

The House Ways and Means Fiscal Year 2010 Budget

OVERVIEW

The Commonwealth is facing a severe fiscal crisis, caused both by the deep national recession and by policy choices made over the past decade in Massachusetts.¹

One option to close the state’s \$3.5 billion budget gap would be to develop a plan that resembles a stable four-legged stool: budget cuts; federal stimulus money; new tax revenue; and reserves.

The House Ways and Means (HWM) proposal seeks instead to balance the budget on only two of these legs, suggesting no withdrawal from the Stabilization Fund and no new tax revenue. As a result, the committee proposes deep cuts in local aid, human services, education, and virtually every other area of state government.

To maintain the investments in the Commonwealth’s people and infrastructure that will provide a foundation for economic growth as the recession ends, the state would likely have to use more of its reserves in the short term and develop a long-term plan to restore revenue lost to tax cuts over the last decade.

After a period of economic recovery in which the Commonwealth’s finances were never strong, the national recession has exposed structural budget problems caused by income tax cuts (to the rate on ordinary income and dividend income and by

¹ See *Substantial Surpluses to Dangerous Deficits: A Look at State Fiscal Policies from 1998 to 2008*, available at <http://www.massbudget.org/doc/638>

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increasing the personal deduction) that are costing the state more than \$2 billion dollars a year.²

² See *Understanding Our Tax System: A Primer for Active Citizens*, Personal Income Tax Chapter available at <http://www.massbudget.org/doc/621/568>

Restoring long-term fiscal stability without restoring a significant portion of that lost state tax revenue would be extremely difficult. It would likely require both long-term cuts across state and local government, such as those proposed in the HWM budget, and significant new revenue from property taxes, which likely would be a long-term consequence of deep cuts in local aid.

This *Budget Monitor* provides an overview of the House Ways and Means proposals for each category of state government, comparing spending levels to the FY 2009 budget and to the Governor’s proposals.

Both the Governor and the House Ways and Means Committee have proposed significant reorganizations of how certain spending is allocated among line items. Whenever possible, this *Monitor* seeks to make adjustments to allow meaningful comparisons between line items in the new structure and the old structure.

For example, both the Governor and HWM have consolidated information technology spending in new technology line items as part of an effort to improve technology management. Therefore, the amount of each existing line item that had been spent on technology is taken out of those line items and moved to the new technology line items. If one were simply to look at these line items alone it would appear that they had been cut when, in fact, some of their funding was just moved to other line items.

To adjust for these technology transfers and allow for comparison with prior years, the *Monitor* uses information made available through the Governor’s budget website to estimate the effects of these technology transfers for specific line items.

In addition, the *Monitor* includes in both the House Ways and Means and Governor’s totals federal stimulus funds that are included in the budget

proposals. For example, the education funding for FY 2010 budget recommendations include more than \$300 million that both the Governor and House Ways and Means rely on to fully fund education. Similarly both budgets rely on substantial federal stimulus Medicaid reimbursements. The budget totals in this *Monitor* do not include stimulus funds that do not directly impact the state budget.

EDUCATION

FY09 GAA	\$6,951,626,766
FY10 House 1 (adj.)	\$6,981,754,504
FY10 HWM	\$6,883,254,396
Increase (decrease) from FY09 GAA	(\$68,372,370)
Percentage change from FY09 GAA	(1%)

The House Ways and Means (HWM) budget recommendations fund public education at \$6.883 billion, \$68.4 million below the FY 2009 GAA level. The HWM education budget is also approximately \$86 million less than that proposed by the Governor. The HWM budget totals above include \$341 million in federal stimulus funds, which HWM would rely upon to supplement state Chapter 70 aid as well as support to public higher education campuses.

K-12 EDUCATION

The House Ways and Means budget is similar to the Governor’s in its approach to school funding. Like the Governor, the HWM budget proposes level-funding Chapter 70 for all districts and then recommends using federal stimulus funds to provide the additional aid necessary to ensure that all school districts are able to meet their foundation budget. However, the HWM budget calculates the required local contribution in a slightly different manner than that proposed by the Governor. In the HWM budget, the revenue growth factors used to determine each municipality’s contribution are

lower because the House budget includes larger cuts to other sources of local aid and does not include local option taxes. These lower municipal growth factors result in lower required contributions for municipalities. To offset some of this reduction, the HWM budget uses \$184 million in federal money to allow towns to reach their foundation budgets, while the Governor's proposal only used \$168 million in federal funds. Another notable difference between the HWM budget recommendations and the Governor's budget proposal is in how "high effort" communities are dealt with.³ *MassBudget* soon will be releasing a more detailed analysis of FY 2010 school funding plans.

Aside from Chapter 70, the HWM budget cuts K-12 education by 20 percent compared to the FY 2009 GAA. This includes major cuts to reimbursements to school districts for regional school transportation and special education costs. The HWM budget funds regional school transportation at \$30.5 million, a cut of \$29 million from the FY 2009 GAA level. This cut will substantially reduce reimbursements for all regional school districts. The Governor proposed \$53 million for regional school transportation reimbursements.

In addition, the HWM budget funds special education reimbursements at \$184.9 million, a cut of \$30 million from the FY 2009 GAA level. The Governor proposed \$215.9 million in special education reimbursements in his budget recommendations. While the HWM funding level would mark a substantial cut in special education reimbursements for all school districts, the federal stimulus does include \$298.2 million for Massachusetts public schools in special education funds. These funds are being distributed over the next two years according to a federal formula.

³ "High effort" refers to communities which contribute to schools at a higher level than their local ability to pay would dictate.

For K-12 public education, the HWM budget cuts 23 of 30 programmatic line items within the Department of Elementary and Secondary Education. These cuts vary from greater than 60 percent of the FY 2009 GAA level, to less than 10 percent.

Some notable cuts and policy changes within the HWM budget include:

- The adoption the Governor's proposal for a new line item which houses all information technology costs for public education programs. This consolidation of IT costs makes funding comparisons for individual programs between FY 2009 and FY 2010 proposals inexact because an unspecified portion of the funding for many items is transferred to the new IT line item.
- Cutting the state's After-School and Out of School grant program, which funded services for 6,500 children in FY 2008, from \$5.3 million to \$4 million. The budget does propose level-funding the state's Extended Learning Time pilot program at \$17.4 million, which supports after-school learning programs for 13,000 students.
- Cutting kindergarten expansion grants by \$6 million from its FY 2009 GAA level, to a funding level of \$27.8 million. This cut will reduce the number of grants the state can award to fund quality improvements and expansions of kindergarten programs around the state. The Governor proposed \$28.8 million for this item.
- Cutting METCO funding by \$1.6 million from its FY 2009 GAA level, for a funding level of \$20 million. This funding provides reimbursements for suburban school districts who educate urban youth. The Governor proposed funding the METCO program at \$18.5 million in his budget.
- Cutting support for students in danger of failing the MCAS by \$4 million, to \$9.4 million. The Governor proposed \$10.1 million for MCAS

remediation funding in his budget recommendations.

EARLY EDUCATION & CARE

The House Ways and Means budget recommendations include \$545.1 million for programs administered by the Department of Early Education and Care (EEC). This amount falls \$45 million below the FY 2009 GAA level and \$13.1 million below the Governor's FY 2010 House 1 recommendation.

As did the Governor, the House Ways and Means budget proposes consolidating the state's three line items that subsidize child care for low-income children into one item. This new child care line item is funded at \$474 million, approximately \$16 million below its funding level for these programs in the FY 2009 GAA. While it is unclear from the HWM budget how this cut is allocated between different child care programs, it is most likely that the majority of these cuts will be to subsidized child care for low-income families that have not been referred by the Department of Children and Families or receive direct assistance through the Temporary Assistance for Families with Dependent Children program.

If the current EEC policy is continued, these cuts would not affect children currently receiving subsidized child care, but would affect 18,000 children on the subsidized child care waiting list. Earlier this year, EEC limited access to state subsidized child care by not taking children off the state's waiting list when other children left subsidized child care slots.

The HWM budget also adopts the Governor's proposal to combine line items for early educator professional development, program accreditation and program coordination into one new \$14.8 million item for "quality supports." This change will have a large affect on early education Community Partnership Councils (CPCs), who

were previously funded out of a separate, larger line item. The Governor proposed the same consolidation in his \$14.8 million recommendation for this item.

The HWM budget also cuts funding to the state's Universal Pre-K (UPK) program by \$2.3 million, for a proposed funding level of \$9.8 million. This funding provides quality grants to preschool classrooms to meet readiness and other standards developed by EEC. Struggling school districts are prioritized for UPK grants. This cut would limit the number of new grants that could be awarded.

For early education and care, the HWM budget proposal also:

- Cuts state support for Head Start programs by \$3.5 million, a 35 percent cut from the FY 2009 GAA, for a funding level of \$6.5 million. The HWM recommendation is \$2.5 million less than that proposed by the Governor. The federal stimulus does include additional federal funding for Head Start programs that could temporarily offset some of these cuts.
- Cuts the Healthy Family Home Visiting Program by \$4 million from its FY 2009 GAA level, a cut of 30 percent. This program, which provides home visits and counseling to the parents of newborns, is intended to improve outcomes for at-risk children.
- Cuts \$2.1 million in funding to family support and engagement programs, for a recommended funding level of \$7.5 million. These programs include literacy training for at-risk children and their parents.

