

The Senate Ways and Means FY 2010 Budget

OVERVIEW

As the Senate prepares for its budget debate, a central question will be whether to approve a budget that relies primarily on spending cuts to close the state’s \$5 billion budget gap, or whether to adopt a budget plan that includes tax increases as well as spending cuts. The budget proposal from the Senate Committee on Ways and Means (SWM) includes close to \$3 billion in spending cuts, reliance on about \$1.5 billion in temporary federal stimulus aid, close to \$400 million drawn from reserves, and more than \$200 million in new fees. This *Budget Monitor* describes the spending reductions proposed by the SWM budget by program area, and the services that would be reduced or eliminated as a result of those cuts.

As the budget is developed, it is important to consider the long-term effects on the state economy and the residents of the Commonwealth of cuts in funding for education, for health care, for public safety or for other services. But, in addition to long-term concerns, there is a more immediate question. What would be less damaging to the economy in the short term: spending cuts or tax increases? Nobel Prize-winning economist Joseph Stiglitz and Peter Orszag, who is now President Obama’s director of the Office of Management and Budget, examined this question in an important paper. After noting that there are negative effects of both spending cuts and tax increases, they explain:

[E]conomic analysis suggests that tax increases would *not* in general be more harmful to the economy than spending reductions. Indeed, in the short run (which

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is the period of concern during a downturn), the adverse impact of a tax increase on the economy may, if anything, be smaller than the adverse impact of a spending reduction. . . . [I]f taxes increase by \$1, consumption may fall by 90 cents and saving may fall by 10 cents. Since a tax increase does not reduce consumption on a dollar-for-dollar basis, its negative impact on the economy is attenuated in the short run. Some types of spending reductions, however, would reduce demand in the economy on a dollar-for-dollar basis and therefore would be more harmful to the economy than a tax increase.¹

Economists across the country who have considered these issues have echoed this basic conclusion, noting that, given the balanced budget requirements at the state level, tax increases, particularly if they are progressive, are generally less harmful than budget cuts.²

As the nation endures the most severe recession since the great Depression, states are facing extraordinary fiscal challenges.³ Massachusetts is no exception. The \$3.5 billion dollar budget gap faced by the Governor and the House forced extremely difficult choices. Because of continuing deterioration in the national economy, tax revenue is now expected to be \$1.5 billion less in FY 2010 than estimated at the time of those budget proposals. The Senate's job is now even more difficult. Their challenge is to craft a budget that meets the state's fiscal obligations but that also creates a strong foundation for economic growth so that the Commonwealth will be able to move forward again when the recession ends.

¹ Nicholas Johnson, "Budget Cuts or Tax Increases at the State Level: Which is Preferable During a Recession?," January 12, 2009, available at

<http://www.cbpp.org/cms/index.cfm?fa=view&id=1032>.

² See Economists' Letter on State Budgets, March 2009, available at

http://www.earncentral.org/EARN_State_Budgets_Letter.pdf.

³ See <http://www.cbpp.org/cms/index.cfm?fa=view&id=711>.

EDUCATION

FY09 GAA	\$6,951,626,766
FY10 House Final (adj.)	\$6,924,168,719
FY10 SWM (adj.)	\$6,534,640,341
SWM increase (or decrease) from FY09 GAA	\$ (416,986,425)
Percentage change	-- 6%

The Senate Ways and Means (SWM) budget recommendations fund public education at \$6.535 billion, \$417 million below the FY 2009 GAA level. The SWM education budget is approximately \$389.5 million less than the final House budget funding level. The SWM budget totals above include \$336 million in federal stimulus funds, which SWM would rely upon to supplement state Chapter 70 aid as well as support to public higher education campuses.

K-12 EDUCATION

The Senate Ways and Means budget funds Chapter 70 at \$3.87 billion, a \$78 million dollar cut from the FY 2009 GAA level. The SWM budget then relies on \$180 million in ARRA funds to ensure that all school districts reach their foundation budget. After adjusting for inflation, the FY 2010 Chapter 70 appropriation (including ARRA funds) is 12.8 percent below the FY 2002 funding level.

The Senate Ways and Means budget's approach to school funding differs from the final House budget in two important ways. Most notably, the SWM budget uses a lower inflation factor, 3.04 percent, to calculate the Foundation Budget for each school district, than the final House budget. Using this inflation factor, as opposed to the 4.5 percent inflation factor used by the House, results in a statewide foundation budget approximately \$125 million below that of the House and the Governor's budget recommendation. Secondly, SWM cuts

each school district's Chapter 70 aid 2 percent from its FY 2009 GAA level. For districts where the combination of the new state aid level and required local contribution falls short of their foundation budget, ARRA funds are provided to make up the gap.

The issue of the inflation factor used to calculate district foundation budgets is important because it fundamentally affects the total amount of education spending required in a district, as well as the amount of state aid received. State law proscribes how the inflation factor is calculated each year using federal government data for the four quarters ending September 30th of the prior year, but caps the maximum inflation factor at 4.5 percent (the figure used by both the House and the Governor, because actual inflation over those four quarters was 6.7 percent). The SWM budget does not follow the calculation set forth in statute but instead uses the four quarters ending December 31st of 2008, which leads to a 3.04 percent inflation figure. The problem with this method is that it fails to reflect actual changes in costs by ignoring one quarter of cost growth. An alternative method to account for the low inflation rates of recent months, while still accounting of high inflation rates prior to that, could be to use the past 5 quarters to calculate the inflation factor. Using five quarters, the annual inflation factor would be 3.8 percent.

In the long term it is important that the full impacts of inflation on school costs be accounted for in order to meet the state's constitutional obligation to fund a foundation budget that reflects the resources required to provide an adequate education for children in the public schools.

Had the SWM budget used the 4.5 percent inflation number, it would have increased the amount of federal money necessary to bring all districts to their foundation budget by approximately \$75 million.

Like the House, the SWM budget allows school districts whose local contributions exceed the

amount called for by the formula to reduce their local contributions by 15 percent of the difference between their preliminary local contribution, and the target local contribution called for by the Chapter 70 formula.

Aside from Chapter 70, the most notable aspects of the SWM K-12 budget are substantial cuts to reimbursements to school districts for special education and regional transportation costs. The SWM budget funds the state's Special Education Circuit Breaker program at \$105.1 million, a cut of \$124.9 million from the FY 2009 GAA. The SPED Circuit breaker reimburses school districts for extraordinary special education costs. The SWM reduction would result in only approximately 30 percent of eligible costs being reimbursed. It is important to note that ARRA included approximately \$298.2 million in special education funds for Massachusetts school districts, to be distributed over 27 months. These funds could be used to offset cuts to the SPED Circuit Breaker.

The SWM budget cut transportation reimbursements to regional schools by \$30.8 million, for a recommended funding level of \$30.5 million. The final House budget provided \$50.5 million for regional transportation funding, after adding \$20 million to the funding level recommended by House Ways and Means.

For other K-12 public education programs, the SWM budget eliminates 13 and substantially cuts 17 of the 41 line items within the Department of Elementary and Secondary Education.

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 both state's Expanded Learning Time and the After-School and Out of School grant programs. The SWM budget funds the Expanded Learning Time program at just under \$14 million, a 20 percent cut from the FY 2009 GAA funding level. The SWM budget recommends \$2 million for After School and Out of School Programs, which funded services for 6,500 children in FY 2008, a cut 62 percent cut from the FY 2009 GAA level.
- Cutting kindergarten expansion grants by \$7 million from the FY 2009 GAA level, to a funding level of \$26.7 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 \$3.1 million from its FY 2009 GAA level, for a funding level of \$18.5 million. This funding provides reimbursements for suburban school districts that educate urban youth. The House budget funded METCO at \$20 million.
- Adopting the Governor's recommendation for altering the state's charter school tuition system. Under the system included in the SWM budget, the state will directly provide funding to charter schools for increases in tuition over the previous school year, as well facilities funding. Under the existing system, school districts would provide this tuition to charter schools, and then be reimbursed by the state.
- Funding the state's School Building Authority at \$490.7, a cut of \$211 million from the FY 2009 GAA level. While SWM recommends

transferring \$640 million to the SBA from the state's sales tax collections, it also recommends taking \$150 million from the state's SBA account, resulting in the \$490.7 recommendation.

