

## Analyzing the State Budget for FY 2018

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At this point in the process, the Fiscal Year 2018 (FY 2018) state budget looks a lot like the FY 2017 budget. After adjusting for inflation, the proposed total bottom line is lower than that of the FY 2017 budget and we see essentially status-quo funding levels in each major category: Education; Local Aid; Human Services; Environment and Recreation; Law & Public Safety; Infrastructure; Housing; and Economic Development.

One major area of the budget remains in limbo--MassHealth, the Commonwealth's Medicaid program that comprises [about a quarter](#) of state spending. (While MassHealth is about 40 percent of the total budget, much of the cost of the program is paid by the federal government.) At the beginning of the budget process, the Governor identified a major challenge facing the MassHealth program: cost shifting from private sector employers onto the state MassHealth program as a result of more private sector employees not receiving health care from their employers. To address this cost shifting and help to stabilize the finances of the state MassHealth program, the Governor proposed an assessment on employers that don't meet certain thresholds for providing health insurance for their employees. That assessment would have raised \$300 million in revenue in the first year and \$600 million or more in future years. After the House and Senate embraced scaled-down versions of the assessment, the Governor proposed to the Conference Committee a new plan that would raise \$200 million a year (for only two years) and achieve savings through several strategies, including denying MassHealth eligibility to non-disabled adults who could

either enroll in ConnectorCare or employer-sponsored insurance, which have higher out-of-pocket

costs and lower benefits. The budget enacted by the Legislature included the version of the employer assessment recommended by the Governor, but not the new changes to MassHealth or the commercial health insurance market he proposed during the Conference process. When signing the budget, the Governor used his authority to send back sections with proposed amendments to ask the Legislature to hold hearings on and adopt his proposed changes to MassHealth along with the employer assessment. Thus, the current version of the budget does not resolve how to address the fiscal pressures on MassHealth caused by the cost shifting that result from more private sector employees not receiving health care from their employers.

The budget uses a conservative revenue estimate for FY 2018, \$749 million below the original estimate. It relies, however, on significant amounts of temporary revenue and savings to achieve balance: \$125 million from accelerating the receipt of sales tax revenue; about \$200 million from assuming that money will be left over at the end of FY 2018 in various accounts and can be reallocated; depositing \$51.5 million less in the state's Stabilization ("Rainy Day") Fund than current law would require (the budget would change the law); and providing \$128.8 million less in funding for the State Retiree Benefits Trust than is called for by existing law. While the budget enacted by the Legislature also provided \$94.1 million less than needed for unavoidable costs (as calculated by the Administration) in several accounts, the Governor has proposed additional funding for those accounts (and made vetoes to cover those costs).

This *Budget Monitor* describes the funding levels and major initiatives in each area of the budget, incorporating the numbers in the budget enacted by the Legislature and the vetoes by the Governor. It also provides comparisons to FY 2017 funding levels, historic funding levels back to 2001, and proposals earlier in this year's process where relevant. For more comprehensive data on historic spending levels for each line item and category of the budget, see MassBudget's [Budget Browser](#). For additional detail on programs in the state budget that affect children see our [Children's Budget](#). Over the coming weeks and into the fall the Legislature will decide on whether to overturn ("override") or accept the Governor's vetoes and whether or not to agree to his proposed amendments and related supplemental legislation.

## EDUCATION

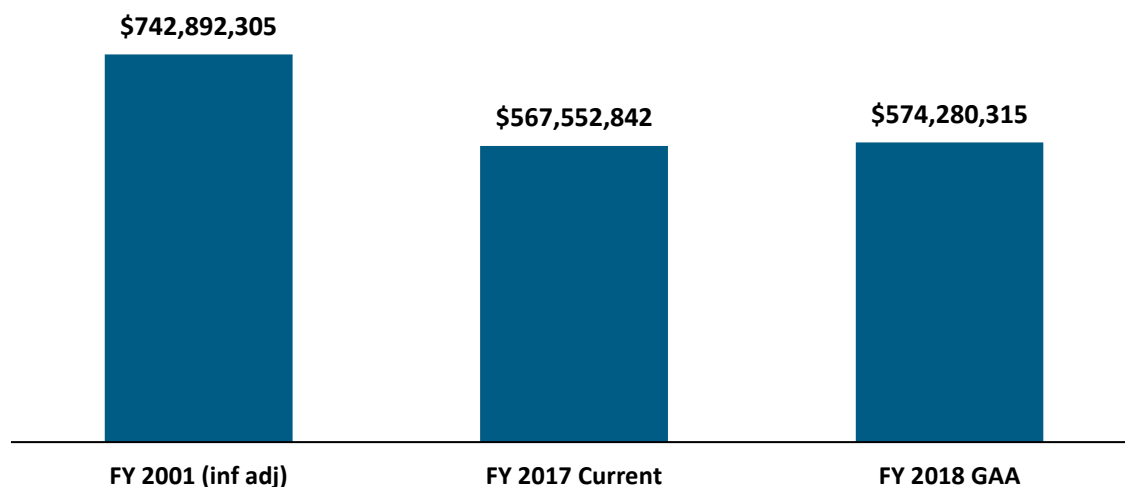
### Early Education & Care

Quality early education helps prepare our young children for success in K-12 education and allows them to thrive more generally. Early education is also a critical work support for parents with young children, by offering safe and reliable care for kids while parents provide for their families.

The Fiscal Year (FY) 2018 General Appropriation Act (GAA) signed by the Governor allocates \$574.3 million to early education and care. The GAA includes \$2.7 million in vetoes made by the Governor to early education programs. The total amount of early education funding in the GAA is a small increase of \$6.7 million (1.2 percent) above current FY 2017 levels, less than the expected inflation rate. The funding amount in the GAA is also below what was approved by both the House and Senate before estimated revenues for FY 2018 were reduced.

There have been significant long-term cuts in early education and care since state tax cuts in the late 1990s and early 2000s. Funding for early education and care in the FY 2018 GAA is \$168.6 million (22.7 percent) below what was available in FY 2001, adjusting for inflation (see chart below).

### Early Education Funding Down 23 Percent Since 2001



The FY 2018 GAA provides \$222.1 million for [Supportive and TANF Child Care](#), \$2.7 million (1.2 percent) above current FY 2017 levels, but slightly below what both the House and Senate approved in their FY 2018 budget proposals. Supportive and TANF Child Care provides subsidies to children under the care of the Department of Children and Families and those receiving Transitional Aid to Families with Dependent Children (limited cash assistance along with work training programs for low-income families).

The FY 2018 GAA provides \$255.4 million for [Income Eligible Child Care](#), \$2.9 million (1.2 percent) above current levels. Income Eligible Child Care provides subsidies for low- and moderate-income families not eligible for other child care assistance. With insufficient funding to meet child care needs across the state, the waitlist for these subsidies contained nearly 26,000 kids in May 2017. The FY 2018 GAA does not include specific funding to reduce the waitlist, but does take other limited steps to expand access to early education.

The FY 2018 GAA includes \$15.0 million for salary increases and professional development for early educators through a new line item, [Center-Based Child Care Rate Increase](#). This amount is \$2.5 million more than what was available in a similar account (Early Education and Care Provider Rate Increase) in FY 2017. However, it is \$5.0 million less than what the House approved for FY 2018. Salary and benefit increases, along with professional development for early educators, are key components of improving the quality of services available for our young children.

Collectively in the FY 2018 GAA, funding for Income Eligible Child Care and salary increases for early educators is \$270.4 million, which is \$5.4 million (2.1 percent) above current levels, roughly in line with inflation. It is almost certain that significant waitlists for early education and care services will persist through FY 2018. This will limit the ability of children and families, including those with acute needs, to access this support.

## FUNDING FOR INCOME ELIGIBLE EARLY EDUCATION

Line Item #	Line Item Name	FY 2017 Current	FY 2018 Legislature	FY 2018 GAA	Difference: FY 2018 GAA FY 2017 Current
1599-0042	EECP Provider Rate Increase	12,500,000	0	0	(12,500,000)
3000-1042	Center Child Care Rate Increase	0	15,000,000	15,000,000	15,000,000
3000-4060	Income Eligible Child Care	252,453,572	255,389,342	255,389,342	2,935,770
<b>TOTAL</b>		<b>264,953,572</b>	<b>270,389,342</b>	<b>270,389,342</b>	<b>5,435,770</b>

The Governor vetoed the \$200,000 that the Legislature provided in the FY 2018 GAA for the [Commonwealth Preschool Partnership Initiative](#). This program helps existing early education providers, including school districts, expand access to services, particularly for 3-year-olds. The Senate had proposed \$15.1 million in support for this program to help increase the availability of child care, building off the federally-funded Preschool Expansion Grant (PEG) model in several cities. For more detail, see [Analyzing the Senate Ways and Means Committee Budget for FY 2018](#).

In March, the Governor announced a planned 6.0 percent increase in the rates paid to early education providers by the state for subsidized child care for FY 2018, at a cost of \$28.6 million. At the same time, the administration announced that approximately 1,100 additional kids would be able to be served through newly issued vouchers. This policy announcement assumed that early education programs would at least receive the funding amounts outlined in the Governor's FY 2018 proposal, including a \$7.0 million rate reserve (below the \$15.0 million contained in the GAA), and that significant unused funding would be carried over from FY 2017.

The announced rate increases and additional subsidies are largely the result of repurposing funds that were already approved for FY 2017 that would otherwise revert to the General Fund. This surplus developed due to implementation of a new early education financial management system. Savings have been achieved due to stricter enforcement of policies and regulations and increased monitoring, with excess funds identified in this process then being available to reinvest into the rest of the early education system. Some surpluses also developed as a result of the underuse of some contract spots in early education centers. It appears that some surpluses in early education and care caseload accounts will continue in FY 2018.

An Outside Section of the FY 2018 GAA, like the versions approved by the Legislature, authorizes carrying over these unused child care funds from FY 2017 into FY 2018. The FY 2018 GAA would use the surplus for several purposes, including increasing rates paid to providers, but also maintaining access to child care vouchers and ensuring more kids remain eligible for a full year of services. All of these measures are consistent with the Governor's March announcement. The amount of the carryover is projected to be sufficient for the Department of Early Education and Care to enact the 6.0 percent rate increase proposed by the Governor for FY 2018.

In FY 2017, funding from several early education and care accounts was merged into a new [Quality Improvement](#) line item. In FY 2017, [Early Childhood Mental Health Consultation Services](#) was included with Quality Improvement. After two vetoes by the Governor, the FY 2018 GAA includes \$31.3 million in support for these line items, \$1.1 million (3.5 percent) below current FY 2017 levels.

