \$175,000 more for consolidated health prevention and disease promotion programs, bringing the total to \$13.6 million. This is \$600,000 less than funding in the FY 2008 GAA and \$757,000 less than estimated FY 2009 maintenance.
- \$100,000 more for the pediatric palliative care program, bringing the total to \$900,000. This is \$100,000 more than the FY 2008 GAA total.
- \$100,000 more for the state laboratory, bringing the House total to \$15.6 million, a 3.4 percent increase over funding in the FY 2008 GAA.

In addition, the House budget proposes \$51.6 million for the universal immunization

program, just slightly under the funding level recommended by the Governor. This 5.8 percent increase over the FY 2008 GAA should simply cover the increased cost of purchasing vaccines.

The House budget proposal does not include an “Outside Section” that the Governor had proposed which, in the event of an emergency, would allow the Governor to transfer \$25.0 million from the Stabilization Fund into a special emergency account for immediate use. In the Governor’s budget proposal, among the examples of what would constitute an appropriate emergency use of such funds would have been a pandemic outbreak of contagious disease, such as influenza.

MENTAL HEALTH

The House FY 2009 budget proposal includes \$683.7 million for mental health programming. This proposal represents a 2.4 percent increase over funding levels in the initial FY 2008 GAA.

| | |
|----------------------------|-----------------------|
| FY 2008 GAA | \$ 667,406,853 |
| FY 2009 House | \$ 683,676,827 |
| Increase (decrease) | \$ 16,269,974 |
| Percentage change | 2.4% |

During its budget debate, the House added \$2.5 million to the funding for mental health services, amending three line items. Even with the added funding, the House budget for mental health is just below projected FY 2009 maintenance levels, once accounting for the almost \$4.0 million transferred into mental health programs from the human service rate reserve.

One of the challenges for the mental health system has been that the intensive residential

treatment programs have been having trouble retaining psychologists and other mental health clinicians due to the reimbursement rates paid by the state. The House recommends \$178.8 million for the psychiatric hospitals and inpatient services, a 4.3 percent increase over the FY 2008 GAA. The Governor had recommended \$181.9 million, which would have allowed these facilities to keep up with increased costs. The House recommendation is likely to be insufficient for keeping up with the real costs of these services, and represents a slight cut from maintenance levels.

The House budget added \$2.5 million for child and adolescent services, providing funding for child psychiatric access project, which aims to reduce the shortage of access to pediatric mental health services by providing telephone consultations by psychiatrists to pediatricians. Total funding for child and adolescent mental health services in the House budget is \$75.6 million, a \$2.1 million increase over FY 2008 GAA funding.

The House, during floor debate, reduced funding for the adult mental health services account by \$80,000, bringing the total to \$321.1 million. This is \$5.6 million more than in the FY 2008, but still slightly under projected FY 2009 maintenance funding.

During debate the House also amended the account providing support for homeless individuals, increasing the funding by \$50,000 to \$22.5 million. The House amendment earmarked this increase for services at the Salem mission.

During FY 2008, the Commonwealth began implementing expanded mental health screening under the MassHealth program, associated with what is known as the “*Rosie D.*” settlement. This program will

ultimately result in a significant expansion of mental health services for children, beginning with universal mental health screenings. Description of the funding for this program is included in the “Health Care Programs” section of this *Budget Monitor*.

MENTAL RETARDATION

Under the House proposal, funding for the Department of Mental Retardation (DMR) would increase \$46.4 million or 3.8 percent over the FY 2008 budget.

| | |
|----------------------------|-------------------------|
| FY 2008 GAA | \$ 1,226,416,406 |
| FY 2009 House | \$ 1,272,787,491 |
| Increase (decrease) | \$ 46,371,085 |
| Percentage change | 3.8% |

The overall House budget for DMR is \$5.3 million more than the HWM proposal and \$5.4 million more than the Governor’s proposal.

DMR programs provide services to developmentally disabled adults including community-based and state-operated residential facilities and day programs. During House floor debate, funding was increased in several areas.

- \$2.5 million was added for support services for families with autistic children, for a total of \$5.4 million. This is \$2.1 million more than both the FY 2008 budget and the Governor’s proposal.
- \$1.6 million was added for the Turning 22 program, for a total of \$7.7 million. Both the Governor and the House Ways and Means Committee allocated \$6.1 million for

this program. The program was funded at \$7.7 million in FY 2008.

- \$200,000 was added for the Community Residential program, for a total of \$569.3 million. This is \$12.9 million or 2.3 percent more than actual spending in FY 2008, which includes an appropriation of \$547.8 million and an allocation from the Human Services Rate Reserve of \$8.6 million. The House proposal is \$373,000 higher than the Governor’s proposal.

SOCIAL SERVICES

The final House budget for the Department of Social Services (DSS) totals \$836.2 million in FY 2009, a \$36.1 million or 4.5 percent increase over the FY 2008 budget.

| | |
|----------------------------|-----------------------|
| FY 2008 GAA | \$ 800,095,093 |
| FY 2009 House | \$ 836,191,340 |
| Increase (decrease) | \$ 36,096,247 |
| Percentage change | 4.5% |

The overall House budget for social services is \$2.4 million more than the HWM proposal. However, the House budget is \$1.8 million less than the Governor’s proposal and is likely not enough to meet the cost of current services.

Like the HWM proposal, the final House budget includes a new line item that would provide \$5.0 million “for the improvement of service delivery in order to address concerns over child safety.”

During House floor debate, funding was increased in three areas.

- \$985,000 was added for shelters and support services for people at risk of domestic violence, for a total of \$23.0 million. The House budget for domestic violence is \$47,000 below the FY 2008 budget but \$382,000 above the Governor’s proposal.
- \$448,000 was added for services for children and families, which includes youth violence prevention programs, as well as teen parenting services and family unification counseling, for a total of \$314.0 million. The House budget for this area is \$20.3 million above the FY 2008 budget but \$74,000 below the Governor’s proposal.
- \$1.0 million was added for DSS administration, for a total of \$77.3 million. The House budget for this account is \$701,000 below the FY 2008 budget and \$3.2 million below the Governor’s proposal.