- Eliminating funding for teacher quality, school internships, alternative education, gifted and talented, teaching mentoring and other programs. These programs received \$17.7 million in funding in the FY 2009 GAA.

EARLY EDUCATION & CARE

The Senate Ways and Means budget recommendations include \$536.3 million for programs administered by the Department of Early Education and Care (EEC). This amount falls \$53.8 million below the FY 2009 GAA level and \$12.3 million below the final House budget's funding level. The proposed cuts eliminate state programs for early childhood mental health and family supports.

Unlike both the House and the Governor's budget recommendations, the SWM budget does not consolidate the state's three line items that subsidize child care for low-income children into one item. The SWM budget funds these items at \$478.1 million, a cut of \$12 million from the FY 2009 GAA level; however, the SWM funding level exceeds that of the House and the Governor's recommendations by \$4 million. SWM includes \$10.4 million in ARRA funds for subsidized child care for working families. Budget language specifies that these benefits funded through ARRA could end in June of 2011.

By not consolidating the state's three subsidized child care accounts, the SWM budget would limit EEC's ability to use funds to take income-eligible children off the child care waiting list, if demand for other forms of subsidized child care is less than anticipated, as was the case in FY 2009.

The SWM budget also proposes an important policy change regarding child care for families transitioning off of TAFDC cash assistance. Currently, eligible families who are no longer in need of direct cash assistance are guaranteed subsidized child care as long as they remain income-eligible to ensure that the families can continue to move toward self-sufficiency. The SWM budget removes the “entitlement” of child care subsidy for families in the second year after receiving TAFDC cash assistance. This potentially impacts more than 11,000 children that would lose income-eligible subsidized child care.

The SWM budget adopts the Governor’s proposal to combine line items for early educator professional development, program accreditation and program coordination into one new item for “quality supports.” SWM funds this item at \$15.6 million, \$800,000 more than either the House budget or the Governor’s recommendations. This change will have a large effect on early education Community Partnership Councils (CPCs), who were previously funded out of a separate, larger line item.

The SWM budget also cuts funding to the state’s Universal Pre-K (UPK) program by \$8.1 million, for a proposed funding level of \$4 million. This funding provides quality grants to preschool classrooms to meet readiness and other standards developed by EEC, with the ultimate goal of providing access to high quality pre-school to all children in the state. Struggling school districts are prioritized for UPK grants. This cut would likely prevent the awarding of any new UPK grants and severely limit the capacity of the department to maintain existing grants.

In addition, the Senate Ways and Means budget:

- Eliminates state family support and engagement programs, which were funded at \$9.6 million in FY 2009. These programs include literacy training for at-risk children and

their parents. The final House budget funded this item at \$7.5 million.

- Eliminates early childhood mental health services funding. This program, which was funded at \$2.9 million in the FY 2009 GAA
- 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 SWM recommendation is the same as the final House appropriation amount. 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.

HIGHER EDUCATION

The Senate Ways and Means budget recommendations cut state support to higher education campuses to FY 2006 GAA levels. This reduction in state support totals \$155.9 million, a cut of approximately 16 percent from FY 2009 GAA levels. Like the final House budget, SWM relies on ARRA funds to ensure that all state higher education campuses receive the same amount in aid as in FY 2009. Due to increase in costs, however, level funding is not likely to provide the same level of services at higher education campuses.

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 \$155.9 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 2011. This means that in two years, it will cost the state \$155.9 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 2012 it will require substantial increased investment by the state just to maintain the level of education funding from the previous year. In addition, by using more than \$700 million in ARRA education funds in FY 2009 and FY 2010, less than \$300 million in state stabilization funds will remain for FY 2011.

SWM recommends eliminating separate funding for UMass' Commonwealth College honors program, which was funded at \$3.6 million in the FY 2009 GAA. Language is included in the UMass line item allowing funds to be spent on Commonwealth College, but no specific earmark is recommended.

The SWM budget reduces scholarship funding by \$14.1 million, to \$84 million. SWM adopts the Governor's budget recommendation to consolidate two of the state's scholarship line items. In the SWM budget funding for the state's McNair scholarship, which provides financial assistance to students that meet financial or physical disability conditions, is transferred to the Massachusetts Educational Financing Authority (a quasi-governmental agency). The SWM budget eliminates \$65.3 million scholarship earmarks contained in the FY 2009 GAA. These earmarks included specific scholarships for community college access, early childhood educators, and public school paraprofessionals. The SWM budget does not necessarily propose eliminating these

scholarships, but does not recommend earmarking their funding.

The SWM budget also cuts funding to the Department of Higher Education by \$4.7 million, to \$2.4 million. This 66 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.

The SWM budget does include \$2.5 million in funding for Tufts Veterinary School. While this recommendation is less than half of the FY 2009 GAA appropriation of \$5.25 million, it far exceeds the final House appropriation of \$500,000. The Governor recommended eliminating all state support for the Tufts Veterinary School.

ENVIRONMENT & RECREATION

FY09 GAA	\$ 231,760,575
FY10 House Final (adj.)	\$ 208,607,745
FY10 SWM (adj.)	\$ 196,464,753
SWM increase (or decrease) from FY09 GAA	(\$35,295,822)
Percentage change	-- 15%

The Senate Ways and Means Committee (SWM) recommends \$196.5 million in funding for the state's environmental programs for FY 2010. This level is \$35.3 million, or 1.5 percent, below the FY 2009 General Appropriations Act (GAA). The SWM recommendation is \$16.8 million below the Governor's recommendation and \$12.1 million lower than the amount recommended by the House.

The SWM budget follows the recommendations in the Governor's budget (House 1) and the House's final budget to create a new account for Information Technology (IT) within the Executive Office of Energy and Environmental Affairs

(EOEEA). The SWM budget recommends providing \$9.2 million for this account by transferring technology funding from other accounts within EOEEA's departments. The SWM funding level for IT is only slightly less than the \$9.3 million recommended by the Governor and the House. While the SWM 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 those in the Governor's and House proposals (but because we cannot know for sure, these are estimations).

In addition to creating the new IT account within EOEEA, the SWM budget makes a number of other recommendations, including:

- Reducing funding for recycling coordination to \$514,001, which is \$1.6 million lower than the FY 2009 GAA. While a portion of money from this account was transferred to the IT line item, the SWM recommendation is lower than the Governor's by \$4.2 million (see the *Budget Monitor* on House 1, which describes the Governor's proposal to expand the bottle bill and to dedicate \$5 million of that additional money to fund recycling centers, at <http://www.massbudget.org/doc/650>). The SWM level is also \$725,000 lower than the House budget. The SWM budget, however, recommends that its \$275,000 in funding for redemption centers be kept in a separate account, while the House recommends merging that program in with the recycling centers.
- The House recommends reducing funding for the Environmental Police to \$9.7 million, which is \$1.5 million below the FY 2009. Even though some of the funding for this program is transferred to the new IT account, it is still \$500,000 lower than both House 1 and the House budget.

DEPARTMENT OF ENVIRONMENTAL PROTECTION

The SWM budget recommends providing \$55.4 million in funding for the Department of Environmental protection, or \$9.4 million less than the FY 2009 GAA and \$6.4 million less than the state spent after the Governor made about \$4 million in 9C cuts in FY 2009. The recommendations the SWM include:

- Reducing funding for Hazardous Waste Site Cleanup by \$2.2 million from the FY 2009 GAA. Again, the SWM recommends transferring some money from this program to the new IT account, yet it is still \$2 million below the Governor's recommendation and \$1.4 million lower than the House proposal.
- Cutting funding for the state's Brownfield audit program, which is almost \$500,000 less than the FY 2009 GAA but the same as the recommendations made by the Governor and the House.