## FUNDING FOR EARLY EDUCATION QUALITY IMPROVEMENT

Line Item #	Line Item Name	FY2017 Current	FY2018 Legislature	FY2018 GAA	Difference: FY18 GAA FY17 Current
3000-1020	Quality Improvement	32,396,637	30,112,455	30,012,455	(2,384,182)
3000-6075	Early Childhood Mental Health Consultation Services	0	2,500,000	1,250,000	1,250,000
<b>TOTAL</b>		<b>32,396,637</b>	<b>32,612,455</b>	<b>31,262,455</b>	<b>(1,134,182)</b>

For a complete list of the Governor's vetoes in early education and care programs, see the chart below.

## VETOES FOR EARLY EDUCATION AND CARE

Line Item #	Line Item Name	FY2018 Legislature	Vetoes	FY2018 GAA
3000-1000	Department of Early Education and Care Admin	5,761,617	(25,000)	5,736,617
3000-1020	Quality Improvement	30,112,455	(100,000)	30,012,455
3000-2050	Children's Trust Fund Operations	1,102,494	(28,388)	1,074,106
3000-6025	Commonwealth Preschool Partnership Initiative	200,000	(200,000)	0
3000-6075	EEC Mental Health Consultation Services	2,500,000	(1,250,000)	1,250,000
3000-7000	Children's Trust Fund	14,350,685	(10,633)	14,340,052
3000-7050	Services for Infants and Parents	13,541,999	(100,000)	13,441,999
3000-7070	Reach Out and Read	1,000,000	(1,000,000)	0

For information on funding for early education programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## K-12 Education

Providing an excellent education to all children in Massachusetts supports future generations in the Commonwealth while contributing to our economy over the long term. Chapter 70 education aid is the main program for delivering state support to local districts across Massachusetts, and ensuring that schools have sufficient resources to provide the necessary services to all students. For further background on the state's education funding system, see [Demystifying the Chapter 70 Formula](#).

The Fiscal Year (FY) 2018 General Appropriations Act (GAA) increases **Chapter 70 Aid** by \$118.9 million (2.6 percent) to \$4.75 billion. This increase is roughly the same as the 2.6 percent (\$116.1 million total) increase in FY 2017, and largely follows what was approved by the House in their FY 2018 budget.

The FY 2018 GAA Chapter 70 proposal includes a modest step to implement recommendations made by the Foundation Budget Review Commission (FBRC) in 2015. The Commission found that according to the state's estimate of what it takes to educate children (called the "foundation budget"), school districts are significantly under-resourced. The FBRC noted that current underfunding reduces the capacity of schools across the state to provide services to help all children succeed.

The foundation budget is based on estimated costs for each element of a school budget as determined in the Education Reform Act of 1993 and adjusted mostly for inflation since then. The FBRC found that the costs in the formula fail to reflect actual costs in several areas, especially employee health care and special education. The FY 2018 GAA Chapter 70 allocation takes modest steps to address one of these problems. It contains an increase to the foundation budget rates of between roughly 8 and 19 percent, depending on grade level and student category, for employee benefits, the school spending category that includes health care.

This increase would generate roughly \$27 million in new aid for school districts. This remains an incremental step relative to fully implementing the FBRC recommendations. The FY 2018 GAA does not contain the major steps outlined in the Senate's FY 2018 budget that would fully implement the FBRC recommendations over several years. For additional detail, see [Budget Monitor Conference Preview: Differences Between the Senate and House Budgets for FY 2018](#).

The FY 2018 GAA includes support for districts that receive less funding as a result of the recent changes to the student poverty measure (for background on this shift, see [Counting Kids at School: 6 Steps to Better Numbers](#) and [Direct Certification for School Meals: Feeding Students, Counting Kids, Funding Schools](#)). This provision sets aside \$12.5 million in Chapter 70 funds for transitional support to roughly 15 school districts. The Department of Elementary and Secondary Education (DESE) released a report in February outlining how to improve the process of direct certification for free meals and counting economically disadvantaged students. It recommended several steps including improvement of matching processes and expansion of outreach efforts to enroll families in assistance programs. It also led to a new task force studying the unique issues of supporting immigrant and refugee students. This task force is currently undertaking work that could inform the FY 2019 budget.

The FY 2018 GAA Chapter 70 proposal also reflects a small annual inflation factor of 1.1 percent and a negligible increase of 0.1 percent to statewide enrollment. Finally, it guarantees a minimum increase of \$30 per student for districts that would not otherwise receive increased aid. This minimum aid increase results in roughly \$6 million in additional aid. Because this minimum is provided regardless of local financial need, it tends to direct funds to relatively affluent districts.

Before signing the FY 2018 GAA, the Governor vetoed \$7.3 million in total from K-12 grant programs, primarily dedicated funding for local programs. As part of those vetoes, the Governor cut \$200,000 from [Afterschool and Out-of-School Time Grants](#). This funding would have created grants to increase access to high-quality afterschool opportunities, and a data-sharing pilot initiative helping school districts collaborate with community-based providers in evaluating the outcomes of afterschool programs.

The FY 2018 GAA provides \$847.1 million to the [School Building Authority](#) (MSBA) to support district construction and renovation projects across the state. This amount is \$12.4 million (1.5 percent) above current FY 2017 levels. This amount, however, is \$14.5 million below what was included in the prior FY 2018 budget proposals, due to a lower estimate of available sales tax revenue that supports the MSBA.

The FY 2018 GAA provides \$80.5 million to [Charter School Reimbursements](#), in line with current FY 2017 levels. When fully funded, this program is intended to reimburse 100 percent of outgoing student funding in the first year and 25 percent of this amount for each of the following five years. However, according to recent projections from DESE, the FY 2018 GAA funding level would only support about half the amount called for by the formula, leaving a \$79.0 million gap. This gap has increased from

\$56.1 million in FY 2017, as additional charter school seats have been added and districts claimed more reimbursements from the fund. Additional resources have not been allocated to meet rising demand. For additional detail on charter school funding, recent proposals to alter the reimbursement system, and the impact of recent underfunding, see [Charter School Funding Explained](#).

The FY 2018 GAA provides \$281.2 million in support for the [Special Education Circuit Breaker](#), \$4.0 million above current levels, but below what had been provided in the Senate's FY 2018 proposal. The circuit breaker reimburses school districts for a portion of their costs for educating students with severe disabilities.

FY 2018 GAA moves the administration of [Inclusive Concurrent Enrollment](#) from DESE to the Department of Higher Education, and assigns it a new line item (7066-9600).

For a complete list of programs vetoed by the Governor in the FY 2018 GAA, see the table below.

#### VETOES FOR K-12 GRANT PROGRAMS

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	FY 2018 GAA
7009-6400	ELL in Gateway Cities	250,000	(250,000)	0
7010-0005	DESE Administration	14,103,767	(2,440,000)	11,663,767
7010-0033	Literacy Programs	1,696,907	(300,000)	1,396,907
7027-0019	Connecting Activities	3,554,000	(404,000)	3,150,000
7035-0002	Adult Basic Education	29,632,378	(850,001)	28,782,377
7053-1925	School Breakfast Program	4,666,445	(250,000)	4,416,445
7061-0033	Public School Military Mitigation	1,400,000	(100,000)	1,300,000
7061-9011	Innovation Schools	165,000	(165,000)	0
7061-9401	Assessment Consortium	200,000	(200,000)	0
7061-9406	College and Career Readiness Program	700,000	(466,666)	233,334
7061-9408	Targeted Intervention	7,207,165	(400,000)	6,807,165
7061-9611	After-School and Out-of-School Grants	3,525,000	(1,325,846)	2,199,154
7061-9612	Safe and Supportive Schools	500,000	(100,000)	400,000

For information on funding for all education programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## Higher Education

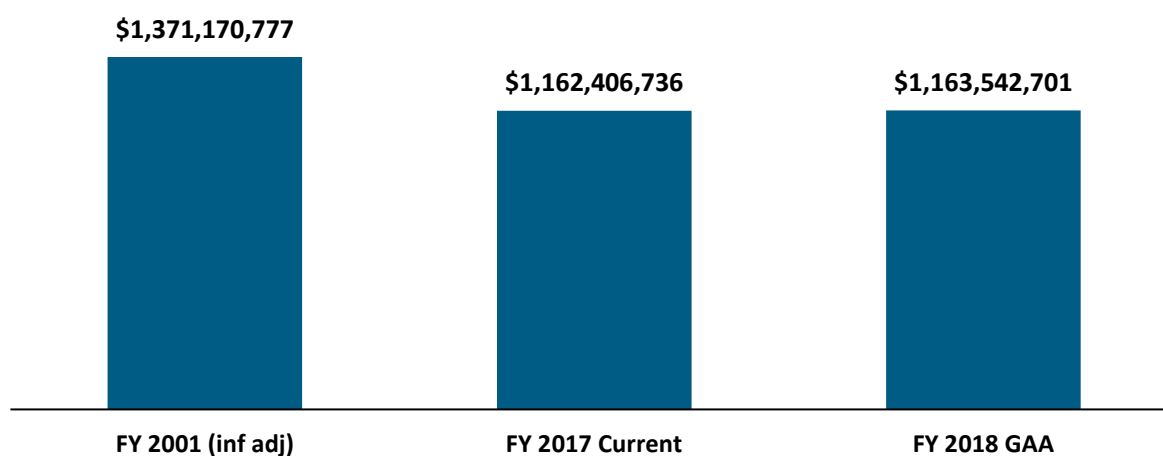
Higher education helps the people of our state contribute to their communities and gain the skills to succeed in a knowledge-driven economy. Our public higher education institutions – including the University of Massachusetts (UMass), the state universities, and our community colleges – educate a majority of Massachusetts high school graduates who go on to college. Graduates from public higher education are also more likely to stay in Massachusetts after graduation, contributing to our state economy over the long term.

The Fiscal Year (FY) 2018 General Appropriations Act (GAA) allocates \$1.16 billion to higher education, which is effectively level with (0.1 percent above) current FY 2017 levels, and behind the expected

inflation rate. This amount is also \$41.2 million (3.4 percent) below what the Senate allocated for FY 2018 and \$11.6 million (1.0 percent) below what the House approved in its FY 2018 budget.

A highly educated and skilled workforce is a critical part of strengthening and sustaining the Massachusetts economy. Looking over the longer term, the amount of funding in the FY 2018 GAA would be \$207.6 million (15.1 percent) below what was available in FY 2001, adjusting for inflation (see chart below) and even further below historical levels when accounting for enrollment growth over this period. These challenges contributed to the doubling of tuition and fees between FY 2001 and FY 2016. For additional detail on these historical trends, see [In 16 Charts: Higher Education Funding in Massachusetts](#).