HIGHER EDUCATION

Like the Governor's budget proposal, the House Ways and Means budget makes 16.5 percent across-the-board cuts in state funding to each public higher education campus. The HWM budget proposes using \$159 million in federal

stimulus funds to restore these cuts, and bring each campus to its FY 2009 GAA state funding level.

Level-funding higher education at FY 2009 levels means that, when adjusted for inflation, state support for public higher education has declined by \$583 million, or 36 percent, since FY 2001. Not surprisingly, these cuts in state support have been accompanied by increases to tuition and student fees.

The use of \$159 million in federal stimulus funds to keep aid to higher education campuses at FY 2009 GAA levels raises important questions about state support for public higher education going forward. While it is important that the state spends federal stimulus funds, they will not be available past FY 2010. This means that in two years, it will cost the state \$159 million dollars to simply meet the same level of state support the state provided public higher education in FY 2009. Like with the use of federal stimulus funds to help K-12 school districts meet their foundation budgets, it is important to keep in mind that in FY 2011 it will require substantial increased investment by the state just to maintain the level of education funding from the previous year.

In addition to direct support for state college campuses, the HWM budget also reduces scholarship funding by \$14 million, to \$82.9 million. The HWM language eliminates an earmark of \$14.4 million for community college access grants, although it is not clear from the line item language whether or not the entire cut will be borne by community college access grants. The Governor proposes \$96.8 million in scholarship funding.

The HWM budget also cuts funding to the Department of Higher Education by \$4.5 million, to \$2 million. This 69 percent cut was achieved by eliminating an earmark of \$2 million to encourage students to go into nursing, as well as a \$2 million

earmark for a dual enrollment program for qualified high school students.

ENVIRONMENT & RECREATION

FY09 GAA	\$231,760,575
FY10 House 1 (adj.)	\$213,286,852
FY10 HWM	\$204,407,745

Increase (decrease) from FY09 GAA	(\$27,352,830)
Percentage change from FY09 GAA	(11.8 %)

The House Ways and Means Committee (HWM) proposes funding the state’s environmental budget, which includes state parks and recreation, at \$204.4 million, which is \$27.4 million less than the FY 2009 GAA. The HWM proposal is \$8.9 million less than the Governor proposed in House 1.

In its budget, HWM recommends some consolidations of environmental programs. In addition, HWM mirrors the Governor’s budget recommendation that all information technology within the Executive Office of Energy and Environmental Affairs (EOEEA) be consolidated into a single account. HWM proposes funding this new account at \$9.3 million, which is about \$500,000 less than the amount recommended by the Governor. While the HWM budget does not indicate how much money is transferred from each line item into this new technology account, we assume the amounts are comparable to the Governor’s recommendations (but because we cannot know for sure, these are estimations).

DEPARTMENT OF ENVIRONMENTAL PROTECTION

HWM recommends providing the Department of Environmental Protection (DEP) with \$57.8 million, which is about \$7 million lower than the FY 2009 GAA and the same as the Governor’s recommendation.

Among its proposals for DEP, the House Ways and Means Committee recommends:

- Reducing funding for DEP's administrative account by \$6.2 million below the FY 2009 GAA. The HWM proposal does not restore the \$2.6 million the Governor made in 9C cuts, nor does it include over \$800,000 in earmarks that were included in the FY 2009 GAA.
- Level-funding recycling coordination centers at \$550,000 and moving that account from EOEEA to DEP. The HWM budget does not include the Governor's proposal to raise \$20 million by expanding the bottle bill. Under House 1 (the bill number assigned to the Governor's budget proposal), the Governor recommended dedicating \$5 million of this new revenue to expand the state's recycling and hazardous waste programs.
- Providing almost \$900,000 less than the FY 2009 GAA and \$700,000 less than House 1 for the Hazardous Waste Site Clean Up program.

DEPARTMENT OF FISH & GAME

HWM recommends reducing the Department of Fish and Game budget by \$3.5 million from the FY 2009 GAA to \$17.8 million for FY 2010. The HWM proposal is in line with the \$18 million recommended by the Governor in House 1. HWM proposes eliminating the Endangered Species program, which received \$250,000 in the FY GAA and was level-funded in the Governor's budget recommendations.

DEPARTMENT OF AGRICULTURE

The HWM budget proposes reducing the Department of Agriculture budget by \$6.3 million below the FY 2009 GAA. The single-largest cut in the committee's proposal is to reduce funding for regional food banks to \$8 million from the \$12 million they received in the FY 2009 GAA and were allocated in the Governor's budget proposal.

The HWM budget proposes eliminating the Agricultural Innovation Center, which received \$1.5 million in the FY 2009. The Governor, who cut this program by \$750,000 in his October 9C cuts, also did not recommend any funding for this center in his FY 2010 budget proposal.

DEPARTMENT OF CONSERVATION & RECREATION

The HWM budget recommends \$87.5 million for the Department of Conservation and Recreation (DCR) which is \$14.3 million less than in FY 2009 and \$4.2 million less than the amount recommended by the Governor in House 1. The HWM budget proposes funding DCR's administrative account at \$5.1 million. While this level is \$2.3 million less than the FY 2009 GAA, it is \$1 million less than the amount state spent in FY 2009 after the Governor made \$1.1 million in 9C cuts from DCR accounts.

The HWM budget proposal does not adopt the Governor's request to consolidate all of DCR's activities into a single spending account, but did recommend a few consolidations, including:

- Merging DCR's state parks, urban parks and central artery parks into a single account and providing \$48.2 million in funding. This is \$9.3 million lower than the amount provided to DCR parks accounts in the FY 2009 budget and about \$2.7 million lower than the amount recommended in House 1. The HWM budget does not recommend funding over \$4 million in earmarks that were included in the FY 2009 budget for state and urban parks.
- Merging DCR's seasonal employee and summer jobs programs into the beach preservation account. The HWM budget proposes providing \$14.6 million for this account, which is about \$500,000 less than the amount appropriated for beach preservation, seasonal hires and summer jobs programs in the FY 2009 GAA, and \$100,000 less than the amount the Governor recommended in

House 1. All seasonal hires for DCR’s parks, beaches and pools must come from this account; the HWM proposal prohibits any funding from the newly consolidated parks account (see above) be used to pay seasonal hires.

- Merging snow and ice removal and lighting maintenance of DCR parkways into a single account and funding that account at \$6.2 million. This is \$900,000 more than the amount appropriated in the FY 2009 GAA, but is \$1 million less than the amount the state has spent in FY 2009 on these activities. The HWM budget does not recommend consolidating storm water management funds for DCR parkways into this newly-consolidated account. In its recommendation, the HWM budget reduces storm water management funds to \$730,000, which is almost \$400,000 less than the FY 2009 GAA and \$165,000 less than the amount spent in FY 2009 after the Governor made \$200,000 in 9C cuts.

HEALTH CARE

FY09 GAA	\$ 12,997,543,817
FY10 House 1 (adj.)	\$ 13,478,463,548
FY10 HWM	\$ 12,948,206,309
Increase (decrease) from FY09 GAA	(\$49,337,508)
Percentage change from FY09 GAA	(0.4%)

The House Ways and Means (HWM) budget proposal recommends \$12.948 billion for health care programs, but once adjusted for a proposed consolidation of technology costs, total health care spending in the HWM budget proposal drops to approximately \$12.914 billion. This proposal is 1 percent below FY 2009 GAA totals. The “health care” total includes funding for MassHealth (Medicaid) and health reform, as well as funding for mental health, public health and payments for state employee health insurance.

The Governor’s initial budget proposal, once adjusted for all of his proposed budget consolidations, included \$13.023 billion for health care. However, since the release of House 1, the Governor has proposed an additional \$455.3 million for FY 2010 health care spending, using funding available from the American Recovery and Reinvestment Act (ARRA, the federal stimulus bill). This additional funding would bring the Governor’s total to \$13.478 billion. The HWM budget proposal also incorporates this additional federal revenue into its totals, but the HWM budget proposal is 4 percent below the Governor’s health care budget recommendation (including the ARRA funding).

MASSHEALTH (MEDICAID) & HEALTH REFORM

Adjusting for approximately \$52 million associated with a consolidation of technology costs, the HWM budget includes \$10.413 billion for MassHealth (Medicaid) and health reform.⁴ The HWM total

⁴ In this *Budget Monitor*, "MassHealth (Medicaid) and Health Reform" is itself divided into several components (see accompanying table). "MassHealth" includes the line item appropriations within the Office of Medicaid, as well as administrative costs associated with the Executive Office of Health and Human Services. It also includes an FY 2009 reserve to support the Children’s Behavioral Health Initiative (also known as Rosie D. funding). MassHealth totals also include MassHealth elder long-term care dollars that in some years have been within the oversight of the Executive Office of Elder Affairs. Because of proposed consolidations by the Governor and HWM, these costs now also include the funding for the Essential Community Provider Trust. Funding for health reform and the health safety net incorporates several items. These totals include funding transferred from the General Fund into a variety of "off-budget" special trust funds that are used to finance a large portion of the Commonwealth’s health care programming – particularly the costs associated with the health insurance program created by health reform and costs of the health safety net (formerly referred to as uncompensated care). "Pharmacy Program" is the Prescription Advantage program administered by the Executive Office of Elder Affairs. The totals for "Health Care Finance & Other Initiatives" include the administrative costs associated with the implementation of health care reform, the costs of the Division of Health Care Finance and Policy, the

budget for these programs is virtually flat with the FY 2009 GAA, just \$23.2 million more. The Governor’s budget initially included \$10.383 billion for MassHealth and health reform, but since the release of that budget, additional federal dollars have become available from the federal stimulus bill. With these additional funds, the Governor revised his House 1 budget proposal, bringing his proposed total to \$10.817 billion. The HWM budget proposal is 3 percent less than this adjusted total.