DEPARTMENT OF FISH & GAME

The SWM budget recommends providing \$17.8 million for the Department of Fish and Game, which is \$3.5 million less than the FY 2009 GAA and \$1.4 million less than the state spent on these programs after the Governor made \$2.1 million in 9C cuts. The SWM proposal is about \$200,000 less than the budget passed by the House. The major difference between the SWM proposal and the House budget is that SWM recommends eliminating the Endangered Species program, which the House funded at \$200,000. The Governor recommended providing level funding for this program at \$250,000.

DEPARTMENT OF AGRICULTURE

The SWM budget recommends providing the Department of Agriculture with \$13.4 million in funding. This is \$5.8 million less than the FY 2009 GAA. It is also almost \$4 million less than the Governor's recommendation and \$3.6 below the proposal passed by the full House. In its Agriculture budget, SWM recommends:

- Cutting state assistance to food banks by \$3.6 million to \$8.4 million. The House and the Governor both recommended providing the food banks with level funding at \$12 million.
- Eliminating the Agricultural Innovation Center, which received \$1.5 million in funding in the FY 2009 GAA. The Governor eliminated this program in his October 9C cuts, and neither House 1 nor the House proposal recommended restoring this program.

DEPARTMENT OF CONSERVATION & RECREATION

The SWM budget recommends providing \$82.8 million to the Department of Conservation and Recreation (DCR) to fund state parks and recreation programs. This is \$18.9 million lower than the FY 2009 GAA and \$8.9 million lower than the Governor's budget proposal. The SWM recommendation is also \$4.7 million lower than the House proposal.

In his budget, the Governor recommended merging all of DCR's funding for parks, beaches, pools, roadways and dams into a single account. While the SWM proposal does not mirror the Governor's recommendation, it follows the House proposals and merges several programs. The SWM budget recommends:

- Merging the three different parks programs (State Parks, the Urban Parks and the Central Artery Parks) into a single program and providing \$46.6 million in funding. This is \$4.3 million less than the amount the Governor recommended and \$1.6 million less than the

House proposal. The SWM budget is almost \$5.7 million less than the amount the state spent on its parks in FY 2009.

- Mirroring the House recommendation by merging the summer jobs programs and money for state pools into the DCR beaches account. The SWM recommends funding this account at \$13.1 million, which is \$1.5 million less than the House recommended and \$2.4 million below both the Governor's proposal and the amount the state spent in 2009.
- Maintaining funding for parkways lighting and snow and ice removal in separate accounts and providing \$5.8 million into these activities. The House proposed merging these activities into a single account and provided \$6.6 million which is \$800,000 more than the SWM recommendation. The SWM budget is \$1.6 million less than the state spent in FY 2009 on maintaining these roadways. As is often the case, the state spends more on maintaining its parkways than the fiscal year GAA appropriation, and DCR often has to ask the Legislature for additional funds for snow and ice removal over the course of the year.
- Providing the Dam Safety Office with \$427,000, which is slightly lower than the House recommendation of \$528,000. While this level is significantly less than the \$1.2 million appropriation the office received in FY 2009, after the Governor's 9C cuts, the state spent slightly more than \$500,000 on dam safety over the course of the current fiscal year.

HEALTH CARE

FY09 GAA	\$ 12,997,543,817
FY10 House Final (adj.)	\$ 13,204,958,642
FY10 SWM (adj.)	\$ 12,519,593,383

SWM increase (or decrease) from FY09 GAA	(\$ 477,950,434)
Percentage change	-- 3.7 %

The Senate Ways and Means (SWM) budget proposal recommends \$12.52 billion for health care. This total includes \$10.056 billion for MassHealth (Medicaid) and health reform,⁴ \$637.7 million for mental health services, \$476.1 million for public health, and \$1.35 billion for state employee health insurance. Given that health care costs grow faster than inflation, this budget proposal is \$478 million less than funding in the FY 2009 GAA, and hundreds of millions of dollars short of what would be necessary to continue FY 2009 services on at the same level into FY 2010. In other words, the

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, MassHealth totals now also include the funding for the Essential Community Provider Trust. Funding for health reform includes 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 Health Care Quality and Cost Council, and the costs of certain health care cost containment initiatives.

SWM budget proposes deep cuts in the Commonwealth's health care spending.

It is also important to keep in mind that cuts to the MassHealth program in particular -- or to other health care programs that are eligible for Medicaid reimbursement -- have significant impacts on revenues supporting the Commonwealth's budget. Because of the American Recovery and Reinvestment Act (ARRA, the federal stimulus bill), for Fiscal Year 2010, Massachusetts receives an enhanced federal Medicaid reimbursement rate. Accordingly, for every state dollar saved from the MassHealth program in FY 2010, the Commonwealth loses on average \$1.60 in federal revenues.

MASSHEALTH (MEDICAID) & HEALTH REFORM

The SWM budget proposes \$10.056 billion for MassHealth and health reform. This is \$333.9 million less than in the FY 2009 General Appropriation Act (GAA), and \$517 million less than proposed by the House.

There are several significant cuts to the MassHealth program that are not obvious from just looking at the funding. Included in the budgetary language in the SWM proposal is the elimination of non-emergency adult dental services from the program. Adult dental services were first cut from the program in 2003, but they were restored with the passage of the state's health reform law in 2006.

Also eliminated by the SWM proposal is funding for adult day habilitation services which provide support for people with developmental disabilities. There are estimates that this may be a cut of as much as \$110 million in services for these 6,500 adults, most of whom have significant cognitive impairments. When coupled with proposed cuts to the services of the Department of Developmental Services (see below), the elimination of this benefit means a significant reduction in services for this vulnerable population.

Another significant cut within the SWM budget proposal is language stating that the Commonwealth Care program would no longer be available to people who “are not citizens of the United States.” There is some indication that this language may be far more restrictive than intended by SWM, since this would prohibit certain legal immigrants -- many of whom are currently legally entitled under federal law to receive Commonwealth Care program benefits -- from receiving health insurance from the Commonwealth Care program. The SWM budget anticipates that eliminating these 28,000 “aliens with special status” (as apparently intended) from the Commonwealth Care program would reduce costs by \$128 million.

MassHealth (Medicaid) and Health Reform				
<i>(in Millions of Dollars)</i>				
	FY 2009 GAA	FY 2010 H.1	FY 2010 House	FY 2010 SWM
MassHealth (Medicaid)				
MassHealth line item appropriations	8,617.8	9,511.3	9,237.8	8,944.7
Essential Community Provider Trust	25.0	0.0	0.0	0.0
Sub-Total	8,642.8	9,511.3	9,237.8	8,944.7
Health Reform and the Health Safety Net				
Pharmacy Program	57.5	45.0	45.0	30.0
Health Care Finance & Other Initiatives	26.2	19.8	23.5	19.6
Commonwealth Care Trust (outside section)	1,117.6	697.3	742.3	557.5
Commonwealth Care Trust (pre-budget)	174.6	145.0	145.0	105.0
e-Health Institute Trust	25.0	0.0	0.0	0.0
Medical Assistance Trust	346.0	399.0	379.0	399.0
Sub-Total	1,746.9	1,306.1	1,334.9	1,111.1
Total	10,389.7	10,817.4	10,572.7	10,055.8

FY 2010 H.1 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 SWM budget includes funding for children’s behavioral health in a new line item. This program, established as a result of a legal settlement (*Rosie D. v. Romney*) provides universal pediatric mental health screening, and services for children identified with significant mental health needs. Although these services received \$25 million in the FY 2009 GAA, because the program is just getting started, there were estimates that the FY 2010 budget might need as much as \$75 million to adequately serve this population. The SWM proposes \$43.5 million for these services.

Like the House, SWM proposes \$17.2 million for the Healthy Start program, which provides health care to otherwise uninsured low-income pregnant women and newborns. SWM and the House budgets also both fund the Children’s Medical Security Plan at \$14.2 million, but unlike the House and the Governor, the SWM proposal does not include language which would allow the program to expand benefits that are currently restricted by the program’s statute.