In other areas, the final House budget mirrors the HWM proposal.

- \$157.3 million is appropriated for DSS social workers. This is \$1.7 million or just 1.1 percent more than actual spending in FY 2008, which includes an appropriation of \$147.3 million and an allocation from the Collective Bargaining Rate Reserve of \$8.3 million. The House proposal is \$3.8 million below the Governor’s proposal.
- \$229.6 million is appropriated for Group Care Services. This is \$64,000 less than actual spending in FY 2008, which includes an appropriation of \$228.2 million and an allocation from the Human

Services Reserve of \$1.4 million. The House proposal provides \$71,000 less than the Governor’s proposal for this program, which provides community-based services to children who would otherwise be placed in residential settings.

OTHER HUMAN SERVICES

The final House budget for all “Other Human Services” programs is \$625.8 million, a \$23.1 or 3.8 percent increase over the FY 2008 budget.

The category in this *Budget Monitor* called “Other Human Services” includes numerous departments, including Veterans Affairs, the Soldiers' Homes, Mass. Commission for the Blind, Mass. Rehabilitation Commission, Mass. Commission for the Deaf and Hard of Hearing, the Dept. of Youth Services, administrative costs for the Department of Transitional Assistance, and certain programs within the Executive Office of Health and Human Services.

| | |
|----------------------------|-----------------------|
| FY 2008 GAA | \$ 602,668,347 |
| FY 2009 House | \$ 625,798,291 |
| Increase (decrease) | \$ 23,129,944 |
| Percentage change | 3.8% |

The overall House budget for all other human services is \$3.5 million more than the HWM proposal and \$1.1 million more than the Governor’s proposal but is likely not enough to meet the cost of current services.

Unlike the two proposals before it, the final House budget allocates \$1.0 million for a reserve that funds capital projects for the YMCA of Greater Boston. In FY 2008, \$1.5 million was appropriated for this reserve, which included funding for both the

capital projects for the YMCA of Greater Boston and \$500,000 for the United Teen Equality Center in Lowell.

During House floor debate, funding was increased in several areas.

- \$435,000 was added for veterans' services; of this amount, \$200,000 is earmarked for the Soldiers' Home in Holyoke, \$150,000 is earmarked for the Department of Veteran's Services and the remainder would fund transportation, outreach and counseling services. Overall, the House budget increases funding for veterans, by \$8.0 million or 9 percent over the FY 2008 budget. However, the funding for veterans in the House budget is \$222,000 less than the Governor's proposal. Funding for veterans includes the Department of Veterans' Services, the state's soldiers' homes, veteran's benefits and services for homeless veterans.
- \$100,000 was added for the Individual Development Account (IDA) program, bringing the total to \$700,000. Both the Governor and the House Ways and Means Committee had level-funded the program at \$600,000. The funds help low-income families to save for the purchase of an asset, such as a first home or small business, by matching their contributions to savings. The funds are also used to pay for financial education workshops for these families.
- \$150,000 was added for community services for the blind. Overall, the House budget increases funding for services for the blind, including both community services and vocational

rehabilitation, by \$229,000 over the FY 2008 budget and \$144,000 over the Governor's proposal.

- \$100,000 was added for the four regional food banks in Massachusetts, bringing the total to \$11.1 million. The HWM proposal matched the FY 2008 funding level of \$11.0 million. The House proposal exceeds the Governor's proposal by \$50,000.
- \$241,000 was added for the Family Shelters account, which funds non-profit homeless shelters. Funding for the Family Shelters account would total \$86.9 million, an increase of \$3.8 million over the FY 2008 GAA. Both the House and the Governor's budgets proposed a large increase in this program to support moving families out of shelter and into permanent housing. (For a discussion of this new funding, see the *MassBudget Budget Monitor* on the HWM budget, available at <http://www.massbudget.org/FY09HWMBudgetMonitor.pdf>)
- The House proposal is \$644,000 more than the Governor's proposal of \$86.3 million. Like prior years' budgets, the House proposal includes a requirement that the legislature be notified 60 days before any reduction in benefits or eligibility because of an anticipated funding shortfall. The House proposal is likely larger than the Governor's in recognition that there may be a greater need for family shelters given a recent weakening in the national economy. (For a discussion of the Governor's new initiative on homelessness, see

the section on “Housing” in this *Budget Monitor*.)

In other areas, the final House budget mirrors the HWM proposal.

- Funding for the Department of Youth Services (DYS) is \$163.0 million in both the HWM and final House proposals. This is \$1.8 million more than actual spending in FY 2008, which includes \$849,000 from the Human Services Reserve, spread across three DYS programs. After taking these transfers into account, both proposals represent a \$1.8 million or one percent increase over spending in FY 2008. Like the Governor’s budget, the House budget provides \$25.6 million for residential services for the detained youth population, which is just 2.6 percent above FY 2008 funding. Residential and non-residential services for committed youth are level funded at \$105.5 million and \$22.8 million, respectively.
- While the Governor’s budget would increase funding for the Citizenship for New Americans Program by \$750,000 or 150 percent, the House proposal would increase that funding by \$100,000, or 20 percent, for a total of \$600,000. This program assists legal permanent residents of Massachusetts to become citizens of the United States.

ENVIRONMENTAL AFFAIRS

The budget passed by the full House proposes spending \$227.5 million for environmental programs. This budget is \$10.7 million, or 5 percent, higher than the FY 2008 GAA and \$3.1 million larger than the Governor’s proposal.

| | |
|-----------------------------|-----------------------|
| FY 2008 GAA | \$ 216,723,269 |
| FY 2009 House Budget | \$ 227,468,245 |
| Increase (decrease) | \$ 10,744,976 |
| Percentage change | 5.0 % |

The environmental budget passed by the full House is \$8.1 million greater than the budget proposed by HWM. Of the increases approved by the full House, most pay for earmarks that the House included in its final budget.