MassHealth (Medicaid) and Health Reform				
<i>(in Millions of Dollars)</i>				
	FY 2009 GAA	FY 2009 Current	FY 2010 H.1 (adj.)	FY 2010 HWM
MassHealth (Medicaid)				
MassHealth line item appropriations	8,617.8	8,425.2	9,511.3	9,146.3
Essential Community Provider Trust	25.0	25.0	0.0	0.0
Sub-Total	8,642.8	8,450.2	9,511.3	9,146.3
Health Reform and the Health Safety Net				
Pharmacy Program	57.5	50.3	45.0	35.0
Health Care Finance & Other Initiatives	26.2	21.7	19.8	17.1
Commonwealth Care Trust (outside section)	1,117.6	1,117.6	697.3	742.3
Commonwealth Care Trust (pre-budget)	174.6	174.6	145.0	145.0
e-Health Institute Trust	25.0	15.0	0.0	0.0
Medical Assistance Trust	346.0	386.0	399.0	379.0
Sub-Total	1,746.9	1,765.1	1,306.1	1,318.4
Total	10,389.7	10,215.3	10,817.4	10,464.7

*FY 2010 H.1 (adj.) adjusts the Governor’s budget proposal to account for his proposed consolidation of technology costs within the Executive Office of Health and Human Services, and also adds his proposed spending of federal stimulus (American Recovery and Reinvestment Act) funding.

The HWM budget includes \$9.094 billion for the MassHealth (Medicaid) component of these costs, after estimating the adjustment for the transfer of information technology costs. Because of all the various consolidations and restructuring, it is difficult to provide line-by-line programmatic comparisons with FY 2009 budget totals. However, comparable total funding in the FY 2009 GAA for MassHealth (including FY 2009 funding for the Essential Community Provider Trust) was \$8.643 billion. Adjusting for 9C cuts and supplemental funding, current comparable FY 2009 MassHealth funding is \$8.450 billion. The HWM budget proposal is 8 percent above FY 2009 current (post

Health Care Quality and Cost Council, and the costs of certain health care cost-containment initiatives.

9C cut) funding levels. It is important to note, however, that some of the savings realized within the FY 2009 budget were due to one-time savings associated with postponing into FY 2010 certain FY 2009 costs.

The HWM budget narrative states that the totals assume \$399 million in savings initiatives, including increased use of pay for performance initiatives and utilization management controls. The Governor’s budget proposal included savings totaling \$382 million. Both the HWM proposal and the Governor’s budget proposal include language increasing the assessment on nursing homes by \$75 million, from \$145 million to \$220 million. Although this does not increase the amount of the supplemental nursing home rate appropriation (level-funded at \$288.5 million and included in the Governor’s budget as part of a consolidated line item), this change would apparently generate increased federal revenue with no increased net cost to the state to be used for certain incentive payments for nursing homes.

Unlike in the Governor’s budget, the HWM budget does not consolidate the line item funding nursing home supplemental rates. The HWM budget also does not consolidate the funding for the “Community First” initiative. The HWM budget recommends \$16 million in a separate line item. There was \$20 million in the FY 2009 GAA, but this total was reduced by 9C cuts to \$6.5 million.

The HWM budget also includes (unlike House 1) a separate line item funding the Healthy Start program, which provides pre-natal care for very low-income women who otherwise would be uninsured. However, the HWM budget total is \$13.2 million, compared to FY 2009 GAA funding totals of \$19.4 million.

The Children’s Medical Security Program also retains its own line item, funded at \$14.2 million in the HWM budget, compared to \$16.5 million in the FY 2009 GAA. The HWM budgeted amount is

expected to be sufficient to cover the anticipated costs of the program. An outside section of the budget redefines the primary care available to children who receive benefits from this program, allowing flexibility so that benefits might be improved.

Neither the HWM budget nor the House 1 budget includes funding for the MassHealth outreach and enrollment grants. These grants, funded at \$3.5 million in the FY 2009, and reduced by 9C cuts to \$1 million, have been used by community organizations to help uninsured people enroll for health insurance.

In order to pay for the costs of health reform and the health safety net, HWM, like the Governor, allocates \$880 million to pay for the costs of Commonwealth Care, the state's new subsidized health insurance program. After releasing House 1, the Governor announced that he would use \$220 million of additional federal stimulus money for costs associated with health reform. Although his recent release allocating ARRA funds did not specifically mention Commonwealth Care, at least a portion of these funds will likely supplement his House 1 allocation for anticipated cost increases in the Commonwealth Care program. To pay for this program, the HWM budget transfers \$742.3 million from the General Fund into the Commonwealth Care Trust Fund. This is \$45 million more than transferred by the Governor in his House 1 budget proposal. In addition to the transfer from the General Fund, the Commonwealth Care Trust Fund receives revenues from a dedicated portion of the cigarette excise tax (\$145 million) as well as employer contributions for the administration of health reform (the "fair share assessment").

The Prescription Advantage program suffers a significant cut in the HWM budget. HWM recommends \$35 million for this program, which provides assistance with prescriptions for low-income elders on Medicare Part D and younger people with disabilities. The Prescription

Advantage program received \$57.5 million in the FY 2009 GAA, but the 9C cuts reduced it by \$7.2 million. Already in FY 2009, the budget cuts have forced the program to eliminate initial co-payment assistance for some enrollees. These additional cuts proposed by HWM are likely to cause significant increases in out-of-pocket costs for the program's low-income enrollees.

The HWM budget also reduces funding for health care cost containment initiatives and health care finance. The HWM budget does not fund the Health Care Quality and Cost Council (funded at \$1.1 million in the FY 2009 GAA and at that same amount by the Governor). HWM reduces funding for the Division of Health Care Finance and Policy as well, from \$17.5 million in the FY 2009 GAA to \$16 million.

The HWM budget follows several of the Governor's key organizational shifts in health care funding. HWM removes funding costs for information technology from the individual line items in order to create a consolidated technology line item within the Executive Office of Health and Human Services. The HWM budget eliminates funding for several of the individual MassHealth line items and trusts and consolidates them, although not to the full extent that the Governor did. There is some concern because these consolidations eliminate some of the legislative language that has been important for providing protections to program participants. Although the budget documents are not entirely clear, the HWM budget seems to also follow the Governor's recommendation to move the oversight of MassHealth long-term care services for elders from the Executive Office of Elder Affairs to the Office of Medicaid. Unlike the Governor, however, HWM seems to keep the responsibility for nursing home supplemental rates within the Executive Office of Elder Affairs.

MENTAL HEALTH

Funding for mental health services totals \$656.7 million, a cut of \$28.8 million from the FY 2009 GAA. Because the HWM budget includes a recommendation to consolidate funding for information technology services into the Executive Office of Health and Human Services, these calculations include an estimated \$8.9 million in technology costs removed from the HWM mental health budget total and transferred to the Executive Office of Health and Human Services. This is 4 percent below funding in the FY 2009 GAA, but \$7.6 million more than current levels of FY 2009 funding. Mental health services were deeply cut by mid-year budget reductions: the Governor cut mental health by a total of \$36.4 million in the 9C cuts. Some of the reductions made in the 9C cuts are restored in the HWM budget, but only for adult services, where the 9C cuts had been particularly severe.

Children's and adolescents' mental health services receive \$69.7 million in the HWM proposal, compared to \$76.2 million in the FY 2009 GAA and \$73.1 million in the Governor's budget proposal. This recommendation is a 9 percent cut from FY 2009 GAA levels after accounting for the estimated costs associated with transfer of funding for information technology. (Funding for children's mental health services provided through the MassHealth program as a result of the *Rosie D. v. Romney* lawsuit is included in the MassHealth/Medicaid totals in this *Budget Monitor*.)

While the HWM budget reduces funding for children's and adolescents' services, it restores some funding cut from adult mental health services in the 9C cuts. Even so, the HWM adult mental health services budget is still 3 percent below funding in the FY 2009 GAA, adjusting for estimates of technology funding. (It is also important to note that the Governor stated his

intent to increase his initial budget proposal for mental health services with \$13.9 million of federal stimulus funding, including rental subsidies for persons with mental illness living in the community, and funding for inpatient facilities. These totals are included in the Governor's budget totals in this *Budget Monitor*.)

Accounting for estimated costs of information technology, funding for adult mental health services in the HWM budget includes:

- \$314.7 for adult mental health and support services, compared to \$322.1 million in the FY 2009 GAA, and compared to the Governor's budget proposal of \$312.6 million;
- \$170.9 million for adult inpatient services, compared to \$181.9 million in the FY 2009 GAA and \$170.9 million in the Governor's proposal;
- \$35.9 million for emergency services, compared to \$36.2 million in the FY 2009 GAA and \$34.7 million in the Governor's proposal;
- \$20.1 million for services for the homeless mentally ill, compared to \$22.5 million in both the FY 2009 GAA and the Governor's proposal.