The SWM budget also funds a separate MassHealth Senior Care Plans line item as in past years, and does not follow the Governor’s recommendation to consolidate the administration of these programs within the Office of Medicaid. Instead, they remain under the Executive Office of Elder Affairs. The SWM budget funds the Senior Care Plans at \$2.093 billion, \$65.4 million less than in the FY 2009 GAA. Unlike the House, the SWM budget does not include language with specific funding for long-term care pre-admission counseling and assessment. The SWM budget also does not include spouses in the definition of caregivers eligible for participation in the “Caring Homes” initiative which supports persons caring for elders in their homes in order to delay or prevent nursing home placement.

The SWM budget also does not include funding for the Community First initiative, a Medicaid waiver program designed to support community-based long-term care for elders and adults with disabilities who might already be living in institutional facilities, or who might be at risk of institutional care. Although this particular Medicaid waiver has not yet been approved by the federal government, there was \$20 million appropriated for this initiative in FY 2009, an estimated \$6.5 million spent, and these funds have been part of a larger initiative to support long-term care in community-based settings.

Like the Governor and the House, the SWM budget increases fees on nursing home providers by \$75 million, from \$145 million to \$220 million. The language in the SWM budget proposal does not include recommendations for the use of the increased federal reimbursement that would be generated by this new assessment, whereas the House budget recommended using these funds for nursing home incentive payments.

The SWM budget -- like the House -- does not include funding for MassHealth outreach and enrollment grants. These grants, which provide funding for community agencies to assist persons in low-income communities with health insurance enrollment, were funded at \$3.5 million in the FY 2009 GAA. Over the course of FY 2009, the Commonwealth Health Insurance Connector and the Mass. Health Education and Finance Authority were asked to assume \$2.5 million of these costs. The SWM budget proposal includes language that would require these agencies to continue paying for these grants at that level.

The SWM budget does not include funding for primary care workforce development, funded at \$1.7 million in the FY 2009 GAA and also included in the House budget proposal. One of the challenges in the implementation of the Commonwealth's health reform has been the limited availability of primary care providers, particularly in certain areas of the state. This program provides funding for community health centers to develop financial incentives and recruitment strategies to encourage medical professionals to choose primary care.

The Prescription Advantage program in the SWM budget receives \$30 million, compared to \$45 million in the House budget and \$57.5 million in the FY 2009 GAA. This health care safety net program provides prescription drug assistance for low-income elders and adults with disabilities who cannot otherwise afford to pay for medications.

Throughout the budget process, the Governor, the House, and now the Senate have differed on their recommendations for the structure and organization of the MassHealth program. The Governor had recommended significant reorganization and consolidations within the MassHealth program. The House rejected some of these suggestions, and SWM rejects even more. For example, the SWM budget returns to a funding structure that funds MassHealth according to particular program (for example, the MassHealth HIV plan, the MassHealth Essential Program, the MassHealth Basic Program) rather than by type of payment. (The Governor and House had recommended consolidating some of the programs under a "MassHealth Primary Care" account.)

The SWM budget also recommends consolidating information technology costs for all the health and human service programs as did the House and the Governor, and includes these consolidated costs within the Executive Office of Health and Human Services. (We include these costs in our MassHealth total.)

MENTAL HEALTH

Funding for mental health services in the SWM budget drops to \$637.7 million, a \$47.7 million, or 7 percent, cut from FY 2009 GAA funding levels. This is a further \$13.4 million cut from the amount recommended by the House.

The SWM follows the Governor's recommendation to consolidate mental health funding, combining four of the five adult mental health line items into one. Together, the SWM budget recommends \$368.5 million for community-based adult mental health services, a 5 percent (\$20.5 million) cut from funding in the FY 2009 GAA. This final House budget recommended \$73.1 million for adult mental health services. The SWM budget also cuts funding for inpatient facilities and community-based residential adult mental health services,

recommending only \$169.9 million, compared to \$181.9 million in the FY 2009 GAA.

The SWM budget also dramatically cuts children's and adolescents' mental health services, recommending \$69.7 million for these community-based services, a \$6.5 million cut from the FY 2009 GAA which is a 9 percent drop. Although the budget language includes mention of the Child Psychiatry Access Project, which provides psychiatric consultations to primary care providers, but does not provide a specific funding level.

PUBLIC HEALTH

The SWM budget recommends \$476.1 million for public health funding, a 20 percent cut from funding at the beginning of Fiscal Year 2009. 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. The SWM public health budget is 7 percent below the levels recommended in the final House budget. Even if we estimate that this total reflects approximately \$8 million in technology costs shifted from the Department of Public Health into the Executive Office of Health and Human Services, the cuts to public health programming are still dramatic.

Funding for public health hospitals totals \$159.4 million in the SWM 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 \$159.8 million in the House budget proposal.

Community-based public health programs, however, are particularly hard hit by cuts in the SWM budget. Total non-hospital based public health funding is \$311.5 in the SWM 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 FY 2010 House total recommendation for community-based public health programs was \$342.8 million.

One of the strategies built into the SWM budget to cut costs to the state is to shift certain expenses. In funding for immunizations, the SWM budget includes language requiring health insurance companies to pay for the costs of purchasing and distributing childhood vaccines. Similarly, in the early intervention program, there is language shifting certain costs of the program to health insurance providers (see discussion below.)

The programs that are hardest hit in the SWM budget include:

- Youth violence prevention programs, which receive no funding in the SWM budget proposal. In the FY 2009 GAA, these programs received \$9.3 million.
- Smoking prevention services, which are cut from \$12.8 million in the FY 2009 GAA to \$5 million in the SWM budget. This 61 percent cut is the lowest level of funding for smoking prevention since FY 2006.
- Family health services, which receive \$4.8 million in the SWM budget, a \$2.9 million (38 percent) cut from the FY 2009 GAA.
- Sexual assault services are cut by \$2.3 million, from \$6.4 million in the FY 2009 GAA to \$4.1 million in the SWM budget.
- Substance abuse services, which are funded at \$63.5 million in the SWM budget, a 30 percent reduction from funding in the FY 2009 GAA. With such a significant reduction in state funding for these services, there is a serious risk that the Commonwealth might be jeopardizing matching federal funding. This, in effect, would double the impact of the SWM proposed budget cut.

- School health services are funded at \$13.4 million, a 23 percent cut from the FY 2009 GAA.
- Early intervention services receive \$23.1 million in the SWM budget. This is a total of \$26.4 million less than in the FY 2009 GAA and represents a significant cut in services for developmentally delayed infants and toddlers. However, there are some important shifts in funding for this program that make a direct comparison difficult. In FY 2010, the House and SWM budget proposals both recommend shifting a portion (approximately \$8.2 million) of early intervention costs into the MassHealth budget, in order to capture federal Medicaid reimbursement for eligible program participants. Presumably, the \$7 million earned and spent by the program in FY 2009 for Medicaid-eligible children would also shift into the Medicaid budget. Furthermore, the SWM budget includes language that would lift a cap that currently limits the early intervention benefits paid for by health insurance. Even with the shifts in funding to MassHealth and to other insurance, the early intervention funding proposal is inadequate to support the needs of these vulnerable young children. Added to this concern is that if the Commonwealth does not provide sufficient state funding for early intervention services, close to \$11 million in federal revenue for early intervention services would be at risk.

STATE EMPLOYEE HEALTH INSURANCE

The SWM budget recommends a total of \$1.35 billion for state employee health insurance costs, \$102.9 million less than in the FY 2009 GAA, accounting for certain adjustments. This includes approximately \$950.3 million in funding for employees who participate in the Group Insurance Commission (GIC), \$27.7 million for other employees, and \$372 million transferred to the State Retiree Benefits Trust.

The majority of Group Insurance Commission (GIC) appropriations are spent on one account, which covers the cost of providing benefits to current employees and some retirees. The SWM budget recommends \$860 million for this account, the same as recommended by HWM prior to floor debate which added an additional \$119.1 million.