The House budget recommendations for energy and environment include:

- \$7.5 million for the Executive Office of Environmental Affairs (EOEA). The House budget increased the EOEA budget by \$525,000 over the HWM proposal to pay for new earmarks included during the floor debate.
- \$250,000 for a new grant program administered by the Department of Agriculture with the newly-created life sciences center, to provide \$50,000 grants to test plant based pharmaceuticals.
- HWM and the Governor recommended \$1.5 million to fund the Agriculture Innovation Center which was created in FY 2007. While the HWM budget proposed that the food industry provide a 100 percent match to fund the Center, the full House eliminated this requirement from the final budget.

- \$36.2 million for the Department of Environmental Protection (DEP) which includes almost \$900,000 more in earmarks than the HWM proposal. The DEP budget proposed also includes \$581,000 to comply with the Regional Greenhouse Gas Initiative and the Mercury Management Act. The budget is \$137,000 lower than the Governor's proposal.
- \$5.6 million for the Division of Marine Fisheries which includes \$712,000 in earmarks.

In its funding proposal for the Department of Conservation and Recreation (DCR) the House budget does not include the Governor's recommendation to consolidate DCR programs (For a description of this consolidation see the MassBudget *Budget Monitor* on the Governor's budget, at: <http://www.massbudget.org/FY09GovProposal.pdf>) The House budget recommends increases in many DCR programs. Most of these increases fund earmarks included in the DCR budget. The House proposes:

- Funding DCR operations at \$7.1 million. This includes \$444,000 in new funding to develop Resource Management Plans so that DCR can more efficiently manage and maintain the state's parks. The final House budget also added \$682,000 in funding for earmarks above the amount proposed by HWM.
- \$1.9 million for the watershed management program which is a \$468,000 increase over the HWM proposal. This increase will fund specific earmarks included in the final House budget.
- Increasing the urban parks budget from the HWM proposal of \$28.3 million to \$29.8 million to help fund \$1.7 million in earmarks. The HWM

proposed eliminating more than \$2.7 million in earmarks included in the FY 2008 GAA and then increasing the parks budget by \$1.0 million. The Governor also proposed eliminating most earmarks and increasing the budget by \$2.0 million. The Governor's budget also merges \$1.4 million in funding for the central artery parks into the urban parks account. The House keeps these new parks as a separate line item and funds them at \$1.6 million for FY 2009.

- \$26.5 million for state parks. This is a \$2.2 million increase over the HWM budget to fund specific earmarks included in the House's final budget. The state parks' budget approved by the House is also \$1.0 million more than the Governor's proposal.
- \$500,000 in additional funding for parkways maintenance including street lighting and snow and ice removal. However, the budget recommends \$400,000 less than was spent on DCR parkways in FY 2008.
- Level funding DCR pools at \$760,000.
- Increasing funding to \$4.3 million for DCR beaches. This is \$210,000 over HWM proposal to fund specific earmarks.
- Level funding the DCR retained revenue accounts at \$8.5 million. This is \$2.0 million less than the Governor's budget which recommended merging the separate retained revenue accounts into a single line-item and increasing the ceiling to \$10.8 million.

(For discussion of the Low Income Housing Energy Assistance Program, please see section on Housing.)

ECONOMIC DEVELOPMENT

The House proposal provides \$227.2 million for Economic Development, an increase of \$37.1 million from the FY 2008 GAA.

| | |
|----------------------|-----------------------|
| FY 2008 GAA | \$ 190,088,069 |
| FY 2009 House | \$ 227,164,482 |

| | |
|----------------------------|----------------------|
| Increase (decrease) | \$ 37,076,413 |
| Percentage change | 19.5% |

The House proposal includes several additions from the HWM version. They include the following:

- \$7.7 million for Summer Jobs for Youth-at-Risk, and increase of \$1.0 million over HWM level, but still \$1.5 million less than the Governor's proposal;
- \$4.4 million for the Massachusetts Office of Business Development, an increase of \$821,000 over both the HWM and Governor's proposals. This total includes earmarks of \$350,000 for the MA Alliance for Economic Development and \$250,000 for the Springfield Technical Assistance Program;
- \$1.4 million for the Office of Small Business and Entrepreneurship, an increase of \$600,000 from the HWM proposal, but \$921,000 less than the Governor proposed;
- \$1.5 million for the Massachusetts International Trade Council, an increase of \$500,000 from the HWM proposal and the same as the Governor proposed.

In addition, amendments made to two line items contain just over \$34.1 million in earmarks. The Office for Travel and Tourism line item contains \$22.8 million in earmarks while Workforce Development Grants contains \$11.3 million in earmarks.

The House also includes, by amendment, a transfer of \$6.5 million to the Massachusetts Cultural Facilities Fund.