### Higher Education Funding Down 15 Percent Since 2001



The table below details appropriations to each of the three campus types (UMass, state universities, and community colleges). MassBudget totals make the following adjustments in order to facilitate more accurate year-to-year comparisons:

- **Include collective bargaining and other campus specific programs.** MassBudget adds collective bargaining accounts and initiatives located at particular campuses, funded through separate line items, to their respective campus totals
- **Subtract tuition remission.** Since 2001, different policies have dictated when public higher education campuses must send different categories of tuition revenue back to the state General Fund. When higher education revenue is sent back to support the state budget, it is not available for campus operations and has the same effect as reduced state funding. Conversely, under rules in effect in FY 2018, UMass will keep all tuition revenue from both in-state and out-of-state students. To provide more accurate comparison of state support to campuses over time, MassBudget deducts tuition revenue sent back to the state from the direct appropriations to each campus type. For details on the varying policies at different campuses, see [MassBudget's Budget Browser section for Higher Education](#).

### HIGHER EDUCATION FUNDING TO THE THREE CAMPUS TYPES

Campus Type	FY2017 Current	FY2018 Legislature	FY2018 GAA	Difference: FY18 GAA FY17 Current
Community Colleges	274,815,277	277,404,257	276,189,257	1,373,980
State Universities	246,393,186	246,389,624	246,114,624	(278,562)
UMass	515,330,447	519,495,371	518,160,371	2,829,924
<b>Total, All Campuses</b>	<b>1,036,538,910</b>	<b>1,043,289,252</b>	<b>1,040,464,252</b>	<b>3,925,342</b>

The FY 2018 GAA funds **University of Massachusetts** line items 0.5 percent above current levels, and below what the House and Senate proposed for FY 2018. This FY 2018 budget also proposes flat funding for **State University** line items (0.1 percent below current FY 2017 levels) also below what each branch of the Legislature allocated. Finally, **Community College** line items also receive a negligible increase of 0.5 percent, and fewer resources than the House or Senate included in their FY 2018 budgets.

Level funding of public higher education all but guarantees that further increases in tuition and fees will continue across UMass, state universities, and community colleges in FY 2018. In FY 2017, with similar small increases or declines, tuition and fees rose by 6 percent at UMass and 5 percent at state universities and community colleges. UMass has recently announced a 3 percent tuition increase for FY 2018, marking the third consecutive year of increases, as well as further cost-cutting measures.

In total the Governor vetoed \$7.7 million in higher education spending when signing the FY 2018 GAA, mostly dedicated funding for local initiatives. As part of these cuts, the Governor vetoed \$2.1 million from the **Department of Higher Education** intended to support student internship programs.

The FY 2018 GAA funds the **State Scholarship Program** at \$95.6 million, in line with current FY 2017 levels. In recent years, these scholarships have not kept pace with steadily rising tuition and fees. The Governor vetoed \$254,000 for internships that the Legislature's budget included in this account.

Several small grant programs are eliminated or significantly reduced in the FY 2018 GAA. This budget eliminates **State University Incentive Grants**, down from \$2.5 million in FY 2017. This grant has supported implementation of the [Vision Project](#), a Department of Higher Education strategic plan aiming to increase quality, reduce achievement gaps, and better connect higher education with workforce development. The FY 2018 GAA also eliminates [Community College Workforce Grants](#) down from \$750,000 in FY 2017. Another training program, [Nursing and Allied Health Education Workforce Development](#) is cut in half (to \$100,000) compared to FY 2017.

Conversely, a handful of grant programs receive new funding or increases over current FY 2017 levels. The **New England Board of Higher Education** receives an increase of \$184,000 in the FY 2018 GAA to a total of \$368,000. Additionally, an Outside Section of this budget permits the Massachusetts Board of Higher Education to enter into inter-state reciprocity agreements that would allow Massachusetts public institutions to offer online distance education to students in other states. This section would also allow accredited institutions in other states to offer inter-state programs for Massachusetts students, if they meet standards adopted by Massachusetts Board of Higher Education.

A new initiative, **Innovation Voucher Fund** receives \$2.0 million in the FY 2018 GAA. This program would provide grants, overseen by the Massachusetts Development Finance Agency, to startup companies and small corporations for facilities housed at UMass, as well as research and development costs.

FY 2018 GAA moves the administration of [Inclusive Concurrent Enrollment](#) from the Department of Elementary and Secondary Education to the a new line item (7066-9600) in the Department of Higher Education. The GAA slightly reduces funding for this program to \$1.1 million.

For a complete list of items vetoed by the Governor in higher education, see the table below.

#### VETOES FOR HIGHER EDUCATION

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	FY 2018 GAA
1599-4417	Collins Center for Public Management	125,000	(125,000)	0
1599-7114	UMass Center at Springfield	250,000	(250,000)	0
1599-7115	Medical School Educational Integrated Health	1,000,000	(1,000,000)	0
7066-0000	Department of Higher Education	3,976,583	(2,139,899)	1,836,684
7066-0020	Nursing and Health Workforce Development	194,000	(94,000)	100,000
7066-0025	Performance Management Set Aside	2,550,000	(50,000)	2,500,000
7066-0040	Adult College Transition Services	377,500	(135,000)	242,500
7066-1221	Community College Workforce Grants	750,000	(750,000)	0
7066-9600	Inclusive Concurrent Enrollment	1,381,916	(237,937)	1,143,979
7070-0065	State Scholarship Program	95,853,324	(254,000)	95,599,324
7077-0023	Tufts School of Veterinary Medicine Program	5,000,000	(1,000,000)	4,000,000
7100-0200	University of Massachusetts	513,545,371	(85,000)	513,460,371
7100-0700	Office of Dispute Resolution	750,000	(750,000)	0
7100-0801	Innovation Commercialization Seed Fund	125,000	(125,000)	0
7112-0100	Framingham State University	27,801,481	(200,000)	27,601,481
7113-0101	Gallery 51	75,000	(75,000)	0
7505-0100	Greenfield Community College	10,474,985	(130,000)	10,344,985
7509-0100	Mount Wachusett Community College	14,415,792	(150,000)	14,265,792
7511-0100	North Shore Community College	21,134,295	(50,000)	21,084,295
7518-0120	PACE Initiative	100,000	(100,000)	0

For information on funding for higher education programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## ENVIRONMENT & RECREATION

The state budget funds programs that keep our air, water, and land clean, maintain fish and wildlife habitats, and staff and maintain our parks, beaches, pools, and other recreational facilities. The Fiscal Year (FY) 2018 General Appropriations Act (GAA) provides \$194.2 million for environment and recreation programs, essentially level with the FY 2017 budget. The Governor vetoed \$4.8 million from

the Legislature's budget, largely by eliminating funding for specific environment and recreation projects located throughout the state. A full list of vetoes is in a table at the end of this section. Even with level funding in the FY 2018 GAA, the environment and recreation budget is 37 percent below FY 2001 after adjusting for inflation.

The FY 2018 GAA does not contain significant changes in funding with the exception of a few accounts:

- The GAA includes \$2.0 million to make sure our drinking water is safe, an increase of \$731,000, or 59 percent, above the FY 2017 budget. The Governor vetoed \$175,000 from the Legislature's budget which funded several specific water projects around the state.
- Even though the GAA provides \$55.5 million for state parks and recreation facilities, which is about level with last year, the amount is \$6.5 million below the amount recommended by the Department of Conservation and Recreation (DCR) Stewardship Council. Funding for state parks is included in both the primary account for state parks and the account that allows DCR to retain revenue from parking and entry fees it collects at its parks and recreation facilities. In a [letter](#) earlier this year to the House and Senate Ways and Means Committees, the Stewardship Council noted that with budget cuts and early retirements in recent years, DCR does not have the resources it needs to fully maintain and staff facilities it manages throughout the state. The Council called on the Legislature to provide a total of \$62.0 million for these two accounts.

For information on funding for environment & recreation programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

#### VETOES FOR ENVIRONMENT & RECREATION

Line Item #	Line Item Name	FY 2018 Legislature	Vetoes	FY 2018 GAA
2000-0100	Exec.Office of Energy & Environmental Affairs Admin.	8,196,322	(250,000)	7,946,322
2200-0100	Department of Environmental Protection Admin.	24,733,484	(160,731)	24,572,753
2250-2000	Safe Drinking Water Act	2,137,185	(175,000)	1,962,185
2300-0100	Department of Fish and Game Administration	2,029,079	(1,110,000)	919,079
2300-0101	Riverways Restoration & Public Access Promotion	630,577	(100,000)	530,577
2330-0100	Division of Marine Fisheries Administration	6,511,649	(447,418)	6,064,231
2800-0100	DCR Administration	4,671,626	(545,000)	4,126,626
2800-0101	Watershed Management Program	962,526	(30,000)	932,526
2800-0401	Stormwater Management	444,542	(25,000)	419,542
2800-0501	DCR Seasonals	15,560,192	(100,000)	15,460,192
2800-0700	Office of Dam Safety	647,192	(175,000)	472,192
2810-0100	State Parks and Recreation	37,163,712	(1,697,000)	35,466,712
2810-2042	DCR Retained Revenue	20,022,185	(25,000)	19,997,185

## HEALTH CARE

### MassHealth (Medicaid) and Health Reform

The Commonwealth's Medicaid program, MassHealth, provides health insurance for almost 1.9 million people, including more than 650,000 – close to half – of the state's children. In addition, the state budget funds payments to health providers such as hospitals that serve large numbers of low-income patients and nursing homes in order to help pay for care for patients on publicly-subsidized health insurance. The Fiscal Year (FY) 2018 General Appropriations Act (GAA) signed by the Governor includes \$16.85 billion for MassHealth and for these related health programs and health care financing. When signing this budget, the Governor vetoed \$222.3 million in MassHealth funding (see table below of affected line items). Alongside the vetoes, the Governor proposed a significant number of amendments to move forward his proposed reforms of both MassHealth and of the health care system more generally.

#### MassHealth Program and Administration

Funding for MassHealth in the FY 2018 GAA is \$15.98 billion, with \$15.82 billion for the MassHealth program, and \$159.2 million for program administration (see table). In order to help address the continuing cost growth at MassHealth, the Administration has been taking measures to address the program's costs. Some reforms have already been incorporated into program operations, and others have been presented by the Governor in a legislative package accompanying the enactment of the GAA. However, the Governor indicates that the savings as reflected in the post-vetoes GAA (reduced from the Legislature's budget and from the amounts presented in his initial budget proposal) cannot be achieved without the types of market and program reforms he is proposing.

#### MassHealth (Medicaid) and Health Reform

MassHealth	FY 2017 Current	FY 2018 Governor (H.1)	FY 2018 Legislature	FY 2018 GAA	Difference FY18 GAA - FY17 Current
MassHealth Programs	15,251,403,833	16,428,166,317	16,042,333,552	15,820,433,552	569,029,719
MassHealth Administration	153,776,087	162,602,733	159,582,373	159,157,373	5,381,286
<b>TOTAL</b>	<b>15,405,179,920</b>	<b>16,590,769,050</b>	<b>16,201,915,925</b>	<b>15,979,590,925</b>	<b>574,411,005</b>

Upon signing the GAA, the Governor vetoed language that would have provided \$7.5 million in additional rates for nursing homes. The Governor also vetoed \$7.4 million in supplemental payments for three pediatric hospitals that provide highly complex care, but anticipates replacing those payments with restructured rates. The Governor let stand \$13.0 million designated for supplemental payments for other safety net hospitals. The Governor also vetoed \$5.0 million from MassHealth long-term care funding, anticipating what the Administration refers to as "program restructuring" including increased oversight of the home health program and the use of overtime.