The most significant issue in the SWM budget proposal is a shift of \$148 million of costs onto state employees. The SWM budget recommends that all current state employees contribute 30 percent of their health insurance premiums. 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. In the SWM proposal, all state employees would pay 30 percent of their premiums. The final House budget, in contrast, recommended that current state employees would pay 20 percent of their premiums, and any new employee hired after June 30, 2009 would pay 30 percent.

Also included in the FY 2010 budget total are the costs associated with health care for certain municipalities that are now joining the GIC in order to participate in the state's employee health insurance system. In July 2007, a new law was enacted allowing 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.

Fifteen municipalities are expected to join the GIC in FY 2010. The GIC anticipates spending approximately \$120 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. There are estimates that the costs of health insurance premiums for these employees will increase by \$5 million in FY 2010. In addition, SWM budget transfers funds from the

GIC budget to a new technology line item. As with the House budget, the SWM budget reflects the savings due to a transfer of approximately \$1.3 million that in FY 2009 would have been included in the GIC budget.

HUMAN SERVICES

FY09 GAA	\$3,613,210,612
FY10 House Final (adj.)	\$3,521,755,243
FY10 SWM (adj.)	\$3,404,455,460
SWM increase (or decrease) from FY09 GAA	(\$208,755,152)
Percentage change	-- 6 %

The Senate Ways and Means (SWM) budget proposal recommends \$3.4 billion for human service programs. This proposal is 6 percent below the FY 2009 total.

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

The SWM budget recommendations include \$790.5 million for programs administered by the Department of Children and Families (DCF), formerly the Department of Social Services. This appropriation is \$46 million, or 5 percent, below the FY 2009 appropriation.

Specifically, the SWM budget:

- Allocates \$301.5 million for family stabilization services administered by the Department of Children and Families (formerly the Department of Social Services). Unlike the previous proposals, which did not specify whether ARRA funds would be included in this account, the SWM indicates that \$5.6 million would be allocated to this account from that source. Despite this infusion of federal funds, the recommendation falls \$12.3 million short of the FY 2009 GAA, \$1.7 million short of the final

House proposal, and \$10 million short of the amount likely needed to maintain current services.

- Allocates \$20.8 million for shelters and support services for people at risk of domestic violence, an 11 percent cut from the amount that is likely needed to maintain current services. This recommendation is \$2.6 million below the FY 2009 GAA and \$1.1 million below the final House proposal.
- Allocates \$155.3 million for social workers. Although this recommendation is \$2.3 million more than the House allocated, it is still \$1.9 million below the FY 2009 GAA.

DEPARTMENT OF TRANSITIONAL ASSISTANCE

The SWM budget includes \$875.4 million for programs administered by the Department of Transitional Assistance (DTA). This allocation is \$25.7 million below the FY 2009 GAA.

Like the House, the SWM budget reflects the reorganization recommended by the Governor that moves homeless assistance from the Department of Transitional Assistance (DTA) to the Department of Housing and Community Development (DHCD).

Specifically, the SWM budget:

- Adopts the House and Governor’s proposal to transfer \$4.8 million from a line item that funds DTA caseworkers to a new account within DHCD to provide services to homeless families and individuals.
- Recommends funding the Emergency Assistance program, which provides shelter services to homeless families, at \$82.6 million, which is \$11 million below the House level and \$7.8 million below the Governor’s recommendation. This amount is well below the \$113 million that state estimates it will

spend on this program in FY 2009.

- Recommends \$37.4 million in funding for shelters and assistance for homeless individuals. Like the Governor's budget, the SWM recommends merging the \$1.2 million appropriation for the Home and Healthy for Good Program into this account. The final House budget, however, keeps this program, which provides assistance to chronically homeless individuals and families, funded in a separate line-item at \$1.2 million.

The SWM proposal reduces funding for other programs administered by DTA as well. The proposal includes:

- \$23 million for the Employment Services Program (ESP) administered by the Department of Transitional Assistance. This recommendation is \$4.7 million, or 17 percent, below the FY 2009 GAA, and \$1.5 million below the final House proposal.
- \$74.7 million for Emergency Aid to Elderly, Disabled and Children. This appropriation is \$2.2 million above the FY 2009 GAA but still more than \$10 million below the amount likely needed to maintain current services. The SWM proposal falls \$10 million short of the final House proposal.

The SWM proposal includes \$308.1 million for grant payments for families that qualify for Transitional Aid to Families with Dependent Children (TAFDC), a \$5.3 million, or 2 percent, increase over the funding in the FY 2009 GAA. However, the funding level is \$2.4 million below the final House proposal and \$5 million below estimated maintenance levels.

DEPARTMENT OF DEVELOPMENTAL SERVICES (FORMERLY DEPARTMENT OF MENTAL RETARDATION)

The SWM budget proposal includes \$1.2 billion for programs administered by the Department of Developmental Services (formerly the Department of Mental Retardation). This allocation is \$62.5 million, or 5 percent, below the FY 2009. The SWM includes:

- \$92 million for community-based day and work programs administered by the Department of Developmental Services (formerly the Department of Mental Retardation). This funding level falls \$37.2 million short of the FY 2009 GAA and \$30.7 million short of the final House proposal.
- \$164.4 million for state facilities for people with developmental disabilities, a reduction of \$23.2 million, or 12 percent, below the FY 2009 GAA. This cut likely reflects the plan to close the Fernald Development Center in Waltham by the end of 2009, where about 160 people currently reside. However, some portion of the savings would be offset by the costs of caring for these people in community-based settings.
- \$23.5 million for respite services for family members, a reduction of \$32.6 million, or 58 percent, below the FY 2009 GAA.

ELDER SERVICES

The SWM budget includes \$209.3 million for programs administered by the Executive Office of Elder Affairs. This allocation is \$29.3 million below the FY 2009. The SWM proposal recommends:

- Funding elder purchased service home care programs at \$177.7 million, a 12 percent reduction from funding in the FY 2009 GAA. This funding recommendation falls short of what would be necessary to maintain current

- levels of service by more than \$31 million.
- Funding elder protective services at \$16.3 million, almost the same as in the FY 2009 GAA. Nevertheless, this budget recommendation is still below estimated maintenance levels.
- Funding elder housing programs at \$5.5 million, \$1.9 million less than in the FY 2009 GAA.

OTHER HUMAN SERVICES

The SWM budget includes \$319.8 million for “Other Human Services.” This allocation is \$45.4 million, or 12 percent, below the FY 2009 GAA.

“Other Human Services” includes numerous departments, including Veterans Affairs, the Soldiers’ Homes, Massachusetts Commission for 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.

Roughly half of the reduction in “Other Human Services” spending reflects the SWM 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.

The SWM budget includes:

- \$25.9 million for the Massachusetts Commission for the Blind, \$4.2 million below the FY 2009 GAA and \$2 million below the final House proposal. Some portion of this reduction, however, reflects the proposal to shift IT costs to a new line item that is outside the MCB budget.
- \$100.1 million the Department of Veterans’ Services and the Soldiers’ Homes in Chelsea and Holyoke. This appropriation is \$3.5 million above the FY 2009 GAA and 500,000 below the final House proposal.

INFRASTRUCTURE, HOUSING & ECONOMIC DEVELOPMENT

FY09 GAA	\$ 1,319,409,843
FY10 House Final (adj.)	\$ 1,581,740,129
FY10 SWM (adj.)	\$ 1,196,187,647

SWM increase (or decrease) from FY09 GAA	(\$123,222,196)
Percentage change	-- 9.3 %

INFRASTRUCTURE

The Senate Ways and Means budget proposes \$986.3 million in transportation spending. Of this, \$767.1 million is sales tax revenue dedicated to the MBTA, down \$950,000 from FY 2009.

The SWM budget proposes a substantial cut of \$13.2 million in state support to Regional Transportation Authorities, for a funding level of \$44.7 million. The proposed reduction of 23 percent in state assistance could result in reduced services and/or higher user fees in many areas of the state with limited transportation options.