The House also maintains the level of funding in the HWM proposal for the following items:

- \$1.0 million for the Massachusetts-Israel Research and Business Exchange;
- \$2.5 million for Pediatric Stem Cell Research grants;
- \$4.0 million for the Small Business Equity Investment Fund;
- \$3.0 million for the Folkman Higher Education Grant Fund;
- \$2.1 million for the Regional Technology and Innovations Centers Capital Fund;
- \$2.0 million for the District Local Technical Assistance Fund;
- \$3.0 million for Intersection Biotech Workforce Grants;
- \$2.5 million for Life Sciences Biotech Workforce Grants

HOUSING

The budget passed by the House proposes spending \$148.7 million for the Department of Housing and Community Development (DHCD). This budget proposes a \$20.6 million or 16.1 percent increase over the FY 2008 GAA. It is about \$1.0 million less than the state spent on housing programs in FY 2008 and about \$1.0 million less than the Governor proposed in his FY 2009 budget.

| | |
|----------------------|-----------------------|
| FY 2008 GAA | \$ 128,066,159 |
| FY 2009 House | \$ 148,671,345 |

| | |
|----------------------------|----------------------|
| Increase (decrease) | \$ 20,605,186 |
| Percentage change | 16.1% |

The final budget is \$6.3 million higher than the budget proposed by HWM. Of this increase, about \$3.1 million in earmarks was added to the DHCD administrative line-item. The final budget passed by the House also included \$1.0 million in additional funding for both public housing authorities and for the Massachusetts Rental Voucher Program (MRVP) as well as smaller increases for programs that provide affordable housing assistance and counseling to lower-income individuals and families.

The housing budget passed by the House is about \$1.0 million lower than FY 2008 current spending. This is largely because the budget, which recommends funding increases, does not include current spending of \$15.0 million for the Low Income Housing Energy Assistance Program (LIHEAP). LIHEAP, which provides fuel assistance to low-income individuals and families in Massachusetts, is generally funded in a supplemental appropriations bill each fall.

- Both the House and Governor's budget include \$10.0 million in new funding recommended by the Interagency Council on Homelessness to help provide permanent housing for homeless families and individuals. Of the \$10.0 million, \$8.75 is provided by the state and the balance by MassHousing.
- The HWM and Governor's budgets also proposed increasing funding for MRVP by \$2.0 million over the FY 2008 GAA. The full House agreed to fund the program by an additional \$1.0 million for a total of \$33.0 million. Given the expansion of the program during FY 2008, it is possible that this increase may still

not cover projected costs in the new fiscal year.

- The House's final budget expanded the rental subsidy program for clients of the Department of Mental Health to \$3.7 million. This is an increase of \$200,000 over the budgets recommended by the Governor and HWM.
- In his budget proposal, the Governor recommended that the administrative budget for DHCD be lowered from \$10.3 million in the FY 2008 GAA to \$8.4 million, much of the reduction coming from eliminating earmarks. The HWM budget recommended an additional \$416,313 by eliminating more earmarks and reducing administrative costs such as rent and other expenses. The final budget approved by the House included \$3.1 million in earmarks for housing programs around the state and increased funding for the DHCD administrative account to \$11.1 million.
- The House budget recommends lower spending for subsidies to housing authorities than the Governor proposed. While the House increases funding for housing authorities to \$67.0 million, which is \$1.0 million more than the HWM budget recommended, it does not include the entire \$7.0 million increase recommended by the governor to help address the maintenance backlog at many public housing sites.
- The full House also increased two other housing programs above the levels recommended by the Governor and HWM. The House budget provides an additional \$500,000 over the Governor's and

HWM proposals for the soft-second mortgage program. The House budget also includes \$100,000 in additional funding for housing counseling services.

PUBLIC SAFETY & CORRECTIONS

Funding for public safety and corrections in the House budget totals \$1.581 billion, a \$117.8 million or 8 percent increase over the FY 2008 GAA.

| | |
|----------------------------|-------------------------|
| FY 2008 GAA | \$ 1,463,358,402 |
| FY 2009 House | \$ 1,581,112,627 |
| Increase (decrease) | \$ 117,754,225 |
| Percentage change | 8% |

The House added a total of \$12.8 million to the HWM budget for public safety and corrections, including \$1.4 million for the Department of Correction Facility Operations, \$1.4 million for the Department of Inspection and Regulation and \$5.0 million for the Department of Fire Services. The House also increased funding for the Shannon Grant program by \$2.0 million and the municipal police grant program by \$2.0 million.

Despite these increases, the House budget for public safety and corrections is still approximately \$29.3 million less than the Governor's budget. The Governor's budget allocated \$1.701 billion. This figure, however, includes \$90.5 million in funding for County Sheriffs that had not previously been counted as part of the state budget. This change is discussed in detail at the end of this section.

The \$29.3 million difference is reflected in how the two budgets propose to fund state police officer overtime, the Department of

Correction Facility Operations account and the following public safety and corrections areas.

The House budget proposes funding community policing grants at \$21.3 million, the same amount appropriated in the FY 2008 GAA. These grants are distributed to cities and towns for community policing activities and programs. In contrast, the Governor's budget proposed a \$2.1 million reduction in funding by allocating only \$19.2 million for community policing grants.

The House budget funds municipal police grants at \$4.0 million, the same amount appropriated in FY 2008 GAA. The municipal police grant program, initiated by the Governor, distributes funds to municipalities with high crime rates for the hiring of additional police officers. Last year, a total of \$8.0 million was spent on these grants – \$4.0 million appropriated in the FY 2008 GAA and an additional \$4.0 million through a supplemental budget. This year, the Governor proposed a full \$8.0 million for municipal police grants to provide for the hiring of at least 100 new police officers. The House proposal of \$4.0 million is \$2.0 million more than the \$2.0 million proposed by the HWM budget. However, this is still a 50 percent decrease from total spending in FY 2008 and 50 percent less than the Governor's recommendation for FY 2009.

Another difference between the House budget and the Governor's budget is proposed funding for the Shannon Grant Program. Shannon Grants are distributed to communities to reduce gang and youth violence through prevention and intervention. Programs include job skills workshops, outreach to at-risk youth and prisoner reentry programs. Last year, the

Shannon Grant Program was funded at \$11.0 million through a supplemental budget. FY 2009 is the first year that funding is appropriated through the regular budget process. The House recommends funding the program at \$13.0 million, \$2.0 million more than proposed by the HWM budget. However, this is still \$2.0 million less than the \$15.0 million recommended by the Governor.