For the most part, reimbursement rates for providers are relatively flat in this budget. However, there is an Outside Section looking into the costs associated with the MassHealth rates provided for continuous care skilled nursing for pediatric patients with very complex medical needs. The study would consider the costs of potentially avoidable hospitalizations with the costs of home-based continuous skilled nursing.

Line item language in MassHealth in the FY 2018 GAA requires the Executive Office of Health and Human Services, in conjunction with the Department of Transitional Assistance, to report to the Legislature by January 1, 2018 on the feasibility of creating a **common application** for MassHealth and for Supplemental Nutrition Assistance Program (SNAP, or “food stamps”), Emergency Aid to Elders, Disabled and Children (EAEDC), and Transitional Assistance to Families with Dependent Children (TAFDC, or cash assistance). In a separate line item, there is also language directing the Administration to plan for an integrated digital eligibility determination process that goes even farther, and would integrate enrollment and create a common application for benefits at the Connector, MassHealth, and the department of Transitional Assistance, Early Education and Care, and Housing and Community Development.

Line item language describing the **MassHealth Managed Care** program requires the Executive Office to file a report with the Legislature detailing progress in moving the MassHealth program towards an integrated delivery system of accountable care organizations (ACOs). This report would look at the cost-effectiveness of MassHealth spending on services not traditionally reimbursed by MassHealth, such as housing stabilization and support, utility payments, physical activity and other wellness supports.

Funding for the **Children’s Medical Security Plan (CMSP)** in the FY 2018 budget is \$12.1 million, \$5.4 million less than in FY 2017. The Administration is planning to shift the administration of this program from UniCare, a health insurance company that has been under contract with the Commonwealth to administer the program. CMSP will be brought in-house, be administered by the Executive Office of Health and Human Services, alongside MassHealth, saving the state \$5.0 million annually.

### Other Health Subsidies and Related Spending

In addition to funding for the MassHealth program directly, the FY 2018 GAA includes funding for supplemental payments to health safety net providers, funding for other subsidized health programs, and various administrative and operational supports for health care administration and finance (see table).

#### Other Health Subsidies and Related Spending

Supplemental Payments to Providers	FY 2017 Current	FY 2018 Legislature	FY 2018 GAA	Difference FY18 GAA - FY17 Current
Medical Assistance Trust	736,154,225	452,400,000	452,400,000	(283,754,225)
Delivery System Transformation Initiative	196,252,001	186,649,333	186,649,333	(9,602,668)
<b>Other Health Subsidies</b>				
Commonwealth Care Trust	40,083,939	44,104,830	44,104,830	4,020,891
Prescription Advantage	17,771,922	16,929,054	16,929,054	(842,868)
<b>Other Administration and Operations</b>				
Center for Health Info. & APCD	28,131,406	28,306,406	28,306,406	175,000
Information Technology	116,776,778	124,870,082	124,870,082	8,093,304
Health Information Trust	8,853,272	4,153,272	4,153,272	(4,700,000)
Other Health Finance	9,542,285	9,541,494	9,541,494	(791)

The totals for the Medical Assistance Trust (see chart) show budgeted appropriations that are current as of this moment. The timing of operating transfers into this trust, as shown below, which are made up of provider assessments and federal revenues, do not align with the state fiscal year. The apparent large difference between FY 2017 and FY 2018 is simply due to the timing of the transfers. There will likely not be a significant difference in spending from this trust for FY 2018 compared to FY 2017.

As in FY 2017, the FY 2018 budget includes an **assessment on acute hospitals**, which would receive federal matching reimbursements. These revenues would be deposited in the MassHealth Delivery System Reform Trust, with hospitals as a group receiving this assessment back in the form of enhanced Medicaid rate payments. New in the FY 2018 budget is language extending the assessment on acute hospitals to **non-acute hospitals**. This assessment (along with federal reimbursement) would help support Medicaid rate increases for psychiatric, chronic, and rehabilitation hospitals.

The budget includes language providing for a transfer of up to \$15.0 million into the **Health Safety Net** (via funds from the Commonwealth Care Trust Fund) to support the costs associated with providing care to uninsured or underinsured individuals. Prior to FY 2017 that transfer had been \$30.0 million.

**ConnectorCare** (the “State Wrap”) is the subsidized program for people previously covered by the Commonwealth Care Program who are not eligible for MassHealth coverage and have incomes at or below 300 percent of the federal poverty level. ConnectorCare plans have relatively low monthly premiums and out-of-pocket costs. This program is administered by the Health Connector, and is funded through the Commonwealth Care Trust Fund rather than by line-item appropriations in the budget. As in FY 2017, the FY 2018 budget allows for a transfer of funds from the Commonwealth Care Trust Fund to the General Fund to help balance the budget. In FY 2017, the expected transfer may be approximately \$92 million or up to as much as \$110.0 million. The FY 2018 GAA includes language, first proposed in the Legislature’s budget, allowing for a transfer of up to \$185.0 million from the Commonwealth Care Trust Fund to the General Fund, however the actual amount that will be transferred could very well be much less.

The Governor vetoed the following amounts from the following line items:

#### VETOES FOR MASSHEALTH AND HEALTH REFORM

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	FY 2018 GAA
4000-0300	Exec. Office of Health and Human Services and MassH	102,682,373	(425,000)	102,257,373
4000-0601	MassHealth Senior Care	3,520,335,443	(5,000,000)	3,515,335,443
4000-0641	MassHealth Nursing Home Supplemental Rates	352,600,000	(7,500,000)	345,100,000
4000-0700	MassHealth Fee-for-Service Payments	2,397,298,930	(209,400,000)	2,187,898,930

For information on funding for MassHealth (Medicaid) and health reform programs going back to FY 2001, please see MassBudget’s Budget Browser [here](#).

#### Health Care Cost Containment, Health Coverage, and Employer Contributions

When the Governor first released his budget in January, he identified a factor driving increased costs for the MassHealth program: costs being shifting from private sector employers to the state as the result of more private sector employees not receiving health care from their employer. To address this cost-shifting and to create an incentive for employers to offer affordable health insurance for their

employees, the Governor [proposed](#) an assessment on employers that would generate \$300.0 million for FY 2018. The assessment would apply to employers that do not offer health insurance, or who fail to meet certain benchmarks for the share of their employees actually being covered by the employer-provided insurance. The House and Senate budgets included other forms of temporary employer assessments that would have generated \$180.0 million in revenue.

In June, the Governor proposed a new package of health reforms, including an employer contribution towards health care, and a variety of MassHealth and commercial health insurance market reforms. The Legislature's budget adopted the Governor's proposed employer contribution, but not the MassHealth or commercial health insurance market reforms. As proposed by the Governor and adopted by the Legislature, the assessment increases the existing Employer Medical Assistance Contribution (EMAC) rate, which pays for health insurance for people receiving unemployment insurance. The Legislature's budget increased the EMAC in two "tiers": increasing the EMAC by \$26 per employee and assessing a \$750 fee for each employee receiving publicly-subsidized health care either through MassHealth or through ConnectorCare. This assessment would bring in \$200.0 million and would sunset in December 2019. (The Legislature also included the Governor's recommendation to freeze unemployment insurance payments, allowing employers to pay \$334 million less than under the current schedule.)

It is the Administration's position that the employer contribution and MassHealth and other reforms should go together. Since the Legislature's budget included the increased EMAC without the other reforms, the Governor vetoed the EMAC provisions in the Legislature's budget and instead proposed amendments that would both reinstate an employer assessment and would restructure eligibility and modify benefits in the MassHealth program. Moreover, the Governor provided companion legislation with his proposals for reform of the health insurance market. The Governor states that these initiatives "would better align the MassHealth program with commercial insurance . . . and . . . ensure MassHealth is a secondary payer when individuals have access to employer-sponsored health insurance coverage." In fact, the Governor states that his vetoes in the MassHealth program in the FY 2018 GAA presume a level of savings that could only be realized by the types of reforms included in his health reform package.

Chief among the Administration's priorities is to more closely "align" the MassHealth program with commercial health insurance. Some of these changes would require federal approval.

The Governor recommends restructuring or eliminating covered services that are optional benefits in order to generate program savings and to make MassHealth benefits look more like commercial insurance benefits. Specifically, the Governor proposes eliminating coverage for non-emergency medical transportation for CarePlus members (except for transportation to and from appointments for substance use disorders), and restructuring pharmacy benefits for MassHealth members, including limiting specialty pharmacies and restructuring prescription drug formularies. These prescription drug coverage changes could have an impact on access to affordable medicine for people with rare or complex health conditions.

The Governor also proposes barring people (without disabilities) who have access to affordable employer-sponsored health insurance from obtaining MassHealth insurance coverage. This is referred to as an eligibility "gate". The Governor proposes a number of administrative changes, (such as the re-institution of a Health Insurance Responsibility Disclosure (HIRD) form, and requiring employers to report on health insurance coverage and options for their employees. The Administration hopes that all

of these strategies will promote the uptake of employer-sponsored insurance, and increase the availability of affordable health insurance. The Administration also hopes for savings by using the MassHealth Premium Assistance plan in combination with employer-sponsored insurance for eligible low-income working adults.

The Administration proposes creating more limited networks for MassHealth members, and shifting certain people from MassHealth coverage to either ConnectorCare or CarePlus. Although the Governor does not anticipate that some of these changes could take effect until FY 2019, the Administration hopes to transfer approximately 140,000 non-disabled adults with incomes from 100-138 percent of the federal poverty level from MassHealth to ConnectorCare, and transfer an additional 230,000 non-disabled parents and caretakers with income less than 100 percent of the federal poverty level from MassHealth to CarePlus. ConnectorCare and CarePlus have fewer benefits and higher out-of-pocket costs than MassHealth, which could put these very low-income adults at risk of losing access to affordable health insurance without some program modifications or “wrapped” benefits. These shifts would reduce state costs, as the tax credits and cost sharing reductions for ConnectorCare are funded by the federal government, and spending for the CarePlus program (Massachusetts’ Medicaid expansion program) offers fewer benefits than does MassHealth Standard. (See [What Is the Actual State Cost of MassHealth in 2018?](#) for more details.)

The GAA includes an Outside Section directing the Administration to consider creating a plan for small businesses to share in the premium costs of providing MassHealth insurance coverage for eligible employees with incomes under 138 percent of the federal poverty level. The GAA also anticipates that such a program could expand to more employers and to insurance provided to individuals on the Connector.