The SWM budget reduces funding to the Registry of Motor Vehicles (RMV) by \$165 million, for a funding level of \$41.4 million. However, some portion of this reduction is the result of transferring

RMV technology costs to a new line item. The SWM budget adopts a provision included in the Governor's budget recommendation and in the final House budget that allows the RMV to contract with private entities, like AAA, to provide registration and other services. The SWM budget also eliminates language in the Massachusetts General Laws which set forth the fee structure for car registration and licensure. While the SWM budget does not propose specific increases to these fees, as the Governor did, the SWM budget assumes the same \$82 million in new RMV revenue. The HWM budget does adopt the Governor's proposal to allow the RMV to retain \$6.4 million in revenue to help transition the state to more secure drivers' licenses.

HOUSING

The SWM budget recommends funding state housing programs at \$104.8 million, which is \$45 million, or 30 percent, below the FY 2009 GAA. The SWM recommendations are also \$31.6 million below House 1 and \$35.5 million below the House final.

The SWM seeks to restore at least some of the cuts it makes to housing programs by proposing that some of the state's independent housing agencies take over some or all of the funding for housing assistance programs. In Outside Section 73, the SWM budget directs a number of these quasi-public agencies to continue their commitments provide funding for some of the programs that they began to provide when the Governor made his 9C cuts in October.

For instance, the SWM budget recommends:

- Cutting the Massachusetts Rental Voucher Program (MRVP) to \$18 million, which is \$15 million below the FY 2009 GAA. The SWM budget recommends that Mass Housing, which absorbed \$2.5 million in 9C cuts that the Governor made in October 2008, continue its commitment to MRVP by providing \$2.5 million to support these vouchers in FY 2010. Despite this additional funding, MRVP will receive a \$10 million cut from the FY 2009 GAA and is still almost \$13 million below the amounts recommended in House 1 and the House budget.
 - Eliminating the Soft Second Mortgage program, which provides assistance to first-time homebuyers who are low-income. The FY 2009 GAA provided \$5.8 million and both House 1 and the House proposed \$2.8 million in funding for this mortgage assistance program. The SWM recommends the Massachusetts Housing Partnership (MHP), which provided \$2 million to offset the 9C cuts that the Governor made to this program in October 2008, provide another \$2 million in FY 2010.
 - Eliminating \$4.5 million in interest subsidies to private developers of affordable housing. The Governor eliminated this program during his October 2008 9C cuts and the Massachusetts Housing Finance Authority (MassHousing) agreed to fund the program. Neither the Governor nor the House recommended restoring this program in FY 2010. The Senate also does not restore funding but it recommends that MassHousing continue its \$4.5 million commitment to providing interest subsidies to affordable housing developments in FY 2010.
- In other housing programs, the SWM recommends:
- Reducing subsidies for Public Housing authorities to \$62 million, which is a 7 percent, or \$4.5 million cut, from the FY 2009 GAA. This funding level is also about \$9 million lower than the amount included in the House 1 and House budget recommendations.
 - Providing \$2 million for the Residential Assistance for Families in Transition, which is

\$3.5 million lower than the FY 2009 GAA appropriation of \$5.5 million. The SWM budget also recommends reducing financial assistance to no more than \$2,000 to each family. The FY 2009 budget limits funding per family to \$3,000. Both the Governor and the House recommended providing level-funding for this program, which helps homeless families move into permanent housing.

- Cutting funding for the voucher program for Department of Mental Health Clients by \$1 million and for elderly and disabled tenants by \$550,000. Both the Governor and the House recommended level funding for these two voucher programs at \$4 million.
- Joining the House in eliminating 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.
- Eliminating earmarks in the account that provides administrative funding for the Department of Housing and Community Development (DHCD) and providing the department with \$6.9 million for FY 2010. This amount is \$5.4 million lower than the FY 2008 GAA and is about \$800,000 lower than the Governor's recommendation. The funding level is not much lower than the \$7.2 million recommended by the House.

(For a discussion of state homelessness services, please go to Department of Transitional Assistance section under Human Services.)

ECONOMIC DEVELOPMENT

The Senate Ways and Means budget proposes \$54.3 million in spending for workforce, labor and

economic development programs, a cut of \$102.3 million (65 percent) from the FY 2009 GAA. The final House budget included \$105.5 million in workforce and economic development funding.

The substantial cuts to economic development include the proposed elimination of a state program that provides summer jobs for at-risk youth. This program was funded at \$8.1 million in the FY 2009 GAA. While the House Ways and Means budget recommendations also eliminated the summer jobs program, \$8 million in funding was included in the final House budget.

The SWM budget also eliminates state funding for a streamlined permitting program, the Massachusetts International Trade Council, and the Office of Small Business and Entrepreneurship. In all three cases, support for these programs was transferred to quasi-governmental agencies that are not included in the state budget.

The SWM budget funds the state's Office of Travel and Tourism at \$6.5 million, a cut of \$30.6 million from the FY 2009 GAA. The cut is a result of the elimination of more than local earmarks that funded a wide range of tourism projects.

The SWM budget eliminates \$9.9 million in funding for the state's Cultural Facilities Fund and the Science, Technology, Engineering and Math grant fund. Neither of these programs received funding in the final House budget.

The SWM budget also recommends eliminating state support for regional tourist councils, funded at \$9 million in the FY 2009 GAA. Regional tourist councils received \$6 million in funding in the final House budget.

The SWM budget includes substantial cuts to the state's labor and workforce development programs. Most notably, the SWM budget proposes cutting state support of workforce training to \$5 million, a cut of \$16 million from the FY 2009 GAA level.

These funds help employers retain workers and increase productivity through retraining. The final House budget level funded Workforce Training grants at \$21 million. The SWM budget also proposes eliminating \$11 million earmarks for local workforce programs around the state. The House funded these workforce training surplus grants at \$1.4 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 Final (adj.)	\$ 2,463,476,368
FY10 SWM (adj.)	\$ 2,337,144,547

SWM increase (or decrease) from FY09 GAA	(\$150,986,783)
Percentage change	-- 6.1%

The Senate Ways and Means (SWM) budget recommends \$2.337 billion for Law & Public Safety, approximately \$111 million less than was appropriated in the FY 2009 GAA. The final House budget included \$2.463 for these programs.

PROSECUTORS

The SWM budget provides \$85.5 million for the state’s 11 district attorney’s offices. This proposed funding level represents a cut of 8 percent from its FY 2009 GAA. These cuts are slightly larger (approximately 1 percent) than those in the House budget. The state police overtime account for each DA office is cut between 10 and 12 percent in the SWM budget, for a total funding level of \$3.9 million; this is identical to the funding level in the final House budget. 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 House budget, the Senate 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 Senate 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 SWM budget recommends \$309.6 million for law enforcement, a \$91.8 million or 25 percent cut from the FY 2009 GAA appropriation of \$417 million. In comparison, the final House budget includes \$363.5 million for law enforcement.

SWM eliminates funding for the Quinn Bill. The Quinn Bill, which reimburses communities for career incentive payments to police officers, was not included in the HWM budget, but is funded at \$25 million in the final House budget.⁵

The SWM 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 final House budget includes \$11.8 million for Shannon Grants and community policing, but did provide funds for municipal police grants.

The Shannon Grant Program distributes grants to communities to reduce gang and youth violence through prevention and intervention, and funds

⁵ Career incentive payments are salary increases for police officers based on continuing education. Officers accrue points based on coursework and degrees attained. Point totals and other measures of educational attainment trigger salary increases.

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.

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.

The community policing grants (also called local law enforcement assistance) received \$21.4 million in the FY09 GAA. These grants are distributed to cities and towns for community policing activities and programs.

The SWM budget proposes \$5 million for state police overtime costs. This proposal equals the FY 2009 GAA funding level, however neither the House budget nor the Governor’s budget recommendations included separate funding for state police overtime.