Like the HWM, the House budget proposes funding increases from the FY 2008 GAA for law enforcement programs as follows:

- \$1.0 million increase for the Office of the Chief Medical Examiner; however, the Governor’s budget recommended a \$1.7 million increase;
- \$1.5 million increase for the State Police Crime Lab; the Governor proposed a \$2.3 million increase; and,
- \$300,000 increase for the Criminal History Systems Board; the Governor’s budget proposed a \$1.1 million increase.

As discussed above, the House budget added funding to the HWM budget proposal for several public safety departments. For example, FY 2008 GAA funding for the Department of Fire Services totaled \$14.6 million. The Governor’s budget proposed \$22.4 million, specifically recommending funding for the Student Awareness of Fire Education (SAFE) program, the Firefighter Equipment Grant and the Fire Safety Act. The HWM budget reduced funding for the Department of Fire Services to \$13.4 million. However, during floor debate, the House increased funding to \$18.4 million.

The House also added nearly \$1.4 million for the Department of Public Safety, which enforces safety regulations. FY 2008 GAA

funding for this department totaled \$1.3 million. The Governor’s budget proposed an increase of \$1.4 million in funding to raise the number of inspectors and hearings officers, expecting that this will generate \$3.4 million in revenue from licensing fees and inspection violations. The HWM budget had only proposed a modest increase of \$80,000. The increase by the House will bring total funding to \$2.8 million, the same amount proposed by the Governor.

As discussed above, the Governor’s budget recommended transferring all County Sheriffs to the state accounting system to promote consistency, transparency and efficiency in budgeting. The proposal would create new line items to fund the seven County Sheriffs. It would also bring \$90.5 million from the counties and other sources into the state budget to help fund the county corrections account. Like the HWM budget, the House budget did not adopt this proposal.

TRANSPORTATION

The House proposed budget would increase funding for transportation by \$8.9 million over the FY 2008 GAA, from \$907.1 million to \$916.0 million. This total includes funding for the MBTA in the amount of \$768.0 million.

| | |
|----------------------------|-----------------------|
| FY 2008 GAA | \$ 907,055,572 |
| FY 2009 HWM | \$ 915,984,586 |
| Increase (decrease) | \$ 8,929,014 |
| Percentage change | 0.98% |

There were no amendments made to the transportation budget. Funding for the MBTA comes from a pre-budget transfer of 20 percent of sales tax revenue. This funding would increase by \$12.0 million, from

\$756.0 million to \$768.0 million in FY 2009.

Funding for regional transit authorities is via the budget, and the House proposes an increase of \$4.4 million, from \$52.3 million to \$56.6, which reflects maintenance.

The House proposal also funds Snow and Ice Removal at \$20.0 million, which is \$4.0 million less than the governor's proposal and \$38.7 million less than current FY 2008 spending on this item.

JUDICIARY

The House budget provides \$821.7 million for the Judiciary, a \$51.4 million or 6.7 percent increase over FY 2008 GAA funding.

| | |
|----------------------------|-----------------------|
| FY 2008 GAA | \$ 770,296,012 |
| FY 2009 House | \$ 821,675,587 |
| Increase (decrease) | \$ 51,379,575 |
| Percentage change | 6.7% |

This budget provides \$4.8 million more in funding for the Judiciary than provided by the HWM budget, including the following increases:

- \$200,000 for the Hampton Probate Court
- \$972,472 for the Administrative Office for Community Corrections
- \$3.7 million for the Office of the Commissioner of Probation.

Like the HWM budget, the House budget proposes \$11.0 million for Massachusetts Legal Assistance, a \$1.3 million increase from the \$9.7 million appropriated in FY 2008. In contrast, the Governor's budget proposed a \$2.3 million increase, for a total appropriation of \$12.0 million.

The House also did not adopt the Governor's proposal to reform the judiciary funding system. The Governor recommended consolidating several line items and providing the Office of the Chief Justice for Administration and Management with the ability to distribute funds among the courts.

DISTRICT ATTORNEYS

Funding for District Attorneys in the House budget totals \$101.3 million, a \$5.2 million or 5.4 percent increase from the FY 2008 GAA.

| | |
|----------------------------|-----------------------|
| FY 2008 GAA | \$ 96,146,577 |
| FY 2009 House | \$ 101,300,492 |
| Increase (decrease) | \$ 5,153,915 |
| Percentage change | 5.4% |

The House budget allocates \$750,000 more for District Attorneys than the HWM budget. This includes a \$450,000 earmark for the University of Massachusetts medical school to be used for a study of narcotic drug synthetic substitutes. The House budget also allocates an additional \$150,000 to the Suffolk District Attorney office and \$150,000 to the Bristol District Attorney office.

ATTORNEY GENERAL

The House budget appropriates \$43.2 million to the Attorney General, a \$2.0 million or 4.7 percent increase over FY 2008 GAA funding.

| | |
|----------------------|----------------------|
| FY 2008 GAA | \$ 41,228,214 |
| FY 2009 House | \$ 43,184,738 |

| | |
|----------------------------|---------------------|
| Increase (decrease) | \$ 1,956,524 |
| Percentage change | 4.7% |

This is \$250,000 more than the HWM budget proposed for the Attorney General. In addition, the House budget restored a \$250,000 earmark for a safe neighborhood initiative in Dorchester, a \$250,000 earmark for a safe neighborhood initiative in the Grove Hall area of Boston and \$200,000 for the Dorchester Youth Collaborative Safe City Initiative.

GROUP INSURANCE

Funding for the Group Insurance Commission (GIC) in the House budget totals \$1.305 billion, a \$130.4 million or 11.1 percent increase over the FY 2008 GAA. For technical reasons (discussed below), this is an overstatement of the actual increase in spending.

| | |
|----------------------|-------------------------|
| FY 2008 GAA | \$ 1,174,689,284 |
| FY 2009 House | \$ 1,305,080,204 |

| | |
|----------------------------|-----------------------|
| Increase (decrease) | \$ 130,390,920 |
| Percentage change | 11.1% |

The majority of GIC appropriations are spent on two accounts. The first covers the costs of providing benefits to current employees and some retirees. FY 2008 GAA funding for this account totaled \$736.9 million. The House budget appropriates

\$827.9 million, which would appear to be a \$91.1 million or 12.4 percent increase in spending.