PUBLIC HEALTH

The HWM budget includes \$492.8 million for public health services, after adjusting for estimated information technology costs that the HWM budget recommends shifting from the Department of Public Health into the Executive Office of Health and Human Services. Funding in the FY 2009 GAA totaled \$594.5 million, but there was \$33.4 million cut from public health services over the course of the FY 2009 9C budget reductions, such that current FY 2009 public health funding totals \$563 million. Even adjusting for the estimated \$8.2 million in technology costs transferred from their public health budget, HWM funding for public

health reflects a 17 percent cut from the FY 2009 GAA.

Funding for public health hospitals totals \$164.7 million in the HWM budget when adjusted for an estimated \$2.4 million in technology funding transferred into the Executive Office of Health and Human Services. This compares to \$166.1 million in the FY 2009 GAA, and \$161.6 million in the Governor's budget proposal.

Community-based public health programs, however, have been hit hard by budget cuts. Total non-hospital based public health funding is \$328.1 million in the HWM budget, adjusting for technology transfers. The FY 2009 GAA total was \$428.4 million, but 9C cuts reduced this total by \$30.4 million. The Governor proposed \$374.2 million. After the release of House 1, the Governor announced that \$7.4 million in funding from the federal stimulus bill would be targeted to health care quality and family planning. This would bring his total community-based public health funding to \$381.6 million.

HWM cuts these programs even more deeply: adjusting for technology transfers, their budget recommendation is \$71.4 million below current (post-9C) funding levels.

Although the HWM budget consolidated information technology funding, the HWM budget did not follow the Governor's recommendations to consolidate funding for individual public health programs. The programs that are hardest hit in the HWM budget include (adjusting for the technology transfer):

- Youth violence prevention programs, which receive no funding in the HWM funding proposal. In the FY 2009 GAA, there was \$9.3 million in funding for these programs. The Governor had included \$6.6 million for youth violence prevention within a consolidated line item.

- Sexual assault services, which receive \$4.1 million in the HWM budget proposal, a 37 percent reduction from the FY 2009 GAA. The Governor recommended \$6.4 million.

- Early intervention services, which receive \$23.1 million in the HWM budget. These programs received \$49.4 million in the FY 2009 GAA in two separate line items. The HWM budget includes only one line item, but it is possible that there is \$8.2 million in funding for early intervention services included within the MassHealth funding totals. If so, that would bring the HWM budget total to \$31.3 million, which is still 37 percent below funding in the FY 2009 GAA.

- Substance abuse services, which receive \$68.4 million in the HWM budget, \$22.1 million below funding in the FY 2009 GAA. Substance abuse funding was cut by \$8.1 million in 9C cuts in October, but the HWM budget is still \$14 million below that already-reduced level. There is concern that this dramatic funding cut might jeopardize the Commonwealth's ability to receive matching federal substance abuse block grant funds, thereby doubling the impact of this proposed cut.

- Smoking prevention services, which receive \$8.2 million in the HWM budget proposal. The funding for smoking prevention totaled \$12.8 million in the FY 2009 GAA, but \$598,000 was eliminated in the 9C cuts. Even though the HWM proposal is greater than the Governor's recommendation of \$7.7 million for smoking prevention services, the HWM budget is 35 percent below the FY 2009 GAA. It is important to note that in FY 2001, when adjusted for inflation, smoking prevention received \$62.8 million.

Other public health programs receiving cuts include:

- HIV/AIDS services (cut \$1.9 million from the FY 2009 GAA)

- Family health services (cut \$3.1 million from the FY 2009 GAA)
- Immunizations (cut \$4.7 million from the FY 2009 GAA)
- School health services (cut \$3.8 million from the FY 2009 GAA)
- Teen pregnancy prevention services (cut \$859,000 from the FY 2009 GAA)

STATE EMPLOYEE HEALTH INSURANCE

The Group Insurance Commission (GIC) provides health care insurance to current and retired state employees. In July 2007, a new law was enacted that allows municipalities and other public employers to join the state's health insurance plan. Some cities and towns are now purchasing health insurance for their employees through the GIC.

The majority of GIC appropriations are spent on one account, which covers the cost of providing benefits to current employees and some retirees. FY 2009 GAA funding for this account totaled \$830.9 million; the House Ways and Means recommends \$860 million. However, net state spending on this account in FY 2010 would actually decrease by \$87.6 million or 10.6 percent from FY 2009 for the reasons discussed below.

Fifteen municipalities are expected to join the GIC in FY 2010. The GIC anticipates spending \$110.4 million in FY 2010 for health insurance premiums for these new participants. The state, however, will be reimbursed for these premiums over the course of the year by the new participants' municipal employers. In addition, several new municipalities and public employers joined the GIC in FY 2009. The costs of health insurance premiums for these employees were estimated to increase by \$5 million in FY 2010. Together, reimbursements for the new participants and the increase in cost for the employees that joined last year were estimated to

total \$115.4 million. In addition, as in the Governor's budget, HWM transfers funds from the GIC budget to a new technology line item. The House Ways and Means appropriation for this account reflects the savings due to a transfer of approximately \$1.3 million.

Adjusting the HWM recommendation of \$860 million for these technical reasons brings the total for this account to \$743.3 million, an \$87.6 million or 10.6 percent decrease from the FY 2009 appropriation of \$830.9 million.⁵ However, the reason that net state spending on the GIC decreases from FY 2009 is not because there has been a real decline in health care costs, but because of two policy choices.

First, due to a series of layoffs, the GIC is expected provide health insurance to fewer state employees in FY 2010. We assume the HWM proposal includes the savings of no longer providing health insurance for these employees, a value of about \$3.2 million. Second, the House Ways and Means budget proposes shifting approximately \$135 million in health care costs to state employees. Currently, state employees hired before June 30, 2003, pay 15 percent of their health insurance premiums and employees hired after that date pay 20 percent. Under the HWM proposal, all state employees would pay 30 percent of their premiums. If enacted in the FY 2010 GAA, the value of changing the current contribution structure would be approximately \$135 million. These two policy choices, state employee layoffs and cost shifting, would reduce state costs by approximately \$138.6 million and account for the decrease in net state spending on the GIC.

The Governor's budget also recommended changing the contribution structure, but did so by proposing that state employees earning less than

⁵ These figures may change, however, because there are indications that GIC health insurance premiums for municipal employees will not increase as much as previously expected. Once updated costs are taken into consideration, these figures will need to be adjusted.

\$35,000 contribute 15 percent, those earning between \$35,000 and \$50,000 contribute 20 percent, and those earning more than \$50,000 contribute 25 percent. Under the Governor’s proposal, the value of changing the current contribution structure would be approximately \$60.4 million. The Governor recommended a similar proposal in his FY 2009 House 1 budget, which was not included in the FY 2009 House and Senate budgets.

The second-largest account within the GIC budget is for the State Retiree Trust Fund, an off-budget account. This account was created to set aside funds for retired employees’ future health care costs, and is level-funded at \$372 million.

HUMAN SERVICES

FY09 GAA	\$3,613,210,612
FY10 House 1 (adj.)	\$3,591,363,299
FY10 HWM	\$3,481,408,189
Increase (decrease) from FY09 GAA	(\$131,802,423)
Percentage change from FY09 GAA	(3.6 %)

The House Ways and Means (HWM) budget recommendations include \$3.481 billion for human service programs. This appropriation is \$131.8 million, or 3.6 percent, lower than the \$3.613 billion appropriated in the FY 2009 GAA. It is considerably lower than the level of funding that would be needed to provide the same services after accounting for inflation. In his 9C cuts, the Governor had reduced funding for human services by \$57.1 million.

In its budget HWM recommends shifting money for technology out of individual line items into a new technology account. While the HWM budget does not indicate how much money is transferred from each line item into this new technology account, we assume that the amounts are comparable to the amounts transferred in the Governor’s budget where the same policy was

proposed (but because we cannot know for sure, these are estimations).

Like the Governor, the House Ways and Means Committee did not allocate funding for the Human Service Reserve, which is used to fund salary increases for low-wage workers employed by human service providers under contract with the Commonwealth. The FY 2009 GAA included \$23 million for the reserve. The pay raises funded through the reserve in FY 2009 are being treated as one-time bonuses. Therefore, low-income human service providers will likely receive less compensation in FY 2010 than they did in FY 2009.

DEPARTMENT OF CHILDREN & FAMILIES (FORMERLY DEPARTMENT OF SOCIAL SERVICES)

The House Ways and Means budget recommendations include \$772.8 million for programs administered by the Department of Children and Families (DCF). This appropriation is \$63.7 million, or 7.6 percent, below the \$836.5 million appropriated in the FY 2009 GAA. The HWM budget shifts approximately \$8 million from the DCF administrative account into a new technology account. The Governor recommended \$810 million.

The HWM proposal allocates \$524.4 million to the four primary programs within the Department of Children and Families (formerly the Department of Social Services) that serve children and families, including family stabilization, group care, sexual abuse intervention and placement services for juvenile offenders. The HWM does not adopt the Governor’s recommendation that these programs be consolidated. The HWM proposal for these programs combined is \$20 million below the FY 2009 appropriation, and \$1.5 million below the House 1 proposal. After releasing his original proposal, the Governor proposed using approximately \$6 million of the \$10.2 million in stimulus funds for DCF to raise rates paid to foster care families. These families receive funding

through the family stabilization line item mentioned in the list at the beginning of the paragraph.