PRISONS, PROBATION & PAROLE

The SWM and the final House budgets recommend 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 SWM 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.

In total, the SWM budget recommends \$475.3 million in funding for the state’s sheriff’s departments. This recommendation is \$1.2 million below the final House budget. Both the House and the Senate Ways and Means budget cut sheriff

spending by 10.3 percent from the FY 2009 GAA level.

COURTS & LEGAL ASSISTANCE

The Senate Ways and Means budget reduces funding for Courts & Legal Assistance by \$57 million, or 9.5 percent, from \$655.1 million in the FY 2009 GAA to \$598.1 million. The final House budget provides \$649.3 million for courts and legal assistance.

The SWM budget proposes a 3.4 percent cut to the state’s trial court system, which received \$435.3 million in the FY 2009 GAA. Like the House budget, SWM proposes consolidating many line items within the Trial Court budget and recommends a total of \$410.2 million. The final House budget funds the Trial Court at \$420.6 million. Specifically, instead of funding a separate line item for each individual court in the state, the SWM budget includes one line item for juvenile courts, one line item for housing courts, etc. Both the final House budget and the Governor include these consolidations.

The SWM budget cuts funding for the Massachusetts Legal Assistance Corporation by \$5 million dollars from the FY 2009 GAA level, a 45 percent cut. Funding for Mental Health Legal Advisors was also cut \$68,000, a cut of 14 percent from its FY 2009 GAA level. Both of these programs provide legal services for low income citizens, and in the case of Mental Health Legal Advisors, citizens with mental illnesses.

LOCAL AID

FY09 GAA	\$ 1,346,688,719
FY10 House Final (adj.)	\$ 1,125,563,412
FY10 SWM (adj.)	\$ 858,331,390
SWM increase (or decrease) from FY09 GAA	(\$488,357,329)

Percentage change **-- 36.3%**

The Senate Ways and Means (SWM) budget recommends \$843.9 million in discretionary local aid to cities and towns, a cut of \$484.9 from the FY 2009 GAA level. This cut represents an across-the-board cut of 36.8 percent in Lottery Aid and Additional Assistance to cities and towns from the FY 2009 GAA level. The SWM proposal is \$264.2 million less than the final House budget appropriation. The cuts proposed in the SWM budget represent a 30 percent reduction for these items from their level after 9C cuts were made.

The SWM 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 SWM 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. 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.

Like the final House budget, SWM combines 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 SWM proposes cutting Payment in Lieu of Taxes (PILOT) to cities and towns by \$3 million from the FY 2009 GAA level, for a proposed level of \$27.2 million. PILOT reimburses communities for some of the cost of services provided to publically owned land. The PILOT program is particularly important for many communities in Central and Western Massachusetts that contain large amounts of state-owned land.

OTHER

FY09 GAA	\$ 4,232,657,711
FY10 House Final (adj.)	\$ 4,149,892,843
FY10 SWM (adj.)	\$ 4,093,690,760

SWM increase	
(or decrease) from FY09 GAA	(\$138,966,951)
Percentage change	-- 3.3%

DEBT SERVICE

FY09 GAA	\$ 2,075,388,026
FY10 House Final (adj.)	\$ 2,171,473,000
FY10 SWM (adj.)	\$ 2,155,417,529

SWM increase	
(or decrease) from FY09 GAA	\$80,029,503
Percentage change	3.9 %

Funds appropriated for debt service 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, roads, and schools. It also engages in short-term borrowing when its current expenses are greater than its current income from taxes and fees.

The SWM proposal of \$2.155 billion for debt service is a 3.9 percent increase from the FY 2009 GAA. This includes a \$12 million appropriation to a new line item that was created to pay the principal and interest on bonds issued to finance the Accelerated Bridge Program. The program was established in August 2008 to repair structurally deficient bridges and bridges expected to become structurally deficient within the next eight years. The \$12 million appropriation will be the first payment in a 30-year repayment period. This item was included in the Governor’s budget recommendations, but was not included in the final House budget.

PENSIONS

FY09 GAA	\$1,465,000,000
FY10 House Final (adj.)	\$1,376,619,000
FY10 SWM (adj.)	\$1,376,619,000
SWM increase (or decrease) from FY09 GAA	(\$88,381,000)
Percentage change	-- 6.0 %

Like the House proposal, the SWM proposal includes \$1.377 billion for state employee pensions. The proposed funding level would be \$88.4 million below the FY 2009 GAA. This reduction in funding is a result of legislation passed in November 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 Final (adj.)	\$ 29,366,194
FY10 SWM (adj.)	\$ 24,978,256
SWM increase (or decrease) from FY09 GAA	(\$9,108,578)
Percentage change	-- 26.7 %

The \$25 million that the Senate Ways and Means (HWM) budget proposal recommends for libraries is a \$9.1 million decrease in funding from the FY09 GAA. Cutting library funding by more than one quarter has the largest effects on aid to regional public libraries, which is cut by 4.9 million (28 percent) and aid to public libraries which was cut \$2.8 million (28 percent).

Overall, the SWM proposal allocates \$4.4 million less to libraries than the final House budget. SWM does allow the Board of Library Commissioners to grant additional waivers to libraries that do not meet local spending requirements necessary to receive state aid.

REVENUE

The Senate Ways and Means budget proposal does not include the sales tax increase included in the final House budget. The SWM budget also does not include the tax proposals included in the Governor’s budget recommendations, such as eliminating sales tax exemptions and increasing the state meals and hotels tax. The SWM budget does include more than \$200 million in revenue measures.

Specifically, the SWM budget:

- Removes the fees for licensure and registration proscribed in statute. By removing these statutory amounts, the Registry of Motor

Vehicles would be able to increase fees. This measure, which is also included in the final House budget, is expected to generate approximately \$80 million in revenue.

- Increases state user fees on nursing homes. This measure, which is also included in the final House budget, is expected to generate approximately \$75 million in revenue.
- Enhances the Department of Revenue's auditing staff. This measure, which is also included in the final House budget, is estimated to raise \$26 million.
- Increases a number of court fees, including those related to filing for divorce, changing names, and getting a temporary restraining order.
- Changes first offenses such as driving without proper insurance and driving with suspended license to civil infractions and sets fines for violation.
- Assesses insurance companies for the cost of the Universal Immunization program, which would generate \$47 million in revenue.

BUDGET BY PROGRAM AREA

The following charts list budget totals, broken down into the program areas (categories and sub-categories) discussed in this *Budget Monitor*. For each program area, we have accounted for changes associated with proposals to move programs from one department of state government to another. These adjustments allow for more accurate comparisons from one budget proposal to another. Furthermore, these totals include all three forms of proposed spending: spending listed in the line item appropriations Section 2 of each budget proposal; transfers of money out of the General

Fund into special trust funds proposed in "outside sections" of the budget (Sections 3 and higher); and "pre-budget transfers" of spending that divert certain revenues for specific statutory purposes.⁶ These charts include totals for:

- **FY 2009 GAA.** These totals include all funding included in the General Appropriation Act (the initial budget) for Fiscal Year 2009. For the totals for "State Employee Health Benefits" and for "Prisons, Probation and Parole," there is a second set of numbers that makes an adjustment to the FY 2009 total in order to allow for comparisons with FY 2010 totals. (In FY 2010, the budget proposals bring "on-budget" certain spending that was not included in the FY 2009 budget.)
- **FY 2009 Current.** These totals include funding in the GAA plus any supplemental funding added over the course of the fiscal year, and less funding cuts made in October 2008 and January 2009. These totals are current as of May 2009.
- **FY 2010 H.1 (adj.)** These totals include the Governor's initial H.1 budget proposal, and make adjustments to allow for comparisons with the FY 2009 budget, because the Governor proposed substantial program consolidations. Without these adjustments, it would be difficult to compare the Governor's budget to other proposals. These totals also add in the Governor's proposed spending of new federal revenue associated with the American

⁶ 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. The House budget proposal also includes a specific transfer of new sales tax revenue to the Transportation Investment Fund. Certain departmental revenues from the Registry of Motor Vehicles are transferred into the Central Artery/Tunnel Maintenance Fund. The transfer into the Pension Reserves Investment Trust is set in statute.