However, several municipalities and other public employers² have joined the GIC since last July, when legislation was enacted allowing them to join the state's health insurance plan. The GIC anticipates spending \$25.1 million in FY 2009 for additional health insurance premiums for the new participants. The state will then be reimbursed over the course of the year by these public employers. Therefore, to make a meaningful comparison to FY 2008 funding, we must subtract the \$25.1 million in reimbursements from the \$827.9 million appropriated, leaving \$802.8 million. The difference between FY 2008 spending of \$736.9 million and the adjusted FY 2009 House figure of \$802.8 million is \$65.9 million, or a 9.0 percent increase in spending.

This increase anticipates the growing costs the GIC will face in FY2009. Health care costs are rising at the rate of 6.5 percent. In addition, more people are expected to be covered by the GIC, which will increase its overall costs.

The HWM chose to handle this increase by shifting approximately \$57.0 million of state employees' health insurance costs onto state employees. The HWM budget, like the Governor's budget, recommended establishing state employees' contributions to health insurance respective to their salary levels. Details of the proposal are presented in the chart below. This \$57.0 million in

² Eligible local governmental employers are cities, towns, districts, counties, regional councils of government (RCGs) and regional planning agencies (RPAs), educational collaboratives and charter schools.

employee contributions would help offset rising health care costs in FY 2009.

The House budget proposal does not shift costs onto state employees. This explains the additional \$49.5 million that the House budget recommends for the GIC. Whereas the HWM budget appropriated \$782.0 million towards this account, the House appropriates \$827.9 million.

There were no amendments made to the debt service budget. The House proposed budget represents a normal increase in long term debt service costs. However, it also includes an increase in short term debt service costs. This increase is driven by the current year's increased use of short term debt instruments necessitated by cash flow issues. The FY 2009 proposal assumes this higher level. In

addition, this proposal represents decreases in both the Central Artery debt service and Grant Anticipation Notes compared to their levels in the FY 2008 GAA.

Shifting Health Benefit Costs to State Employees

| <u>Current and House Proposal</u> | | <u>FY 2009 H.2 and HWM Proposals</u> | |
|-----------------------------------|--------------|--------------------------------------|--------------|
| <u>Employee Share</u> | | | |
| Retirees | Share | Retirees | Share |
| <i>Retirement Date</i> | | <i>Retirement Date</i> | |
| Before July 1, 1994 | 10% | Before July 1, 1994 | 10% |
| On or after July 1, 1994 | 15% | On or after July 1, 1994 | 15% |
| Current State Employees | Share | Current State Employees | Share |
| <i>Date of Hire</i> | | <i>Salary Level</i> | |
| Before June 30, 2003 | 15% | < \$35,000 | 15% |
| After June 30, 2003 | 20% | \$35,000 - \$49,999 | 20% |
| | | \$50,000+ | 25% |

REVENUE

On January 8, 2008, the Secretary of Administration and Finance and the Chairpersons of the House and

Senate Ways and Means Committees announced the official tax revenue estimate for FY 2009. They project that tax revenue will total \$20.987 billion in FY 2009; this is an increase of \$762.0 million, or 3.8 percent, over the revised FY 2008 projection provided by the Secretary of Administration and Finance in October, 2007 (of \$20.225 billion).

The second largest account within the GIC is for the State Retiree Trust Fund, which was created to set aside funds for retirees' future health care costs. Funding for this account in the House budget totals \$374.5 million, a \$31.3 million increase from the \$343.2 million funded in the FY 2008 GAA. The Governor's budget allocated \$382.9 million for this account.

DEBT SERVICE

The House proposal reflects increased costs for debt service, which would grow from \$1.952 billion to \$2.002 billion.

| | |
|----------------------------|-------------------------|
| FY 2008 GAA | \$ 1,952,103,701 |
| FY 2009 HWM | \$ 2,001,635,000 |
| Increase (decrease) | \$ 49,531,299 |
| Percentage change | 2.5% |

It should be noted that although April revenue figures were \$333.0 million above the benchmark, the vast majority of the increase is the result of income tax payments. These payments reflect economic activity from 2007, not current economic activity. In fact, income withholding taxes were down from the same period in 2007 and \$43.0 million below the benchmark for April.

The House budget proposal is predicated on several tax policy changes. Some of these

changes were made prior to the budget and others are contained in the House proposal. Changes made prior to the budget were the \$1.00 per pack increase in the cigarette tax and closing of corporate loopholes. For more information on these changes, see: <http://www.massbudget.org/CorporateTaxReform.pdf>

Reforms included in the House budget include tobacco tax reforms, wage enforcement efforts and elimination of two tax exemptions.

Enhanced Tax Collections

The House budget includes proposals to enhance tax collections originally made by the Governor. Among these proposals are a continuation of funding for additional auditors at the Department of Revenue, tobacco tax reforms, wage enforcement efforts, increased lien filings, increased penalties for tax evasion, and a repeal of two specific tax exemptions.

Additional Tax Auditors Initiative

The FY 2008 budget included funding to hire 87 additional auditors at the Department of Revenue. Funding for these auditors would continue in FY 2009 and their efforts are projected to result in an estimated \$60.0 million in additional revenue.

Tobacco Tax Reforms

The House proposes using encrypted tax stamps to address the problem of counterfeiting. This new technology would allow the state to track packs of cigarettes throughout their distribution and sale in order to ensure proper tax collection. This change is projected to result in an additional \$12.0 million in FY 2009.