In the HWM budget, social worker services were funded at \$150.9 million. This allocation is \$6.3 million, or 4 percent, below the FY 2009 GAA. It is unclear what the Governor's proposal was because he consolidated this line with others. After releasing his original budget proposal, the Governor proposed using \$4 million of the \$10.2 million in stimulus funds for DCF to retain social workers.

Like the Governor, the Committee did not fund a \$5 million line item that was added in the FY 2009 budget to improve service delivery to children under the care of the Department of Social Services.

DEPARTMENT OF TRANSITIONAL ASSISTANCE

The House Ways and Means budget recommendations include \$898.2 million for programs administered by the Department of Transitional Assistance (DTA). This allocation is \$2.9 million, or less than 1 percent, below the FY 2009 GAA.

As with House 1, the HWM budget recommends moving programs that provide assistance to homeless families and individuals from DTA to the Department of Housing and Community Development (DHCD.) For the various programs that the state funds to help the homeless, the HWM Committee recommends:

- Providing \$91.6 million for the Emergency Assistance account, which is \$1.2 million more than the FY 2009 GAA and about a \$1 million more than the Governor recommended in House 1. Funding for this program, which provides shelter and assistance to homeless families, is below the \$113 million that the state expects to spend in FY 2009 on providing assistance to homeless families. There is additional money in the federal stimulus

bill (ARRA) which provides DHCD with \$18 million in funding both to prevent families and individuals from losing housing and to help the homeless find housing. (Please see MassBudget's report on the ARRA available here:

<http://www.massbudget.org/doc/657>)

- Level-funding the program that provides assistance to homeless individuals at \$36.3 million. The House 1 budget for this account is \$1.2 million larger than the HWM proposal because the Governor recommended merging the Home and Healthy for Good program, which helps chronically homeless individuals, into the account that helps other homeless individuals. The HWM budget keeps the Home and Healthy for Good program as a separate account and recommends providing level-funding at \$1.2 million.

Unlike House 1, the HWM budget does not consolidate all the cash assistance accounts administered by the DTA, including the Transitional Aid to Families with Dependent Children (TAFDC) program, the Emergency Aid to Elders, Disabled and Children (EAEDC) and the state supplement for elders and persons with disabilities receiving federal Supplemental Security Income (SSI) benefits. The largest accounts in this list, TAFDC grants and Emergency Aid for Elders, Disabled and Children (EAEDC), would be funded at the following levels:

- \$310.5 million for TAFDC, which is \$7.7 million, or 2.6 percent, higher than the amount appropriated in the FY 2009 GAA. The increase is needed to meet growing caseloads.
- \$84.7 million for EAEDC, which is \$12.2 million, 16.8 percent, higher than the amount appropriated in the FY 2009 GAA. Again, the increase is needed to meet growing caseloads.
- The HWM budget allocated \$24.5 million for the Employment Services Program (ESP), \$3.2 million, or 11.5 percent, below the FY 2009 GAA. The

funding level essentially continues a 9C cut made in October of the same amount. Approximately \$300,000 of ESP funding would be transferred to a new Health and Human Services Information and Technology costs line item.

*DEPARTMENT OF DEVELOPMENTAL SERVICES
(FORMERLY DEPARTMENT OF MENTAL RETARDATION)*

The House Ways Means Committee proposal includes \$1.270 billion for programs administered by the Department of Developmental Services (DDS). This allocation is \$1.4 million, or less than 1 percent, lower than the \$1.272 billion appropriated in the FY 2009 GAA, but it is a significantly larger cut from the funding levels that would be needed to maintain the same level of services as was funded in the 2009 GAA. In his 9C cuts, the Governor cut \$9.5 million from the FY 2009 DDS budget, bringing total FY 2009 funding to \$1.262 billion.

In March, the Governor proposed using \$31.6 million in federal stimulus funds to renovate community group homes and pay for respite services in FY 2010. The Governor had consolidated the line item for respite services but it was unclear whether it would be funded.

The HWM Committee does not adopt the Governor's proposal to consolidate three line items within DDS in to one account. The HWM committee funds transportation, day/work programs and respite services at \$13.5 million, \$122.7 million and \$55.5 million respectively. Overall, funding for these items is \$7.7 million below the FY 2009 GAA, but \$22.3 million above the Governor's proposal. As mentioned above, the Governor proposed using a portion of the \$31.6 million in federal stimulus funds for the respite program.

House Ways and Means recommends \$154.1 million for state facilities for people with developmental disabilities, a reduction of 17.8

percent. The Governor recommended \$174.9 million. Most of this cut reflects the plan to close Fernald Development Center in Waltham by the end of 2009, where about 160 people currently reside. However, it is important to note that some portion of the savings would be offset by the costs of caring for these people in community-based settings.

ELDER SERVICES

The House Ways Means Committee proposal includes \$214.4 million for programs administered by the Department of Elder Affairs. (A discussion of MassHealth programs for elders, funding for nursing homes, and funding for the Prescription Advantage pharmacy program is included in the "Health Care" section of this *Budget Monitor*). It is notable that the HWM budget proposal appears to follow the Governor's budget recommendation to move oversight for MassHealth funding for elder long-term care from the Executive Office of Elder Affairs to the Office of Medicaid, with the possible exception of funding for nursing home rates.

Funding for elder services in the FY2009 GAA totals \$238.6 million. Because of the HWM recommendation to consolidate information technology within the Executive Office of Health and Human Services, the HWM budget transfers an estimated \$1.5 million from the elder services budget. Elder services were reduced by \$10 million in 9C cuts over the course of FY 2009, and with the technology adjustment, the HWM budget reflects an additional \$12.7 million cut beyond current FY 2009 funding levels.

The HWM budget proposes a total of \$181 million for home care purchased services. This is a \$21.3 million cut from FY 2009 GAA funding levels. Home care was cut by \$7.4 million in the 9C budget reductions, and the HWM budget reflects a cut of \$13.9 million below that. The Governor proposed \$199.2 million for elder purchased home care services.

Elder housing programs receive just over \$6.4 million in the Governor’s budget, compared to \$7.4 million in the FY 2009 GAA. These programs were cut by \$1 million in the 9C cuts, so the HWM budget recommends in effect continuing funding at this reduced level.

Elder protective services receive \$16.3 million in the HWM budget recommendation, basically level-funding the amount these services received in the FY 2009 GAA.

OTHER HUMAN SERVICES

The House Ways and Means budget recommendations include \$325.6 million for “Other Human Services.” This appropriation is \$39.5 million, or 10.8 percent, below the FY 2009 appropriation of \$365.1 million.

“Other Human Services” includes numerous departments, including Veterans Affairs, the Soldiers' Homes, Massachusetts Commission for the Blind, Massachusetts Rehabilitation Commission, Massachusetts Commission for the Deaf and Hard of Hearing, the Department of Youth Services, administrative costs for the Department of Transitional Assistance, and certain programs within the Executive Office of Health and Human Services.

Most of the reduction in “Other Human Services” spending reflects the Ways and Means Committee’s decision not to allocate funds for the Human Services Salary Reserve. The FY 2009 GAA included \$23 million for the reserve. This reserve is used to fund salary increases for low-wage workers employed by human service providers under contract with the Commonwealth. The pay raises funded through the reserve in FY 2009 are being treated as one-time bonuses. Therefore, low-income human service providers will likely receive less compensation in FY 2010 than they did in FY 2009.

Unlike House 1, the HWM budget does not consolidate the line items that fund services for the blind. The HWM budget level-funds these services at \$19.3 million. This funding level is \$1 million more than the Governor allocated.

The HWM budget includes \$99.6 million for “Veterans’ Services” provided by the Department of Veterans’ Services and the Soldiers’ Homes in Chelsea and Holyoke. This appropriation is \$1.7 million, or 1.7 percent above the FY 2009 GAA. It is \$7.8 million below the Governor’s recommendation. After releasing his original proposal, the Governor recommended using approximately \$5.7 million in stimulus funds for veterans’ services and for people with disabilities in the workforce (served by the Massachusetts Rehabilitation Commission, the Commission for the Deaf and Hard of Hearing and the Commission for the Blind.)

INFRASTRUCTURE, HOUSING & ECONOMIC DEVELOPMENT

FY09 GAA	\$1,319,409,843
FY10 House 1 (adj.)	\$1,280,570,348
FY10 HWM	\$1,254,715,129
Increase (decrease) from FY09 GAA	(\$64,694,714)
Percentage change from FY09 GAA	(4.9 %)

The House Ways and Means (HWM) budget includes \$1.255 in infrastructure, housing and economic development. This funding recommendation is a cut of \$64.7 million from the FY 2009 GAA level, and is 25.8 million below the Governor’s budget recommendation.

INFRASTRUCTURE

The House Ways and Means budget proposes \$1 billion in transportation spending. Of this, \$767 million is sales tax revenue dedicated to the MBTA, down \$950,000 from FY 2009.

Like the Governor's budget proposal, the HWM budget proposes a substantial cut to regional transportation authorities (RTAs). The state's 16 RTAs are responsible for providing public transportation in 231 of the state's cities and towns. The HWM budget proposes cutting RTA funding by \$10.1 million, for a funding level of \$47.8 million. The Governor recommended a funding level of approximately \$49 million for RTAs. A substantial reduction in state assistance could result in reduced services and/or higher user fees in many areas of the state with limited transportation options.