The Governor’s health reform amendments to the GAA also include:

- Approval of licensure for a new mid-level oral health professional, dental therapists, who would be allowed to prescribe certain medications. This is an important effort to improve access to oral health care, particularly for traditionally hard-to-serve populations, such as elders, persons with autism spectrum disorder, intellectual disabilities, and complex health conditions.
- Creation of an incentive program to expand health insurance provision by small businesses.
- Placing a five-year moratorium on new mandatory health care benefits.
- Discontinuing MassHealth Limited coverage for people who are also eligible for ConnectorCare. Although this might affect only a small number of people, unless carefully implemented, eliminating this dual eligibility could provide a gap in coverage for some individuals.

Separately, the Governor’s companion health market reform legislation aims to reduce the costs of health care, and thereby also make commercial insurance more affordable for employees. These proposed market reforms include:

- Increasing the differences in premiums between “tiered” network plans with the intent of creating more affordable commercial health insurance options.
- Expanding the scope of practice for optometrists, podiatrists, and advanced practice nurses.
- Creating more transparency about health care costs and options for consumers.

## Mental Health

The Fiscal Year (FY) 2018 General Appropriations Act (GAA) signed by the Governor includes \$768.9 million for the services of the Department of Mental Health (DMH), in order to help ensure that people in the Commonwealth struggling with and recovering from mental illness are able to become healthy and live and work successfully in the community. DMH provides supports to approximately 21,000 people – children as well as adults – through a network of inpatient facilities, residential treatment programs, and community support. DMH also evaluates more than 8,000 people each year who have been referred by the judiciary for evaluation. Total funding is slightly (\$4.9 million) above current FY 2017 budgeted amounts. (See table for breakdown.)

### FUNDING FOR MENTAL HEALTH

Line Item #	Line Item Name	FY 2017 Current	FY 2018 Legislature	FY 2018 GAA	Difference FY18 GAA - FY17 Current	Notes
5011-0100	DMH Administration	27,408,942	27,408,942	27,408,942	0	
5042-5000	Child & Adolescent Mental Health	88,650,618	91,738,321	88,938,321	287,703	
multiple	DMH Adult Services	439,989,646	447,267,619	446,417,619	6,427,973	6 line items
multiple	DMH Facilities	207,898,658	206,123,406	206,123,406	(1,775,252)	2 line items
<b>TOTAL</b>		<b>763,947,864</b>	<b>772,538,288</b>	<b>768,888,288</b>	<b>4,940,424</b>	

The budget includes a continued effort to move supports for behavioral health and substance misuse out of the corrections systems and into the behavioral health systems. For instance, there is full funding (\$13 million) for 45 beds at Taunton State Hospital to provide support for women who have been civilly committed for substance use disorders as well as other co-occurring behavioral health disorders. There is also language in Outside Sections of the budget allowing men civilly committed with alcohol or other substance use disorders to be treated at facilities other than MCI Bridgewater, including but not limited to the Massachusetts Alcohol and Substance Abuse Center in Plymouth. This facility is essentially a “re-purposing” of MCI Plymouth and this shift would increase the number of available beds for these individuals in need of treatment. (Please also see “Public Health” section of this *Budget Monitor* for additional discussion of funding for substance abuse services.)

**Child and adolescent health services** receives \$88.9 million in the FY 2018 budget, which is essentially level with funding in FY 2017. Although the Governor vetoed \$2.8 million from the total (see veto list below), including \$800,000 in earmarks for particular local programs, he let stand an earmark for \$1.95 million to increase case management services, including enhancing services for older adolescents and young adults, and increasing funding for consultation and training with early childhood providers, schools, and community agencies with the intent of increasing early identification and prevention.

(Although not included in these totals here, but included in the Early Education and Care totals in this *Budget Monitor*, the budget includes \$1.25 million – reduced by veto from \$2.5 million – for early childhood mental health consultation services. These services were last funded at \$750,000 from FY 2011 through FY 2016. Also not included in these totals is the Governor’s \$50,000 veto of the Juvenile Court Mental Health Access Project as mentioned in the Child Welfare section of this *Budget Monitor*.)

The FY 2018 budget includes language directing at least \$3.7 million to the Massachusetts Child Psychiatry Access Project (MCPAP), \$100,000 more than in FY 2017. MCPAP is an innovative program

that improves access to treatment for children with behavioral health needs by making psychiatrists available to provide consultation for primary care providers across Massachusetts. The budget also directs DMH to increase the capacity of the program and provides funding for the “MCPAP for Moms” program that screens for postpartum depression.

The Governor vetoed the following amounts from the following line items:

#### VETOES FOR MENTAL HEALTH

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	FY 2018 GAA
5042-5000	Child and Adolescent Mental Health Services	91,738,321	(2,800,000)	88,938,321
5046-0000	Adult Mental Health and Support Services	387,080,579	(850,000)	386,230,579

For information on funding for mental health programs going back to FY 2001, please see MassBudget’s *Budget Browser* [here](#).

## Public Health

The Fiscal Year (FY) 2018 General Appropriations Act (GAA) signed by the Governor includes \$605.4 million for public health. The Department of Public Health (DPH) oversees a wide variety of prevention and treatment services, improves access to health care, and ensures the safety of our food and water. The Governor vetoed a total of \$7.9 million in funding from DPH, largely removing funding earmarked for specific local programs, bringing funding to essentially level (\$1.0 million above) FY 2017 budgeted totals. (See below for list of public health vetoes.)

The FY 2018 budget reflects the Administration’s continued commitment to preventing and treating substance misuse and addiction, and initiatives at DPH are central to that effort. Combined, the funding for substance use disorders and services to prevent and treat addiction at DPH total \$145.3 million. This is \$3.5 million more than funding in FY 2017, a notable increase during a period when funding for many other services has been constrained (see table for details). The increase has been concentrated in the newly-renamed Bureau of Substance Addiction Services, as well as in a line item new this year with funding that is entirely designated for specific local substance use disorder programs.

## FUNDING FOR SUBSTANCE USE DISORDERS AND RELATED SERVICES

Line Item #	Line Item Name	FY 2017 Current	FY 2018 Legislature	FY 2018 GAA	Difference: FY18 GAA - FY17 Current
1595-4510	Substance Abuse Services Fund	5,000,000	0	0	(5,000,000)
4512-0200	Bureau of Substance Addiction Services	124,258,987	132,575,888	132,575,888	8,316,901
4512-0201	Substance Abuse Step-Down Recovery Services	4,908,180	4,908,180	4,908,180	0
4512-0202	Secure Treatment Facilities for Opiate Addiction	2,000,000	1,940,000	1,940,000	(60,000)
4512-0203	Substance Abuse Family Intervention and Care	1,500,000	1,440,450	1,440,450	(59,550)
4512-0204	Nasal Narcan Pilot Expansion	1,000,000	970,000	970,000	(30,000)
4512-0205	Substance Abuse Grants		980,000	980,000	980,000
4512-0211	Recovery High Schools	3,100,000	3,600,000	2,500,000	(600,000)
TOTAL		141,767,167	146,414,518	145,314,518	3,547,351

There is little new investment in other areas crucial to protecting public health. Maternal and child health programs receive a total of \$67.4 million in the GAA. This is slightly (\$665,000) more than FY 2017 budget totals, and includes:

- \$11.9 million for the state supplement for the [WIC \(Women, Infants, and Children\) Program](#), 5.5 percent below FY 2017. The Governor vetoed \$18,000 from the Legislature's total in accordance with his estimates of anticipated program costs.
- \$26.2 million in funding from [manufacturer's rebates](#) for the WIC Program, just \$600,000 above FY 2017 totals.
- \$29.3 million for the **Early Intervention Program**, an amount that is below what was initially proposed by the House and Senate, and just \$750,000 above FY 2017 totals.
- \$81,000 for the [Newborn Hearing Screening Program](#), level with funding in FY 2017.

The Governor vetoed funding for the [Postpartum Depression Pilot Program](#), supporting community health workers at a handful of health centers who work with women with postpartum depression. The Governor also eliminated this program with mid-year cuts in FY 2017.

The FY 2018 budget continues chipping away at funding for the state's anti-smoking efforts in DPH. The [Smoking Prevention and Cessation](#) program receives \$3.7 million. This is 3.8 percent below funding in FY 2017. At one time, Massachusetts led the nation with its successful public health campaign to reduce smoking. In FY 2001, for example, the state budgeted close to the equivalent of \$90 million (as adjusted for inflation) to support anti-smoking efforts. This funding was cut dramatically in the next year, and has dwindled away over the subsequent decade and a half.

DPH **oral health programs** receive a 7.9 percent increase compared to FY 2017 with a total of \$2.8 million. After a \$150,000 veto, funding for [Dental Health Services](#) is \$1.9 million, \$203,000 above funding in FY 2017. The [SEAL](#) sealant and fluoridation program receives level funding of \$891,000. One of the major oral health care initiatives debated through the budget process has been the proposal to recognize a new mid-level dental provider. The Governor proposed an amendment (Section 16) to allow for the licensing of dental therapists, an important initiative to expand access to oral health care in underserved communities.

There are several programs in the budget that together are designed to provide community-based activities and supports for young people to keep them engaged and ultimately reduce violence (see table). Together, these programs are funded at \$950,000 less than in FY 2017, a 9.5 percent reduction. For example, the [Safe and Successful Youth Initiative](#) targets at-risk young people in communities across the Commonwealth and provides a public health approach to reducing gun-related violence. This program receives \$4.3 million in the FY 2018 GAA, a \$2.25 million reduction from FY 2017 levels.

#### FUNDING FOR YOUTH ENGAGEMENT PROGRAMS

Line Item #	Line Item Name	FY 2017 Current	FY 2018 Legislature	FY 2018 GAA	Difference: FY18 GAA - FY17 Current
4000-0005	Safe and Successful Youth Initiative	6,500,000	4,320,000	4,250,000	(2,250,000)
4000-0008	Crossroads	25,000	0	0	(25,000)
4590-1506	Violence Prevention Grants	1,337,124	1,337,124	1,337,124	0
4590-1507	Youth At-Risk Matching Grants	2,100,000	3,765,000	3,425,000	1,325,000
<b>TOTAL</b>		<b>9,962,124</b>	<b>9,422,124</b>	<b>9,012,124</b>	<b>(950,000)</b>

Because the FY 2018 does not include the Senate's proposed increased tax on flavored cigars, there is no source of the funding in the GAA for the (off-budget) **Prevention and Wellness Trust Fund**. The Fund supports partnerships among community organizations, health providers, and local governments to promote healthier living. The trust, currently funded by a one-time assessment on insurers, may run out of money during the course of this fiscal year.

The Governor also vetoed an Outside Section creating a commission to for childhood vision and eye health. The Administration states that this commission is not necessary for improvements to existing childhood vision screenings, and that new vision screening protocols established by DPH in conjunction with schools could go a long way towards addressing the concerns about children's eye health that underlay the proposed creation of the commission.