The House also proposes to tax cigars and smoking tobacco in the same fashion as cigarettes and smokeless tobacco, at the wholesale level. Currently, cigars and smoking tobacco are taxed at the retail level,

where current law does not require licensing. By modifying the law to tax these products at the wholesale level it is projected to result in an additional \$11.0 million in FY 2009.

The House proposal includes a requirement that wholesalers charge and collect a prepaid sales tax from cigarette retailers. This change would address the problem of cigarette retailers not collection the sales tax. This change is projected to result in an additional \$10.0 million in FY 2009.

Wage Enforcement Efforts

Misclassification of employees costs the Commonwealth millions of dollars in lost revenue each year. For example, when employees are improperly classified as independent contractors, their employers do not withhold taxes and sometimes those taxes are not paid. This initiative would bring together the Attorney General, Department of Industrial Accidents, and the Division of Unemployment Assistance in a statewide effort to address this problem. The visibility of the program is expected to increase voluntary compliance and is projected to result in an additional \$30.0 million in FY 2009.

Lien Filings

There are over 20,000 people with taxes due to the Commonwealth, for a total of over \$63.0 million. However, the filing of liens is a labor intensive and costly process. The House proposes that the Department of Revenue reallocate its resources such that more liens will be recorded. This increased enforcement is projected to bring the Commonwealth an additional \$6.0 million in FY 2009.

Increased Penalties for Tax Evasion

The House proposes increasing two fees imposed by DOR on delinquent taxpayers.

First, the Department would increase its late pay penalty (over 30 days) from 0.5% to 1.0%, which would bring the state an additional \$12.0 million in FY 2009.

Second, the DOR would increase its one-time fee for late payments from \$5 to \$30, which is projected to result in an additional \$4.0 million in FY 2009.

The House also proposes allowing the Department of Revenue to collect an estimated payment of taxes incurred by out of state sellers of Massachusetts real estate. Out of state sellers are subject to capital gains taxes for real estate sold in Massachusetts. Allowing the Department to collect an estimated payment of taxes promotes compliance by providing out of state sellers with incentive to file the proper income tax return in the state. This is projected to result in an additional \$2.0 million in FY 2009.

Finally, the House proposes revoking driver's licenses for nonpayment of taxes. The threat of revocation and the enforcement there from is projected to result in a \$7.0 million increase in revenue for FY 2009.

Reduction of Tax Exemptions

The House proposes repealing the sales tax exemption for aircraft and replacement parts for aircraft enacted in 2001, which is projected to result in an additional \$8.8 million in FY 2009. The House also proposes eliminating the sales tax exemption for household insect sprays and lawn chemicals except when purchased by farmers and licensed applicators, which is projected to result in an additional \$3.0 million in FY 2009.

Stabilization Fund

The House proposal includes several actions relating to the Stabilization Fund, totaling

approximately \$610.0 million. These changes include: the transfer of \$412.0 million from the Stabilization to the General Fund (the HWM version had called for a transfer of \$229.0 million, which was changed by amendment); forgoing the statutory contribution to the Stabilization Fund (approximately \$107.0 million); and, transferring into the General Fund the interest earned on the Stabilization Fund in FY 2009, which is \$91.0 million.

Budget by Program Area

(in Millions of Dollars)