The HWM budget reduces funding to the Registry of Motor Vehicles (RMV) by \$8.5 million, for a funding level of \$49 million. The HWM budget adopts the Governor's proposal to allow the RMV to contract with private entities, like AAA, to provide registration and other services. The HWM budget also eliminates language in the Massachusetts General Laws which set forth the fee structure for car registration and licensure. While the HWM budget does not propose specific increases to these fees, as the Governor did, the HWM budget assumes the same \$74.5 million in new RMV revenue that the Governor did. The HWM budget does adopt the Governor's proposal to allow the RMV to retain \$3 million in revenue to help transition the state to more secure drivers licenses.

The HWM budget proposes funding the snow and ice removal line item at \$75 million, \$55 million more than the amount appropriated in the FY 2009 GAA. Traditionally, snow and ice removal is underfunded in the GAA; supplemental budgets are used to fund shortfalls during the winter. Funding snow and ice removal at a higher level in the GAA could allow for more timely payment for ice removal services during the winter and reduce the need for supplemental appropriations during the year.

HOUSING

The HWM budget recommends spending \$32.8 million less than the FY 2009 GAA for housing programs. The HWM funding level is \$22.7 million less than the amount the Governor recommended in his House 1 proposal. Both House 1 and the HWM proposals recommend consolidating information technology services into a single account within the Executive Office of Housing and Economic Development. The HWM budget recommends providing \$3.1 million for this account, which is \$400,000 less than the House 1 proposal. House 1 recommended transferring about \$2 million of information technology funds from the Department of Housing and Community Development (DHCD) and a newly created account for operating homelessness programs to this new account at the Executive Office of Housing and Economic Development.

The HWM budget recommends moving programs that provide shelter and assistance to homeless families from the Department of Transitional Assistance (DTA) to DHCD. The HWM budget transfers \$4.8 million from a line item that funds DTA caseworkers to a new account within DHCD to provide caseworker services to homeless families and individuals. (For an analysis of funding for specific homelessness assistance programs funded by the state budget, please go to the section on the Department of Transitional Assistance.)

The HWM recommends a number of budget cuts for housing programs, including:

- Eliminating \$4.1 million in earmarks in DHCD's administrative account that were included in the FY 2009 GAA. HWM recommends funding DHCD at \$7.2 million, which is \$5 million less than the FY 2009 GAA but in line with the Governor's recommendation.

- Funding the Massachusetts Rental Voucher Program (MRVP) at \$18 million, which is \$15 million less than the FY 2009 GAA and \$18 million less than the amount requested by the Governor. MRVP provides subsidies to low-income tenants in Massachusetts.

- Providing \$2.5 million for the Soft Second Mortgage Program, which helps low-income, first-time homebuyers purchase a house. This level is the same as House 1's recommendation, but is \$3.3 million less than the FY 2009 GAA.

- Providing \$66.3 million in subsidies to public housing authorities in the state. This level is \$200,000 less than the FY 2009 GAA and is \$4.9 million less than the amount recommended in House 1.

HWM provides level-funding for several housing programs, including:

- Funding both the Alternative Rental Voucher Program and the Rental Subsidy for Department of Mental Health clients at \$4 million, which is the same level as the FY 2009 and the House 1 recommendation.

- Providing \$5.5 million for Residential Assistance to Families in Transition (RAFT), which is the same amount appropriated in the FY 2009 GAA and recommended in House 1.

HWM recommends eliminating several programs including:

- The program that provides interest subsidies for the private development of affordable housing. This program received \$4.5 million in FY 2009, but was eliminated when the Governor made his 9C cuts in October 2008. House 1 did not recommend restoring funding for this program in FY 2010.

- The Individual Development Account programs (IDA), which helps low-income families learn financial management skills and how to purchase an asset such as a house or a small business. The FY 2009 GAA provided \$700,000 for this program and the Governor recommended reducing it to \$339,000 in his House 1 proposal.

ECONOMIC DEVELOPMENT

The House Ways and Means budget proposes \$85.8 million in spending for workforce, labor and economic development programs. The FY 2009 GAA funding level was \$157.1 million, making the HWM proposal a cut of \$61.2 million. The Governor proposes funding these programs at \$128.1 million.

The largest economic development cut in the HWM budget is to the travel and tourism line item. HWM reduced this item by \$28.2 million, for a new funding level of \$8.9 million. The cut was accomplished by eliminating all earmarks in the line item to local tourism projects. The HWM budget also cuts funding to the state's Office of Small Business and Entrepreneurship and the state's Office of Business Development.

The HWM budget includes \$1.25 million in funding for a new Massachusetts Sports and Entertainment Commission. This new commission would be the lead agency in attracting major sporting events to the Commonwealth.

The HWM budget includes substantial cuts to the state's labor and workforce development programs. Most notably, the HWM budget proposes the elimination of an \$8 million program that provides jobs to at-risk youth around the state. The Governor proposed increasing funding to this program by \$6 million, to \$14.2 million.

The HWM budget also cuts workforce training programs in the state by \$6 million, for a proposed funding level of \$15 million. These funds help

employers retain workers and increase productivity through retraining. The Governor proposed funding this program at \$21 million.

The HWM budget also eliminates more than \$10 million in workforce training earmarks to programs around the state. The elimination of these earmarks is consistent with the Governor’s budget proposal.

LAW & PUBLIC SAFETY

FY09 GAA	\$ 2,488,131,330
FY10 House 1 (adj.)	\$ 2,448,065,494
FY10 HWM	\$ 2,390,150,496
Increase (decrease) from FY09 GAA	(\$97,980,834)
Percentage change from FY09 GAA	(3.9 %)

The House Ways and Means (HWM) budget recommends \$2.390 billion for Law & Public Safety, approximately \$98 million less than was appropriated in the FY 2009 GAA. This is \$57.9 million less than the \$2.448 billion that the Governor proposed in his budget.

PROSECUTORS

The state budget currently includes two line items for each of the 11 District Attorneys offices – one for the operation of the office and another to pay for overtime costs for state police officers assigned to that office. House Ways and Means reduces funding for each of the 11 District Attorneys offices by 7.4 percent from the FY 2009 GAA, from a total of \$91.2 million to \$86.5 million. It provides another \$3.9 million to pay for state police overtime costs, a \$535,903 or 12.1 percent decrease from the FY 2009 GAA. In total, HWM recommends \$90.4 million for the 11 District Attorneys offices. In his FY 2010 budget, the Governor proposed consolidating the two line items into one line item for each of the 11 offices and recommended a total

of \$89.6 million. As in the Governor’s budget, the House Ways and Means budget eliminates a \$500,000 line item that was added in FY 2009 to help retain assistant district attorneys with more than three years of experience by providing them with salary increases.

The House Ways and Means budget recommends \$39.7 million for programs within Office of the Attorney General, \$3.4 million less than was appropriated in FY 2009. The Governor’s budget recommended \$40.9 million.

LAW ENFORCEMENT

The House Ways and Means budget recommends \$325.1 million for law enforcement, a \$91.8 million or 22 percent cut from the FY 2009 GAA appropriation of \$417 million. In comparison, the Governor recommended \$378.2 million in his FY 2010 budget.

HWM eliminates funding for several line items within the law enforcement budget, including the line item that funds the Quinn Bill. The Quinn Bill was enacted in 1970 to encourage local police officers to earn additional college degrees by providing these officers with salary increases. This line item received approximately \$50 million in FY 2009; the Governor’s FY 2010 budget included \$42.2 million.

The HWM budget also eliminates funding for the three line items that fund the Shannon Grant Program, municipal police grants, and community policing grants. In FY 2009, funding for these grant programs totaled \$38.4 million.

The Shannon Grant Program distributes grants to communities to reduce gang and youth violence through prevention and intervention, and funds programs that provide job skills workshops, supervised activities to at-risk youth and prisoner reentry services. The program received \$13 million in the FY 2009 GAA and was not affected by the

Governor's 9C cuts. The Governor's FY 2010 budget recommended \$13 million.

The municipal police grant program, one of the Governor's FY 2008 public safety initiatives, provided grants to municipalities with high crime rates for hiring new police officers. The program received \$4 million in the FY 2009 GAA, which was eliminated by the Governor's October 9C cuts, and did not receive any funding in the Governor's FY 2010 budget.

The community policing grants (also called local law enforcement assistance) received \$21.4 million in the FY09 GAA, which was reduced by \$5 million in the Governor's October 9C cuts. These grants are distributed to cities and towns for community policing activities and programs. The Governor's FY 2010 budget did not provide any funding for this line item.

The HWM budget level-funds the Municipal Police Training Committee (MPTC) at \$2.9 million. The MPTC provides training for municipal police officers and law enforcement officers from other agencies. The Governor's budget proposed funding the MPTC and the annual state police trooper class through a surcharge on private and commercial auto insurance policies. Currently, the MPTC has its own line item in the state budget and the annual state police trooper class is funded either through its own line item in the GAA or through supplemental budgets throughout the fiscal year. The Governor's budget estimated that charging \$1.60 to \$2.00 per policy on the approximately 3.1 million private auto insurance policies and nearly 500,000 commercial auto insurance policies in the state would generate \$3.1 million for a newly created MPTC line item and \$3.2 million for a newly created state police department line item. House Ways and Means does not recommend creating this surcharge, and retains the original line item for the MPTC. It also does not provide a separate line item or funding for the annual state trooper class.