Recovery and Reinvestment Act (ARRA), the federal stimulus bill.

- **FY 2010 House (adj.)** These totals take the proposed budget from the House, and include additional education funding from ARRA distributions.

FY 2010 SWM (adj.) These totals take the proposed budget from the Senate Committee on Ways and Means, and include additional education funding from ARRA distributions.

Budget by Program Area - Summary

(in Millions of Dollars)

	FY 2009		FY 2010			FY 2010 SWM(adj.) vs. FY 2009 GAA	
	GAA	Current ¹	H.1 (adj.)	House (adj.)	SWM (adj.)		
BUDGET SUMMARY							
Budgeted Appropriations	30,062.2	29,468.5	30,296.7	29,958.5	28,383.9	(1,678.3)	-5.6%
<i>Line-Item Appropriations</i>	27,231.7	26,717.1	28,017.4	28,463.2	27,055.4	(176.3)	-0.6%
<i>Outside Section Appropriations</i>	2,830.5	2,751.4	2,279.3	1,495.3	1,328.5	(1,502.0)	-53.1%
Pre-Budget Transfers	3,118.9	2,966.9	2,975.1	3,221.7	2,756.7	(362.2)	-11.6%
Total Appropriations and Transfers	33,181.0	32,435.3	33,271.8	33,180.2	31,140.5	(2,040.5)	-6.1%
Total with Accounting Adjustments²	33,377.0	32,631.3	33,271.8	33,180.2	31,140.5	(2,236.5)	-6.7%

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

2. In order to make an accurate comparison across fiscal years, this total adjust the FY 2009 numbers for areas where the FY 2010 budgets bring on-budget items that had been funded off-budget in FY 2009.

Budget by Program Area - Detail

(in Millions of Dollars)

	FY 2009		FY 2010			FY 2010 SWM(adjusted) vs. FY 2009 GAA	
	GAA	Current ¹	H.1 (adj.)	House (adj.)	SWM (adj.)		
Education	6,951.6	6,842.7	6,981.8	6,924.2	6,534.6	(417.0)	-6.0%
Chapter 70	3,948.8	3,948.8	4,116.8	4,129.5	4,049.9	101.1	2.6%
Early Education and Care	590.1	569.5	558.2	548.6	536.3	(53.8)	-9.1%
Elementary and Secondary Education	617.1	584.7	552.4	523.3	397.0	(220.1)	-35.7%
Higher Education	1,093.5	1,037.7	1,085.3	1,082.1	1,060.8	(32.8)	-3.0%
School Building (pre-budget transfer)	702.0	702.0	669.2	640.7	490.7	(211.3)	-30.1%
Environment and Recreation	231.8	216.3	213.3	208.6	196.5	(35.3)	-15.2%
Agriculture	19.3	17.9	17.3	17.0	13.4	(5.9)	-30.5%
Environmental Administration	24.6	21.7	24.5	28.3	27.1	2.4	9.8%
Environmental Protection	64.8	61.6	61.0	57.8	55.4	(9.4)	-14.5%
Fish and Game	21.3	19.2	18.7	18.0	17.8	(3.5)	-16.4%
Parks and Recreation	101.8	95.9	91.7	87.5	82.8	(18.9)	-18.6%
Health Care	12,997.5	12,723.6	13,478.5	13,205.0	12,519.6	(478.0)	-3.7%
Health Care*	13,122.5	12,848.6	13,478.5	13,205.0	12,519.6	(603.0)	-4.6%
MassHealth (Medicaid) and Health Reform ²	10,389.7	10,215.3	10,817.4	10,572.7	10,055.8	(333.9)	-3.2%
Mental Health	685.4	649.0	658.7	651.2	637.7	(47.7)	-7.0%
Public Health	594.5	563.0	543.2	510.8	476.1	(118.4)	-19.9%
State Employee Health Insurance	1,327.9	1,296.3	1,459.0	1,470.3	1,350.0	22.1	1.7%
State Employee Health Insurance*	1,452.9	1,421.3	1,459.0	1,470.3	1,350.0	(102.9)	-7.1%
Human Services	3,613.2	3,556.2	3,591.4	3,521.8	3,404.5	(208.8)	-5.8%
Children and Families	836.5	816.3	810.0	779.4	790.5	(46.0)	-5.5%
Developmental Services (Mental Retardation)	1,271.9	1,262.3	1,283.3	1,278.0	1,209.4	(62.5)	-4.9%
Elder Services	238.6	228.6	234.0	229.4	209.3	(29.3)	-12.3%
Transitional Assistance	901.1	889.1	927.3	906.8	875.4	(25.7)	-2.8%
Other Human Services ³	365.1	359.9	336.8	328.1	319.8	(45.4)	-12.4%
Infrastructure, Housing & Economic Development	1,319.4	1,371.1	1,280.6	1,581.7	1,196.2	(123.2)	-9.3%
Economic Development	89.4	45.8	69.9	51.1	21.7	(67.8)	-75.8%
Housing and Community Development	150.2	147.6	136.4	140.2	104.7	(45.4)	-30.3%
Regulatory Entities	51.5	50.1	52.3	51.9	50.8	(0.7)	-1.3%
Transportation	961.1	1,058.9	968.2	1,284.2	986.3	25.3	2.6%
Workforce and Labor	67.2	68.7	53.7	54.4	32.6	(34.6)	-51.5%
Law and Public Safety	2,488.1	2,447.8	2,448.1	2,463.5	2,337.1	(151.0)	-6.1%
Law and Public Safety*	2,559.1	2,518.8	2,448.1	2,463.5	2,337.1	(222.0)	-8.7%
Courts and Legal Assistance	655.1	655.6	600.3	649.3	598.1	(57.0)	-8.7%
Law Enforcement	417.0	404.8	378.2	363.5	309.6	(107.4)	-25.8%
Prisons, Probation and Parole	1,216.4	1,194.7	1,278.2	1,266.7	1,254.6	38.2	3.1%
Prisons, Probation and Parole*	1,287.4	1,265.7	1,278.2	1,266.7	1,254.6	(32.8)	-2.5%
Prosecutors	146.1	143.2	134.7	134.1	132.1	(14.0)	-9.6%
Other Law and Public Safety	53.6	49.6	56.6	49.9	42.8	(10.8)	-20.2%
Local Aid	1,346.7	1,218.7	1,126.8	1,125.6	858.3	(488.4)	-36.3%
Additional Assistance	379.8	342.9	177.5	0.0	0.0	(379.8)	-100.0%
Lottery Aid	935.0	843.9	768.6	0.0	0.0	(935.0)	-100.0%
Other Local Aid	31.9	31.9	180.7	1,125.6	858.3	826.4	2591.3%
Other	4,232.7	4,059.0	4,151.5	4,149.9	4,093.7	(139.0)	-3.3%
Constitutional Officers	96.5	92.8	81.2	78.9	72.4	(24.1)	-24.9%
Debt Service	2,075.4	2,073.6	2,157.5	2,171.5	2,155.4	80.0	3.9%
Executive and Legislative	69.2	57.8	67.5	64.0	60.6	(8.5)	-12.3%
Libraries	34.1	33.7	29.2	29.4	25.0	(9.1)	-26.7%
Pensions (pre-budget transfer)	1,465.0	1,313.0	1,376.6	1,376.6	1,376.6	(88.4)	-6.0%
Other Administrative	492.5	488.1	439.5	429.5	403.6	(88.9)	-18.1%

*Adjusted due to funding brought on-budget in FY 2010.

1. The FY 2009 Current total includes funding in the GAA plus any supplementals passed during the year, less October and January cuts.
2. Includes a variety of state health programs including the elder pharmacy program, costs associated with health care finance, the Health Safety Net, and other costs associated with health reform.
3. 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 Office of Health and Human Services.