| Program Area ¹ | FY 2008 | | FY 2009 | | | House vs. H.2 | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|--------------|
| | GAA | Current | H.2 (Gov.) | HW&M | House | | |
| Budgeted Appropriations | 28,234.6 | 28,721.2 | 30,119.2 | 29,776.1 | 30,084.6 | (34.6) | -0.1% |
| <i>Line-Item Appropriations</i> | 25,873.1 | 26,329.7 | 27,229.7 | 27,051.4 | 27,261.9 | 32.2 | 0.1% |
| <i>Outside Section Appropriations</i> | 2,361.5 | 2,391.5 | 2,889.5 | 2,724.7 | 2,822.7 | (66.8) | -2.3% |
| Pre-Budget Transfers from General Fund² | 2,789.3 | 2,789.3 | 2,935.0 | 3,109.6 | 3,109.6 | 174.6 | 5.9% |
| Local Aid - Lottery | 935.0 | 935.0 | 935.0 | 935.0 | 935.0 | 0.0 | 0.0% |
| <i>Outside Section Appropriations</i> | 935.0 | 935.0 | 935.0 | 935.0 | 935.0 | 0.0 | 0.0% |
| Local Aid - Additional Assistance & PILOT | 410.3 | 410.3 | 411.7 | 410.3 | 412.3 | 0.6 | 0.1% |
| K-12 Education (Chapter 70) | 3,725.7 | 3,725.7 | 3,948.8 | 3,948.8 | 3,948.8 | 0.0 | 0.0% |
| K-12 Education (non-Chapter 70) | 1,213.4 | 1,215.7 | 1,339.2 | 1,292.2 | 1,312.0 | (27.2) | -2.0% |
| <i>Line-Item Appropriations</i> | 578.7 | 581.0 | 637.2 | 590.2 | 610.0 | (27.2) | -4.3% |
| <i>Pre-Budget Transfer to School Building Assistance</i> | 634.7 | 634.7 | 702.0 | 702.0 | 702.0 | 0.0 | 0.0% |
| Higher Education | 1,054.7 | 1,091.1 | 1,087.7 | 1,094.4 | 1,098.3 | 10.6 | 1.0% |
| Early Education and Care | 536.5 | 537.3 | 584.0 | 581.1 | 589.7 | 5.7 | 1.0% |
| Income Supports | 598.9 | 603.7 | 624.2 | 641.8 | 641.8 | 17.6 | 2.8% |
| Health Care ³ | 9,371.4 | 9,431.3 | 10,282.0 | 10,267.3 | 10,386.2 | 104.2 | 1.0% |
| <i>Line-Item Appropriations</i> | 8,300.9 | 8,330.8 | 8,710.4 | 8,696.2 | 8,720.0 | 9.6 | 0.1% |
| <i>Outside Section Appropriations</i> | 1,070.4 | 1,100.4 | 1,571.6 | 1,396.6 | 1,491.6 | (80.0) | -5.1% |
| <i>Pre-Budget Transfer to Commonwealth Care TF</i> | | | 0.0 | 174.6 | 174.6 | 174.6 | |
| Elder Affairs | 232.3 | 235.5 | 236.0 | 235.8 | 237.6 | 1.6 | 0.7% |
| Public Health | 554.4 | 557.1 | 580.2 | 569.0 | 581.9 | 1.8 | 0.3% |
| Mental Health | 667.4 | 671.4 | 686.3 | 681.2 | 683.7 | (2.7) | -0.4% |
| Mental Retardation | 1,226.4 | 1,240.3 | 1,267.4 | 1,267.5 | 1,272.8 | 5.4 | 0.4% |
| Social Services | 800.1 | 802.9 | 838.0 | 833.8 | 836.2 | (1.8) | -0.2% |
| Other Human Services ⁴ | 602.7 | 589.7 | 624.7 | 622.3 | 625.8 | 1.1 | 0.2% |
| Environmental Affairs | 216.7 | 224.8 | 224.3 | 219.4 | 227.5 | 3.1 | 1.4% |
| Economic Development | 190.1 | 223.5 | 174.7 | 186.1 | 227.2 | 52.4 | 30.0% |
| <i>Line-Item Appropriations</i> | 177.3 | 210.7 | 174.7 | 171.0 | 205.6 | 30.8 | 17.6% |
| <i>Outside Section Appropriations</i> | 12.8 | 12.8 | 0.0 | 15.1 | 21.6 | 21.6 | |
| Housing | 128.1 | 149.6 | 149.8 | 142.4 | 148.7 | (1.1) | -0.7% |
| Transportation | 907.1 | 989.9 | 921.2 | 916.0 | 919.5 | (1.7) | -0.2% |
| <i>Line-Item Appropriations</i> | 151.1 | 233.9 | 153.2 | 148.0 | 151.5 | (1.7) | -1.1% |
| <i>Pre-Budget Transfer to MBTA</i> | 756.0 | 756.0 | 768.0 | 768.0 | 768.0 | 0.0 | 0.0% |
| Public Safety & Corrections ⁵ | 1,463.4 | 1,572.7 | 1,700.9 | 1,568.3 | 1,581.1 | (119.8) | -7.0% |
| Judiciary | 770.3 | 791.8 | 815.7 | 816.8 | 821.7 | 6.0 | 0.7% |
| District Attorneys | 96.1 | 101.7 | 101.3 | 100.6 | 101.3 | 0.0 | 0.0% |
| Attorney General | 41.2 | 41.2 | 43.3 | 42.9 | 43.2 | (0.1) | -0.2% |
| Libraries | 32.5 | 32.9 | 33.4 | 33.3 | 34.3 | 0.9 | 2.6% |
| Group Insurance | 1,174.7 | 1,176.1 | 1,242.4 | 1,262.6 | 1,305.1 | 62.7 | 5.0% |
| <i>Line-Item Appropriations</i> | 831.4 | 832.9 | 859.5 | 884.6 | 930.6 | 71.1 | 8.3% |
| <i>Outside Section Appropriations</i> | 343.2 | 343.2 | 382.9 | 378.0 | 374.5 | (8.4) | -2.2% |
| Other Administrative | 724.0 | 808.8 | 753.9 | 750.0 | 756.1 | 2.2 | 0.3% |
| Debt Service | 1,952.1 | 1,952.1 | 1,983.2 | 2,001.6 | 2,001.6 | 18.4 | 0.9% |
| Pensions | 1,398.6 | 1,398.6 | 1,465.0 | 1,465.0 | 1,465.0 | 0.0 | 0.0% |
| <i>Pre-Budget Transfer for Pensions</i> | 1,398.6 | 1,398.6 | 1,465.0 | 1,465.0 | 1,465.0 | 0.0 | 0.0% |
| Total Appropriations and Other Uses | 31,023.9 | 31,510.5 | 33,054.2 | 32,885.7 | 33,194.2 | 140.0 | 0.4% |
| Total adjusting for accounting differences ⁶ | | | 32,963.7 | 32,885.7 | 33,099.2 | 135.5 | 0.4% |

1. The comparisons account for changes associated with consolidations or moving programs from one department to another.

Transit Authority. The House budgets also presume that revenues raised from increases in the cigarette tax would go directly to the Commonwealth Care Trust Fund to pay for health reform.

health reform. See also pre-budgeted transfer of tobacco tax dollars into Commonwealth Care Trust Fund. The House added \$95 million that is included in these totals, but there is no net state cost associated with this increase

4. Other Human Services includes Veterans Affairs, Mass. Commission for the Blind, Mass. Rehabilitation Commission, Mass. Commission for the Deaf and Hard of Hearing, the Soldiers' Homes, the Dept. of Youth Services, administrative costs for the Department of Transitional Assistance, and certain programs directly within the Executive Office of Health and Human Services. The FY 2008 GAA includes the total for the human service rate reserve, but the FY 2008 Current figure distributes that amount among the agencies.

5. The Governor's FY 2009 budget proposal brought "on-budget" the costs of seven county sheriffs, so the H.2 total reflects this reorganization and includes approximately \$90.5 million for the costs of those sheriffs' offices. In prior years and in the House budgets these "off-budget" costs are not included in the totals in this chart.

6. As explained in notes 3 and 5, this adjustment corrects for two accounting issues that are necessary for accurate comparisons. We subtract the costs associated with bring the sheriffs "on-budget" from the Governor's budget total, and we subtract the increased health transfer that has no net state cost from the House budget total.