PRISONS, PROBATION & PAROLE

The seven county sheriffs departments received a total of \$266.2 million in FY 2009 (\$195.2 in state funds through the GAA and \$71 million from other sources). House Ways and Means recommends a total of \$257 million for FY 2010, about a \$9.2 million decrease.

The House Ways and Means Committee recommends moving the seven county sheriffs departments into the state budget in an effort to promote consistency and efficiency among both the county and state sheriffs' departments. Currently, the county sheriffs receive funding from six different sources, including the county deeds excise tax, reimbursements for housing federal inmates, and the state's General Fund. Under the HWM proposal, all revenues previously collected by each county would be deposited into the state's General Fund, which would bring approximately \$71 million on budget.

There is an existing line item for "County Correctional Programs" in the budget from which state funds were previously distributed to the seven county sheriffs. In the FY 2009 GAA, this line item received \$195.2 million. For FY 2010, the House Ways and Means budget recommends \$71.1 million. Under the HWM proposal, all employees in the seven county sheriffs departments would become state employees and receive state employee health insurance coverage through the GIC, which will be paid for through the County Correctional Programs line item. Each county sheriffs department would also be given a new line item for the operation of its department.

In total, the seven departments would receive \$185.9 million, including:

- \$21.4 million for Barnstable County;

- \$27.5 million for Bristol County;
- \$2.6 million for Dukes County;
- \$782,592 for Nantucket County;
- \$23.1 million for Norfolk County; and,
- \$24.2 million for Plymouth County.

While HWM recommends a total of \$257 million for the county sheriffs, if we subtract the approximately \$71 million that the state expects to bring on budget from other sources, net state spending is about \$186 million, or \$9.2 million less than was appropriated in the FY 2009 GAA.

The Governor also proposed this consolidation in his House 1 budget, recommending \$71.1 million for the County Correctional Programs line item. His budget included the seven new line items, but provided \$25,939 more for Dukes County and \$25,939 more for Nantucket County.

The House Ways and Means proposal also reduces the budgets for five of the seven state sheriffs departments (Hampden, Middlesex, Franklin, Berkshire, and Essex) by 10.3 percent from the FY 2009 GAA, from a total of \$218.3 million to \$195.8 million. The budget for the Worcester department is reduced by 12.2 percent, from \$45.7 million to \$40.1 million, and the budget for the Hampshire department is reduced by 16 percent, from \$13.2 million to \$11.1 million. In comparison, the Governor's budget recommended an 8.5 percent decrease from the FY 2009 GAA for all seven state sheriffs departments.

COURTS & LEGAL ASSISTANCE

The House Ways and Means budget reduces funding for Courts & Legal Assistance by \$21.9 million, or 3.3 percent, from \$655.1 million in the FY 2009 GAA to \$633.2 million. In contrast, the

Governor's House 1 budget reduced funding by \$54.8 million, or 8.4 percent, from \$655.1 million to \$600.3 million.

The biggest changes were made to the Trial Court budget, which received \$432.6 million in the FY 2009 GAA. HWM proposes consolidating several line items within the Trial Court budget and recommends a total of \$402.2 million. The Governor's budget for FY 2010 recommended \$406.3 million, about \$4.2 million more than HWM, and also proposed many of the consolidations proposed by HWM. However, the two budgets differ in how much funding these new consolidated line items receive. For example, HWM reduces the Trial Court Retained Revenue line item from \$20 million in FY 2009 to \$1.7 million and appears to divide most of the remaining funds among several of the new line items. In contrast, the Governor's budget recommended \$22 million for the Retained Revenue line item and provided less funding for most of the new line items.

The following are some of the consolidations made in the Trial Court budget:

- Salaries for the justices in the seven trial court departments were previously paid from seven different line items. In FY 2009, these line items were appropriated a total of \$50.7 million. HWM recommends \$49.9 million; the Governor also consolidated these line items and recommended \$49.8 million.
- Each superior court had its own line item in FY 2009, for a total of \$24.3 million. HWM consolidated these 17 line items into one line item and recommends \$31 million. The Governor also consolidated these line items and recommended \$21.7 million.
- HWM consolidates 63 line items, which previously funded each district court in the state, into one item and recommends \$43.1 million. In FY 2009, these line items received \$40.7 million; the

Governor consolidated these line items as well and proposed \$39.1 million.

- The juvenile courts were previously funded through 12 line items, one for administration and one for each of the 11 juvenile courts throughout the state. Funding for these line items totaled \$12.2 million in FY 2009. HWM consolidates these into the administration line item and recommends \$15.3 million. The Governor also consolidated these into one line item and recommended \$15.2 million.

- Funding for the Boston Municipal Court and its seven divisions totaled \$8 million in the FY 2009. HWM consolidates these eight line items into one and recommends \$7.6 million. The Governor’s budget also recommended consolidation, but provided \$12.5 million.

- The family and probate courts received a total of \$22 million in the FY 2009 GAA. HWM consolidates 22 related line items and recommends \$27.3 million. The Governor consolidated these line items as well and recommended \$20.3 million.

- HWM proposes consolidating the Massachusetts Sentencing Commission, the Alternative Dispute Resolution program and the Trial Court Permanency Mediation program into the Office of the Chief Justice for Administration and Management line item, and recommends \$133.3 million. HWM also recommends \$1.5 million for the Suffolk County Social Law Library, \$60.2 million for the court security expenses line item, and eliminates the Trial Court Administration Allocation Reserve. In total, HWM provides \$195 million for these line items. In the FY 2009 GAA, these seven line items received \$227 million. The Governor’s budget proposed consolidating all seven line items into one Office of the Chief Justice for Administration and Management line item and recommended \$191.3 million.

The House Ways and Means budget recommends level-funding the Massachusetts Legal Assistance

Corporation at \$11.1 million. In comparison, the Governor proposed decreasing funding to \$10.4 million.

HWM also fully funds the Private Counsel Compensation budget at \$149.7 million, \$9.4 million more than the FY 2009 appropriation of \$140.3 million, in an effort to eliminate the need for supplemental budgets throughout the year. The Governor’s budget recommended reducing funding to \$122.1 million.

LOCAL AID

FY09 GAA	\$1,346,688,719
FY10 House 1 (adj.)	\$1,126,813,360
FY10 HWM	\$920,638,663

Increase (decrease) from FY09 GAA	(\$426,050,056)
Percentage change from FY09 GAA	(31.6 %)

The House Ways and Means (HWM) budget recommends an across-the-board cut of 32.4 percent in Lottery Aid and Additional Assistance to cities and towns from the FY 2009 GAA level. The cuts proposed in the HWM budget represent a 27 percent reduction for these items from their level after 9C cuts were made.

Unlike the Governor’s House 1 recommendations, the HWM budget does not provide any revenue raising options to offset the steep cuts to local aid. The Governor proposed distributing to cities and towns the revenues raised by a statewide meals and hotel occupancy tax increase. In addition, the Governor proposed giving municipalities a local option to raise additional meals and hotel taxes themselves. The Governor estimated that the statewide meals and hotels tax revenue proposals would generate \$150 million to offset the \$370 million cut the Governor proposed for unrestricted aid to cities and towns. If all towns were to adopt the maximum local option meals and hotels tax

proposed by the Governor, it would generate a further \$150 million.

It is important to note that while the HWM budget cuts the total amount of unrestricted government aid to each city and town by the same percentage, these cuts represent drastically different percentages of total municipal budgets. For example, the HWM proposes cutting unrestricted government aid to both Weston and Winchendon by 32.3 percent. However, this state aid cut represents only 0.26 percent of Weston’s 2009 tax revenue. That same 32.3 percent cut to local aid in Winchendon represents 7.25 percent of the town’s 2009 tax revenues. Because state aid makes up a larger portion of municipal budgets with less local revenue capacity, these cuts have a disproportionately large effect on the poorest communities.

Both the HWM and the Governor’s budget proposals combine the two traditional forms of unrestricted local aid, Lottery Aid and Additional Assistance, into one new category of General Government Aid. This change does not effect the distribution of local aid in either budget. However, combining these two categories could be a first step towards changing how local aid is distributed in the future. Given that the Additional Assistance aid distribution was last given out through a formula in the 1980s, creating one distribution formula for all unrestricted government aid could substantially improve the fairness and transparency of local aid distribution.

The HWM budget does level-fund Payment in Lieu of Taxes (PILOT) to cities and towns, which reimburses communities for some of the cost of services provided to publically owned land. The \$30.3 million PILOT program is particularly important for many communities in Central and Western Massachusetts that contain large amounts of state-owned land.

OTHER

DEBT SERVICE

FY09 GAA	\$2,075,388,026
FY10 House 1 (adj.)	\$2,157,517,529
FY10 HWM	\$2,171,473,000
Increase (decrease) from FY09 GAA	\$96,084,974
Percentage change from FY09 GAA	4.6 %

Debt service appropriations are used to pay the interest and principal on Massachusetts’ long-term and short-term debt. The state issues bonds to help finance long-term construction projects, such as building and repairing bridges and roads. It also engages in short-term borrowing when its current expenses are greater than its current income from taxes and fees. The House Ways and Means recommendation of \$2.171 billion for debt service is a 4.6 percent increase from the FY 2009 GAA.