The Governor vetoed the following amounts from the following line items:

## VETOES FOR PUBLIC HEALTH

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	FY 2018 GAA
4000-0005	Safe and Successful Youth Initiative	4,320,000	(70,000)	4,250,000
4510-0110	Community Health Center Services	1,592,354	(125,000)	1,467,354
4510-0112	Postpartum Depression Pilot Program	50,000	(50,000)	0
4510-0600	Environmental Health Assessment and Compliance	3,688,322	(100,000)	3,588,322
4510-3010	Down Syndrome Clinic	100,000	(100,000)	0
4512-0103	HIV/AIDS Prevention Treatment and Services	30,834,416	(2,500,000)	28,334,416
4512-0211	Recovery High Schools	3,600,000	(1,100,000)	2,500,000
4512-0500	Dental Health Services	2,022,353	(150,000)	1,872,353
4513-1002	Women Infants and Children's Nutrition (WIC)	11,869,725	(17,895)	11,851,830
4513-1026	Suicide Prevention and Intervention Program	4,340,051	(50,000)	4,290,051
4513-1027	Samaritans, Inc. Suicide Prevention	400,000	(200,000)	200,000
4513-1111	Health Promotion and Disease Prevention	4,110,977	(550,000)	3,560,977
4513-1121	Stroke Treatment and Ongoing Prevention Program	200,000	(200,000)	0
4513-1130	Domestic Violence and Sexual Assault Prevention	31,355,559	(20,000)	31,335,559
4516-1000	State Laboratory & Communicable Disease Control	12,332,648	(462,475)	11,870,173
4516-1037	Mobile Integrated Health Retained Revenue	250,000	(250,000)	0
4516-1039	Health Care Industry Plan Review Retained Revenue	200,000	(200,000)	0
4590-0250	School-Based Health Programs	12,069,395	(200,000)	11,869,395
4590-0915	Public Health Hospitals	155,400,383	(150,000)	155,250,383
4590-0925	Prostate Cancer Research Program	550,000	(275,000)	275,000
4590-1503	Pediatric Palliative Care	2,606,334	(800,000)	1,806,334
4590-1507	Youth At-Risk Matching Grants	3,765,000	(340,000)	3,425,000

For information on funding for public health programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## State Employee Health Insurance

The Fiscal Year (FY) 2018 General Appropriations Act (GAA) signed by the Governor includes \$1.58 billion to cover the costs of health insurance for state employees. This total includes coverage for current employees as well as retirees (discussed more below). Although the budget debate this year started off with a proposal from the Governor to keep state employee health insurance costs down in part by capping provider rates paid by the state's Group Insurance Commission (GIC), this initiative was never taken up by the Legislature and therefore not included in the budget as signed.

In order to more accurately reflect health insurance costs, MassBudget's totals for state employee health insurance include adjustments that allow for better across-year comparisons (see table). MassBudget removes from budget totals the amounts each year that are simply pass-throughs of funding for municipal health insurance. Municipalities have the option of taking advantage of the state's purchasing power by using the GIC to purchase their employees' health insurance. Municipalities reimburse the state for the costs of this insurance, so there is no cost to the state for adding these municipal employees to the GIC membership rolls.

## STATE EMPLOYEE HEALTH INSURANCE FUNDING WITH MUNICIPAL PASS-THROUGH ADJUSTMENT

Line Item	Line Item Name	FY 2017 Current with MassBudget Adjustment	FY 2018 GAA	MassBudget Adjustment	FY 2018 GAA Adjusted	Difference FY18 GAA Adjusted - FY17 Current
1108-5200	Group Insurance Premiums	1,074,037,982	1,683,153,734	(608,238,462)	1,074,915,272	877,290
1108-5400	Retired Municipal Teacher:	0	51,376,567	(51,376,567)	0	0

## State Retiree Benefits

The state has adopted a schedule to move towards full funding of health and other non-pension post-employment benefits (“OPEB”) for retirees. The Commonwealth funds the current and future costs of OPEB through transfers to the State Retiree Benefits Trust.

The GAA includes \$432.4 million in a direct operating transfer to the State Retiree Benefits Trust, presumably to ensure funding for *current* retiree benefits.

In order to fully fund the cost of *future* retirees’ benefits, in FY 2012 the state decided to dedicate an increasing share of its annual Master Tobacco Settlement award to the State Retiree Benefits Trust. By 2018, the state would be depositing 60 percent of the award, currently estimated at \$154.5 million. The FY 2018 GAA proposes transferring an amount equivalent to just 10 percent of the Tobacco Settlement award – \$25.8 million – into the State Retiree Benefits Trust to fund OPEB, instead of transferring \$154.5 million. Language in the budget states that this transfer would come from unexpended debt payments reverted to the General Fund or, if those reversions were insufficient, the transfer would come directly from the Master Tobacco Settlement revenue deposited into the General Fund.

With these modifications, the FY 2018 OPEB transfer is \$128.8 million less than the amount indicated for FY 2018 in the statute. Moreover, the Administration anticipates making that transfer out of reversions of debt service appropriations, rather than from general revenues.

## HUMAN SERVICES

## Child Welfare

The Fiscal Year (FY) 2018 General Appropriations Act (GAA) signed by the Governor includes \$976.4 million to support the child welfare system, the state’s services designed to protect children at risk of neglect or abuse. This total is \$28.8 million more (3.0 percent) than currently budgeted for FY 2017. The Department of Children and Families (DCF), the agency responsible for child protection and custody, has a dual mission: to strengthen and preserve vulnerable families, and to protect the children in vulnerable families, which sometimes requires removing those children from their home environments. Funding at DCF serves both of these functions.

Funding for the [case workers](#) who work directly with families and children totals \$236.8 million, a \$13.3 million increase over FY 2017 funding, or 6.0 percent. In part due to highly-publicized cases involving children and families involved with DCF, the Administration has made a concerted effort to increase staffing at DCF and address some of the challenges faced by the staff who work directly with at-risk families. Although the case workers' union contract aims to limit caseloads to 15 families each, the Administration estimates that increased staffing funded through this proposed budget could bring the caseload ratios closer to level as it annualizes funding for 450 new staff people. The budget also increases funding to [train](#) these new workers by \$205,000, an 8.3 percent increase to \$2.7 million. The FY 2018 budget includes \$289.6 million for [foster care and adoption](#) services, a \$3.5 million increase over FY 2017 funding. The Governor did, however, veto \$403,000 from this line item that the Legislature had designated for specific programs (see table below for line items affected by the Governor's vetoes).

The budget includes \$278.6 million for [group or congregate residential care](#). The Administration has projected approximately 1,600 children living in congregate care settings, and this funding also supports certain short-term intensive placements, such as Stabilization, Assessment, and Rapid Reintegration (STARR). Funding for congregate care is comparatively more expensive than family-based care. Furthermore, the state has had to use congregate care in some instances simply because of the scarcity of foster families. The FY 2018 budget is \$9.1 million over the FY 2017 budget.

As in FY 2017, the FY 2018 budget includes \$250,000 to support [Foster Care Parent Outreach](#), an initiative to encourage more families to open their homes to foster children.

The vast majority of children connected to DCF are not in foster care, but rather live with their families with supports and services provided by, or coordinated with, DCF. Estimates from March 2015 suggest that close to 9 of every 10 children involved with DCF either live at home with their families or are in foster care but awaiting return to their homes. The FY 2018 budget includes \$47.6 million for [family support services](#), a \$750,000 increase over FY 2017. This increase will help provide the services families might need to help them stay together safely and prevent child neglect.

In addition to the funding for DCF, the FY 2018 budget provides \$112,000 for what is known as the [Grandparents Commission](#), which focuses on concerns of grandparents with primary responsibility for raising grandchildren. This total is \$12,000 more than funding in the FY 2017 current budget.

There are two line items supporting funding for Family Resource Centers in the budget that are closely related, one of which is included in the Child Welfare totals in this *Budget Monitor*, the other of which is included in the Other Human Services totals. DCF funding includes \$9.7 million for these [Family Resource Centers](#), a statewide network of community-based organizations providing access to services for at-risk families. The Governor vetoed \$50,000, which had been targeted to a new program providing mental health access for children and adolescents at risk of entering the juvenile justice system.

The Governor vetoed several Outside Sections of the budget that would have created a commission to make recommendations to the Legislature about child welfare data reporting, including recommendations to eliminate duplicate reports. The Administration stated that such a commission would not be necessary.

The Governor vetoed the following amounts from the following line items:

## VETOES FOR CHILD WELFARE

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	FY 2018 GAA
4800-0038	Services for Children and Families	289,964,283	(403,000)	289,561,283
4800-0200	DCF Family Resource Centers	9,731,116	(50,000)	9,681,116

For information on funding for child welfare programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## Disability Services

The state budget supports a range of programs for individuals with disabilities. These include targeted job training programs that help people participate in the workforce as well as community-based supports to assist people and their families more broadly. The Fiscal Year (FY) 2018 General Appropriations Act (GAA) funds disability services at \$1.95 billion, reflecting \$8.0 million in vetoes by the Governor. Total funding is \$44.4 million (or 2.3 percent) higher than FY 2017 funding levels.

The majority of funding for disability services - \$1.2 billion - goes to **Community Residential Services for Developmentally Disabled**, which supports adults in various residential settings to live as comfortably and independently as possible. This is \$47.6 million (or 4.3 percent) higher than FY 2017 funding levels and reflects a \$6.8 million veto. The veto is based on the amount the administration projected to be necessary.

The [Turning 22](#) program under the Department of Developmental Services (DDS) receives \$23.1 million, which is \$4.8 million (or 26.2 percent) above FY 2017 funding. This program pays for a share of services for young adults with disabilities for a portion of the year that they turn 22 years old. During this year, these young adults leave special education services and transition into the adult service system. Also, [Respite Family Supports](#) under DDS, which provides short-term care for the family member with a disability, allowing parents and other caregivers to handle personal matters or otherwise get a break, receives \$63.5 million, which is essentially level with FY 2017 funding.

The GAA increases funding to [Community Day and Work programs](#) by \$10.6 million above FY 2017 funding. The Senate and Governor's proposals consolidated [Community Based Employment](#) into the Community Day and Work Program account. The GAA appears to reflect this consolidation.

The Governor vetoed \$180,000 in the **State Operated Residential Services** account for a local project for DDS clients. This brings the account \$10.5 million (or 4.8 percent) below FY 2017 funding levels.

The Governor eliminated [Transitions to Work](#), citing limited projected revenues. He also eliminated **Aging with Developmental Disabilities** because it was not in line with his FY 2018 budget proposal. The Aging with Developmental Disabilities program provides direct support for older adults with developmental disabilities, staff training for identifying age-related conditions, and data collection on the effectiveness of support and training. Transitions to Work provides a range of job training and placement services to young adults with disabilities.