In total, the HWM budget recommends approximately \$14 million more for debt service in FY 2010 than was recommended by the Governor. The reason for the increase is that HWM fully funds long-term debt service at the amount requested by the Massachusetts Treasurer’s Office. This increase is reflected in the long-term debt service line item. The House Ways and Means budget includes \$26 million more in this line item than does the Governor’s budget. Part of this is due to fully funding long-term debt service, as discussed above. The other \$12 million difference is due to the inclusion of funding for the Accelerated Bridge Program. The Accelerated Bridge Program was established in August 2008 to repair structurally deficient bridges and bridges expected to become structurally deficient within the next eight years. Whereas the Governor’s budget included a new \$12 million line item to pay the principal and interest on bonds issued to

finance this program, HWM incorporates it into the long-term debt service line item.

PENSIONS

FY09 GAA	\$1,465,000,000
FY10 House 1 (adj.)	\$1,376,619,000
FY10 HWM	\$1,376,619,000
Increase (decrease) from FY09 GAA	(\$88,381,000)
Percentage change from FY09 GAA	(6.0 %)

The HWM proposal includes \$1.377 billion for state employee pensions. The proposed funding level would be \$88.4 million below the FY 2009 GAA level. This reduction in funding is a result of legislation passed in November of 2008 (Chapter 377 of the Acts of 2008), which extended the state’s pension funding schedule by two years, from 2023 to 2025.

LIBRARIES

FY09 GAA	\$34,086,834
FY10 House 1 (adj.)	\$29,157,018
FY10 HWM	\$26,616,194
Increase (decrease) from FY09 GAA	(\$7,470,640)
Percentage change from FY09 GAA	(21.9 %)

The \$26.6 million that the House Ways and Means (HWM) budget proposal recommends for libraries is a \$7.5 million decrease in funding from the FY09 GAA. The largest cuts are to Public Libraries Local Aid, reduced by \$4 million, and to Regional Public Libraries Local Aid, reduced by \$2.6 million.

Overall, the HWM proposal allocates \$2.5 million less to libraries than the Governor recommended in House 1. While the House Ways and Means budget proposes \$288,000 more in funding for talking book programs than House 1, it proposes cutting \$2.7 million more in Public Libraries Local Aid than the Governor’s recommendation. In contrast to House 1, the HWM proposal does not

give the state Board of Library Commissioners the authority to waive minimum spending requirements at the local level.

REVENUE

The House Ways and Means (HWM) budget proposal does not include any major proposals for raising revenue, but does adopt two minor revenue proposals put for the by the Governor. The HWM budget proposal:

- Grants the RMV authority to increase fees for registration and licensure. The HWM estimates this will raise \$74.5 million; and,
- Increases the state user fee on nursing homes, estimated to raise \$75 million.

However, the HWM budget does not include the other revenue proposals from the Governor’s budget, such as:

- Eliminating the sales tax exemption on alcohol, soda, and candy, estimated to raise \$150 million;
- Increasing the state tax on meals and hotels by 1 percentage point, estimated to raise \$149 million; and,
- Making non-carbonated beverages subject to a bottle deposit and, estimated to raise \$20 million.

Budget by Program Area - Summary¹

(in Millions of Dollars)

	FY 2009		FY 2010		FY 2010 HWM with adjustments vs. FY 2009 GAA	
	GAA	Current ²	H.1 with adjustments	HWM with adjustments		
BUDGET SUMMARY						
Budgeted Appropriations	30,062.2	29,468.5	30,296.7	29,277.5	(784.7)	-2.6%
<i>Line-Item Appropriations</i>	27,231.7	26,717.1	28,017.4	27,784.1	552.4	2.0%
<i>Outside Section Appropriations</i>	2,830.5	2,751.4	2,279.3	1,493.3	(1,337.2)	-47.2%
Pre-Budget Transfers³	3,118.9	2,966.9	2,975.1	2,946.7	(172.2)	-5.5%
Total Appropriations and Transfers	33,181.0	32,435.3	33,271.8	32,224.1	(956.9)	-2.9%

1. The comparisons account for changes moving programs from one department to another, and adjust the H.1 numbers for the Governor's technology and other program consolidations. All FY 2010 budget numbers include additional funding associated with ARRA.

2. The FY 2009 Current total includes funding in the GAA plus any supplementals passed during the year, less October and January cuts.

3. Prior to the appropriations process, the state allocates certain shares of tax revenue to the School Modernization Trust and the MBTA State and Local Contribution Trust, and RMV fee transfers. The transfer to the Pension Reserves Investment Trust is set by statute.

Budget by Program Area - Detail¹

(in Millions of Dollars)

	FY 2009		FY 2010		FY 2010 HWM with adjustments vs. FY 2009 GAA	
	GAA	Current ²	H.1 with adjustments	HWM with adjustments		
Education	6,951.6	6,842.7	6,981.8	6,883.3	(68.4)	-1.0%
Chapter 70	3,948.8	3,948.8	4,116.8	4,132.9	184.1	4.7%
Early Education and Care	590.1	569.5	558.2	545.1	(45.0)	-7.6%
Elementary and Secondary Education	617.1	584.7	552.4	493.9	(123.2)	-20.0%
Higher Education	1,093.5	1,037.7	1,085.3	1,070.6	(23.0)	-2.1%
School Building (pre-budget transfer)	702.0	702.0	669.2	640.7	(61.3)	-8.7%
Environment and Recreation	231.8	216.3	213.3	204.4	(27.4)	-11.8%
Agriculture	19.3	17.9	17.3	13.0	(6.3)	-32.7%
Environmental Administration	24.6	21.7	24.5	28.3	3.7	15.0%
Environmental Protection	64.8	61.6	61.0	57.8	(7.0)	-10.8%
Fish and Game	21.3	19.2	18.7	17.8	(3.5)	-16.3%
Parks and Recreation	101.8	95.9	91.7	87.5	(14.3)	-14.0%
Health Care	12,997.5	12,723.6	13,478.5	12,948.2	(49.3)	-0.4%
MassHealth (Medicaid) and Health Reform ³	10,389.7	10,215.3	10,817.4	10,464.7	74.9	0.7%
Mental Health	685.4	649.0	658.7	647.7	(37.7)	-5.5%
Public Health	594.5	563.0	543.2	484.6	(109.9)	-18.5%
State Employee Health Insurance	1,327.9	1,296.3	1,459.0	1,351.2	23.3	1.8%
Human Services	3,613.2	3,556.2	3,591.4	3,481.4	(131.8)	-3.6%
Children and Families	836.5	816.3	810.0	772.8	(63.7)	-7.6%
Developmental Services	1,271.9	1,262.3	1,283.3	1,270.4	(1.4)	-0.1%
Elder Services	238.6	228.6	234.0	214.4	(24.2)	-10.1%
Transitional Assistance	901.1	889.1	927.3	898.2	(2.9)	-0.3%
Other Human Services ⁴	365.1	359.9	336.8	325.6	(39.5)	-10.8%
Infrastructure, Housing & Economic Development	1,319.4	1,371.1	1,280.6	1,254.7	(64.7)	-4.9%
Economic Development	89.4	45.8	69.9	38.1	(51.3)	-57.4%
Housing and Community Development	150.2	147.6	136.4	117.4	(32.8)	-21.8%
Regulatory Entities	51.5	50.1	52.3	51.5	0.0	0.0%
Transportation	961.1	1,058.9	968.2	1,000.0	38.9	4.0%
Workforce and Labor	67.2	68.7	53.7	47.8	(19.5)	-29.0%
Law and Public Safety	2,488.1	2,447.8	2,448.1	2,390.2	(98.0)	-3.9%
Courts and Legal Assistance	655.1	655.6	600.3	633.2	(21.9)	-3.3%
Law Enforcement	417.0	404.8	378.2	325.1	(91.8)	-22.0%
Prisons, Probation and Parole	1,216.4	1,194.7	1,278.2	1,255.0	38.6	3.2%
Prosecutors	146.1	143.2	134.7	133.6	(12.4)	-8.5%
Other Law and Public Safety	53.6	49.6	56.6	43.2	(10.5)	-19.5%
Local Aid	1,346.7	1,218.7	1,126.8	920.6	(426.1)	-31.6%
Additional Assistance	379.8	342.9	177.5	0.0	(379.8)	-100.0%
Lottery Aid	935.0	843.9	768.6	0.0	(935.0)	-100.0%
Other Local Aid	31.9	31.9	180.7	920.6	888.7	2786.7%
Other	4,232.7	4,059.0	4,151.5	4,141.3	(91.3)	-2.2%
Constitutional Officers	96.5	92.8	81.2	78.1	(18.4)	-19.1%
Debt Service	2,075.4	2,073.6	2,157.5	2,171.5	96.1	4.6%
Executive and Legislative	69.2	57.8	67.5	64.0	(5.1)	-7.4%
Libraries	34.1	33.7	29.2	26.6	(7.5)	-21.9%
Pensions (pre-budget transfer)	1,465.0	1,313.0	1,376.6	1,376.6	(88.4)	-6.0%
Other Administrative	492.5	488.1	439.5	424.5	(68.0)	-13.8%

1. The comparisons account for changes moving programs from one department to another, and adjust the H.1 numbers for the Governor's technology and other program consolidations. All FY 2010 budget numbers include additional funding associated with ARRA.

2. The FY 2009 Current total includes funding in the GAA plus any supplementals passed during the year, less October and January cuts.

3. Includes a variety of state health programs including MassHealth, the elder pharmacy program, costs associated with health care finance, the Health Safety Net, and other costs associated with health reform.

4. 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, and certain programs within the office of the Executive of Health and Human Services.