## VETOES FOR DISABILITY SERVICES

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	FY 2018 GAA
4120-4000	Independent Living Assistance for the Multi Disabled	9,623,606	(270,000)	9,353,606
5911-1003	DDS Service Coordination and Administration	67,753,226	(50,000)	67,703,226
5911-2000	Transportation Services	22,201,781	(363,318)	21,838,463
5920-2000	Community Residential Services for Developmentally Disabled	1,164,904,714	(6,844,581)	1,158,060,133
5920-2010	State Operated Residential Services	208,097,398	(180,000)	207,917,398
5920-2025	Community Day and Work Programs	202,120,152	(25,000)	202,095,152
5920-3025	Aging with Developmental Disabilities	100,000	(100,000)	0
7003-0607	Transitions to Work	150,000	(150,000)	0

For information on funding for all disability services going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## Elder Services

The Fiscal Year (FY) 2018 General Appropriations Act (GAA) funds elder services at \$285.4 million, reflecting \$647,300 in vetoes by the Governor. Total funding is \$10.8 million (3.9 percent) higher than FY 2017 funding levels.

The majority of funding for elder services programming goes to support **elder home care services**, which allow elders to age in place instead of living in a nursing home. In aggregate, the FY 2018 GAA for elder home care services is \$226.0 million, an increase of \$10.8 million (or 5.0 percent) when compared to FY 2017 funding levels.

The Governor vetoed \$12,300 for the **elder nutrition program** and \$635,000 in grants to the **Council on Aging**. Most of these reductions eliminated dedicated funding to specific senior centers and local councils on aging in the state.

## VETOES FOR ELDER SERVICES

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	FY 2018 GAA
9110-1900	Elder Nutrition Program	7,268,675	(12,300)	7,256,375
9110-9002	Grants to Councils on Aging	14,242,900	(635,000)	13,607,900

For information on funding for all elder services going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## Juvenile Justice

The Fiscal Year (FY) 2018 General Appropriations Act (GAA) funds juvenile justice programs at \$178.7 million, reflecting \$1.8 million in vetoes by the Governor. Total funding is essentially level with FY 2017 funding.

The Governor vetoed \$500,000 for a specific detention diversion advocacy program in the [Residential Services for Detained Population](#) account, which funds detention services for youth awaiting trial. In addition, the Governor vetoed \$1.3 million from the [Residential Services for Committed Population](#) account, which funds facilities and residential programs for Department of Youth Services (DYS) committed youth not living in the community. Total funding for this account reflects the amount the Governor projects to be necessary.

#### VETOES FOR JUVENILE JUSTICE PROGRAMS

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	FY 2018 GAA
4200-0200	Residential Services for Detained Population	28,581,402	(500,000)	28,081,402
4200-0300	Residential Services for Committed Population	118,863,123	(1,285,943)	117,577,180

For information on funding for all juvenile justice programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## Transitional Assistance

Transitional assistance programs help low-income individuals and families meet their basic needs and improve their quality of life when faced with an emergency. The Fiscal Year (FY) 2018 General Appropriations Act (GAA) funds transitional assistance programs at \$618.8 million, reflecting \$7.1 million in vetoes by the Governor. Total funding is \$38.7 million (or 5.9 percent) lower than FY 2017 funding levels.

A large portion of this decrease comes from the [Transitional Assistance for Families with Dependent Children](#) (TAFDC) account, which is reduced by \$35.0 million (or 18.3 percent) below FY 2017 funding and reflects \$6.6 million in vetoes. The reduction assumes a decrease in caseloads, which one would expect with an improving economy that enables more people to secure employment and improve their circumstances rather than seek this assistance. However, current caseload reductions may partially result from new administrative changes that make it harder for clients to maintain their benefits. The reduction also accounts for the Governor's plan to change how the Department of Transitional Assistance (DTA) determines TAFDC eligibility and benefits for some families receiving Supplemental Security Income (SSI). The Governor plans for DTA to count SSI benefits to caregivers, who have a severe disability, in determining eligibility and benefits. The measure would reduce or eliminate TAFDC benefits to about 7,000 children.

While the Legislature's budget increased the **clothing allowance** from \$250 to \$300 per eligible child receiving TAFDC, the Governor vetoed the increase. The clothing allowance is for annual payment made in September to help low-income families pay for back-to-school clothing. The **rent allowance** remains at \$40 per month.

The [Employment Services Program](#) receives \$14.0 million, which reflects a \$150,000 veto in specific worker transportation programs. This total is \$1.4 million (or 11.2 percent) above FY 2017 funding levels.

The [Food Stamps Participation Rates Program](#), which funds programs designed to increase the participation of residents eligible, but not currently signed up, to receive SNAP (formerly food stamps), receives \$4.4 million, which is \$1.4 million above FY 2017 funding levels. However, the [Supplemental Nutrition Program \(SNAP\) State Supplement](#) receives \$300,000, which is \$400,000 (or 57.1 percent) below FY 2017 funding. The total reflects a \$300,000 veto by the Governor because the funding level was not in line with his FY 2018 budget proposal.

The GAA budget also includes language requiring the Executive Office of Health and Human Services, in conjunction with DTA, to report to the Legislature by January 1, 2018 on the feasibility of creating a **common application** for MassHealth, SNAP, TAFDC, and Emergency Aid to Elders, Disabled and Children (EAEDC).

#### VETOES FOR TRANSITIONAL ASSISTANCE PROGRAMS

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	FY 2018 GAA
4401-1000	Employment Services Program	14,185,888	(150,000)	14,035,888
4403-2000	TAFDC Grant Pmt	162,851,212	(6,613,292)	156,237,920
4403-2007	Supplemental Nutritional Program	600,000	(300,000)	300,000

For information on funding for all transitional assistance programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## Other Human Services

The Fiscal Year (FY) 2018 General Appropriations Act (GAA) signed by the Governor includes \$201.9 million for other human services. This funding includes allocations for veterans' services, food banks, and some cross-agency initiatives. This amount is \$12.2 million less than budgeted totals for FY 2017. Much of the decrease is associated with the scheduling of rate adjustments held in a reserve account for a variety of health and human services providers that we include in this subcategory of this *Budget Monitor* (see discussion below).

The FY 2018 budget includes \$17.0 million for the [Emergency Food Assistance Program](#) which is level with FY 2017 current funding. This funding supplements federal funding to support the statewide network of food banks that provide food to families struggling to make ends meet.

The budget includes \$146.7 million for **veterans' services**, \$1.4 million below FY 2017 totals. Funding for veterans outreach centers is \$761,000 above FY 2017 funding levels.

The budget also includes \$400,000 for the **Low-Income Citizenship Program** in the Office for Refugees and Immigrants, level-funded with FY 2017. This program assists legal permanent residents in becoming citizens.

After a veto of \$4.0 million by the Governor (see table below), the budget includes \$35.7 million for legally required **Chapter 257 rate increases**. Chapter 257 standardizes rates paid to various types of human service providers in order to make the system more efficient and fair. The amount included in

the Chapter 257 reserve account funds the planned rate increases for providers across many human and social service programs. There are increases planned beginning FY 2018 that affect several agencies, including services provided by the Department of Developmental Services, the Department of Public Health, and the Department of Mental Health. For more information on the rate standardization and the timing of the implementation across state agencies, see the state's [Chapter 257 update](#). This reserve contains the amounts for the initial increases, and over the course of the year those funds are then distributed to the individual agencies to fund their providers' rate adjustments. In subsequent years, that increased funding would from then on be included in the totals of the agencies that received the funds and included in other sections of this *Budget Monitor*.

In addition to funding at the Dept. of Children and Families and included in the Child Welfare section of this *Budget Monitor*, the budget includes \$500,000 for the Executive Office of Health and Human Services to administer and provide technical assistance to the state's network of [Family Resource Centers](#). The Executive Office lost its FY 2017 funding for these resources in mid-year cuts.

The Governor vetoed the following amounts from the following line items:

#### VETOES FOR OTHER HUMAN SERVICES

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	FY 2018 GAA
1599-6903	Chapter 257 Reserve	39,698,478	(4,000,000)	35,698,478
2511-0105	Emergency Food Assistance Program	17,673,831	(673,831)	17,000,000
4180-0100	Soldiers' Home in Massachusetts Administration and	27,210,690	(303,734)	26,906,956

For information on funding for other human services programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## INFRASTRUCTURE, HOUSING & ECONOMIC DEVELOPMENT

### Transportation

The state supports an array of transportation systems, including roads, bridges, rail, buses, airports, and ferries that enable people and goods to travel where they need to go. Much state funding for transportation takes place through dedicated revenue sources and a separate capital budget process. For a chart and description of funding for transportation operations and debt service, see MassBudget's fact sheet, "[What Does Massachusetts Transportation Funding Support and What Are the Revenue Sources?](#)"

The **Massachusetts Transportation Trust Fund (MTTF)** contributes to highways, transit, intercity rail, small airports, the Massachusetts Turnpike, and the Motor Vehicle Registry. The MTTF receives funds from tolls and federal transportation sources as well as a transfer from the Commonwealth Transportation Fund. After the Governor's vetoes, this budget reduces spending for the MTTF to \$302.1 million, a \$41.0 million decline (11.9 percent) compared to the Fiscal Year (FY) 2017 budget.

Most of the reduction in the MTTF transfer comes from the Legislature underfunding snow and ice control. This will not likely end up as an actual cut. Lawmakers have tended to underfund the snow and ice removal account, knowing that if needed the Legislature will appropriate additional funds for this purpose in a supplementary budget. The Legislature proposed a new \$104.1 million contingency fund (line item 1599-1690) as a reserve to address their underfunding of the accounts for snow and ice removal, public counsel, and the sheriffs' offices. The Governor [concluded](#) that this amount was insufficient, finding that, "there are \$198 million in unavoidable deficiencies that will need to be addressed in FY18." The Governor filed a \$94.1 million supplementary budget [bill](#) to meet this anticipated deficiency.

The Governor also reduced funding for the MTTF transfer by vetoing nearly every local transportation improvement the Legislature supported in its budget. The Legislature's budget included \$1.3 million for a list of 15 specific local transportation improvement projects, such as to repair a particular intersections, build a designated pedestrian paths, or operate a specific local shuttle service. The Governor vetoed all these local allocations, with the exception of \$50,000 for transportation to a camp in Boston Harbor.

Following earlier proposals in this budget cycle, the Legislature reduced **Massachusetts Bay Transportation Authority** (MBTA) operating assistance to \$127.0 million, a reduction of \$60.0 million compared to the FY 2017 budget. This reduction is expected to be accompanied by an increase in capital funding of the same amount. Anticipating this shift, the Department of Transportation's draft capital plan in May included \$60.0 million in the state bond cap [allocation](#) that had not been in the earlier draft. This capital allocation, supported through the issuance of state bonds, would be for "[s]upplemental capital funding for state of good repair and modernization projects across the system including signal upgrades and station improvements." The budget includes language that requires the MBTA to provide quarterly reports accounting for how future operating transfers are spent and it mandates that the authority report the level of funding they expect to request through 2021. The legislative language also stipulates that the MBTA is required to include this funding in their future presentations on the structural deficit – instead of presenting a structural deficit that omits this funding – and, that the money "shall be used to prevent diminished service levels and diminished personnel levels." In the last two years the MBTA has redirected a growing portion of operating assistance to its capital account while arguing that projected operating deficits [made it necessary](#) to end late-night bus service, curtail the scope of paratransit service, raise fares, and privatize some functions.

After the Legislature's budget reduced funding for the state's 15 **Regional Transit Authorities** (RTAs) to \$80.4 million in FY 2018, the Governor's veto further reduces support to \$80.0 million. These amounts are below the \$82.0 million that the RTAs received in FY 2017 and FY 2016.

The Legislature's budget also assumes increased transportation funding through measures that would add to sales tax revenues available in FY 2018 and thereby increase the dedicated portion of those sales taxes to the MBTA. These changes are described in the "Revenue and Budget Balance" section of MassBudget's [previous Budget Monitor](#). With these changes and a growing economy, the Legislature anticipates that sales tax revenues will grow enough this year to yield \$1.01 billion in dedicated sales tax revenue transfers for the MBTA, an increase of \$9.2 million over the current FY 2017 amount.

## FUNDING FOR TRANSPORTATION LINE ITEMS

Line Item #	Line Item Name	FY 2017 Current	FY 2018 Legislature	FY 2018 GAA	Difference: FY18 GAA - FY17 Current	Notes
1595-6368	Massachusetts Transportation Trust Fund (MTTF)	343,085,302	303,341,772	302,096,222	(40,989,080)	Not incl reserve
1595-6369	MBTA Contract assistance	187,000,000	127,000,000	127,000,000	(60,000,000)	Plus \$60M cap
1595-6370	Regional Transit Authorities	82,000,000	80,400,000	80,000,000	(2,000,000)	
1595-6379	Merit Rating Board	9,695,439	9,494,567	9,494,567	(200,872)	Insurers reimbursed
T0100340	MBTA Sales Tax Transfer	997,900,000	1,007,100,000	1,007,100,000	9,200,000	

In addition to vetoing spending through particular line items, the Governor also proposes an amendment to an outside section in the Legislature's budget. The section requires the Department of Transportation (MassDOT) to contact holders of EZ pass accounts with large sums of outstanding fees and fines amassed on unpaid tolls to alert them and confirm their mailing address. The Governor increased the threshold for this action from the \$100 in unpaid fees and fines proposed by the Legislature to \$500.

The Governor let stand the following other transportation-related policy changes approved by the Legislature as outside sections of the budget:

- Requiring MassDOT to annually report on how much capital expenditures are used to match federal projects and detail departmental employee salaries included in capital expenditures and the impact of including these salaries as capital expenditures.
- Enabling the Pension Reserves Investment Management Board to manage the investment of the MBTA Retirement Fund, if the MBTA Retirement Fund board agrees.
- Requiring MassDOT to convene a working group to evaluate establishing direct seasonal weekend passenger rail service between New York City and Pittsfield between Memorial Day and Columbus Day weekends modeled on the CapeFLYER passenger rail.
- Requiring MassDOT to conduct a feasibility study on establishing a highway interchange on Interstate 90 between the existing interchanges located in the municipalities of Westfield and Lee.
- Increase the value of real estate that MassDOT may sell without a competitive bidding process from less than \$5,000 to \$50,000 or less.

## VETOES FOR TRANSPORTATION

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	FY 2018 GAA
1595-6368	Massachusetts Transportation Trust Fund (MTTF)	303,341,772	(1,245,550)	302,096,222
1595-6370	Regional Transit Authorities (RTAs)	80,400,000	(400,000)	80,000,000

For information on funding for transportation programs going back to FY 2001, please see MassBudget's Budget Browser [here](#).

## Housing

The state budget funds affordable housing and shelter for low-income homeless families and individuals. The Fiscal Year (FY) 2018 General Appropriations Act (GAA) signed by the Governor provides \$432.3 million for affordable housing programs, which is \$22.4 million below the FY 2017 current budget. The Governor vetoed \$8.0 million from the Legislature's housing budget, the majority of which eliminated specific projects included in various line item accounts. A full list of housing vetoes is included in the table at the end of this section.

The FY 2018 GAA is lower than the FY 2017 budget largely because it provides \$21.1 million less than the FY 2017 budget for [Emergency Assistance](#) (EA). EA provides shelter to low-income, homeless families with children who qualify for assistance. The GAA amount of \$154.9 million is \$9.8 million below the Governor's initial FY 2018 proposal and \$11.2 million below the Senate budget. Because EA provides shelter to all families who are eligible, both the Governor's and Senate's proposals provided funding to meet anticipated caseload levels for FY 2018. Given that the GAA is below both of these proposals, it is likely that the Legislature will have to provide supplemental funding for EA in FY 2018. For a full discussion of this issue, please see the [Housing](#) section of MassBudget's Conference Preview. The Governor also vetoed \$995,000 for specific projects included in the EA account, the largest of which would have provided \$800,000 for summer and out-of-school time opportunities for children staying in EA shelters.

The state budget also funds programs that provide short-term assistance to help low-income families avoid shelter altogether or move from shelter into housing. [HomeBASE](#) provides up to \$8,000 in housing assistance, including rent, for 12 months to families who are qualified to stay in EA shelters. The FY 2018 GAA provides \$30.1 million, which is \$1.8 million less than in FY 2017.

[Residential Assistance for Families in Transition](#) (RAFT) provides up to \$4,000 in assistance during one year to help prevent families from becoming homeless. Because RAFT is not required to help every low-income family who qualifies for assistance, it often runs out of funding before the fiscal year ends. The FY 2018 GAA provides \$13.0 million for RAFT, which is level with the last year. The Governor vetoed \$2.0 million, which would have expanded RAFT to help the elderly, people with disabilities, and unaccompanied youth at risk of becoming homeless.

The state budget also funds long-term supports to help families and the elderly secure housing. The [Massachusetts Rental Voucher Program](#) (MRVP) supports vouchers for low-income renters. The GAA provides \$92.7 million for MRVP, which is \$6.2 million above the FY 2017 budget. Because of the revenue shortfall, noted in the Revenue section of this *Monitor*, the Legislature's budget reduced funding below the \$100.0 million recommended by both the House and the Senate. Both chambers estimated that their budgets would have allowed the state to create 300-400 new vouchers in FY 2018. At the lower funding level, it is likely that the Department of Housing and Community Development (DHCD) will not be able to create any new vouchers in FY 2018. The FY 2018 GAA also increases the amount of income that voucher holders can earn before they lose their vouchers. For a discussion of this change, please see the [Housing](#) section of MassBudget's Conference Preview.

[Subsidies to Public Housing Authorities](#) supports affordable housing for families and the elderly. The GAA provides \$63.0 million to Local Housing Authorities (LHAs), which is \$1.5 million below both the FY 2017 and Legislature's budgets. In his veto message, the Governor stated that the lower funding level would be adequate to meet projected needs. In its budget, the Legislature had encouraged DHCD

to make every effort to direct funding towards renovating family units. At the lower funding level, it is unlikely that LHAs will have the resources to make these repairs.

Other notable stories for housing accounts in the FY 2018 GAA include:

- The Governor eliminated the program that provides shelter and services to [homeless youth](#) up to age 24 who are not in the care of a parent or guardian. This program received \$2.0 million in FY 2017 and \$675,000 in the Legislature's FY 2018 budget.
- The FY 2018 GAA eliminates the **New Lease** program, which received \$250,000 in the Legislature's FY 2018 budget. New Lease would have matched homeless families, living in hotels and motels, with housing and support services to remain housed over the long term.
- The FY 2018 GAA includes \$650,000 for **Secure Jobs Connect**, which provides employment and housing stabilization services to low-income families who receive housing assistance through DHCD.
- The FY 2018 GAA provides a total of \$47.2 million to help **homeless individuals**, including \$2.0 million for the Home and Healthy for Good program that helps chronically homeless individuals remain housed. While this total is \$405,000 more than the FY 2017 budget, it is \$570,000 less than the amount recommended by the Legislature. The Governor vetoed funding for specific programs included in the two accounts.
- The FY 2018 GAA provides \$750,000 for the expansion of the **housing courts**, which is \$250,000 less than the Legislature's budget. The Governor noted in his veto message that he was reducing funding to the amount he deemed is necessary to expand the housing courts to cover all regions of the state.

#### VETOES FOR HOUSING PROGRAMS

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	FY 2018 GAA
4000-0007	Unaccompanied Homeless Youth	675,000	(675,000)	0
7004-0099	Dept of Housing and Community Development Admin	8,158,469	(1,305,000)	6,853,469
7004-0100	Operation of Homeless Programs	5,090,311	(84,790)	5,005,521
7004-0101	Emergency Assistance Family Shelters and Services	155,878,948	(995,000)	154,883,948
7004-0102	Homeless Individuals Assistance	45,770,000	(530,000)	45,240,000
7004-0104	Home and Healthy for Good Program	2,040,000	(40,000)	2,000,000
7004-0106	New Lease for Homeless Families	125,000	(125,000)	0
7004-3036	Housing Services and Counseling	2,221,992	(180,000)	2,041,992
7004-3045	Tenancy Preservation Program	625,000	(125,000)	500,000
7004-9005	Subsidies to Public Housing Authorities	64,500,000	(1,520,407)	62,979,593
7004-9030	Alternative Housing Voucher Program	5,000,000	(400,000)	4,600,000
7004-9316	Residential Assistance for Families in Transition	15,000,000	(2,000,000)	13,000,000

For information on funding for all housing programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## Economic Development

Economic development programs aim to strengthen our state's workforce, support community investments, and stimulate economic activity. The Fiscal Year (FY) 2018 General Appropriations Act (GAA) funds economic development at \$128.0 million, reflecting \$15.7 million in vetoes by the Governor. Total funding is essentially level with FY 2017.

The GAA establishes a new \$250,000 program, [Learn to Earn](#), which aims to train and place unemployed and underemployed individuals in jobs in high-demand fields through partnerships between public agencies, businesses, community-based organizations, and career centers. The Governor's FY 2018 budget proposal introduced this program. Originally, this account is funded at \$1.0 million, however, \$750,000 is transferred from Learn to Earn and into the [Workforce Competitiveness Trust Fund](#) (WCTF), which has similar workforce development goals. The remaining \$250,000 for Learn to Earn funds new programs that will address barriers to sustained employment, such as child care and transportation costs. Collectively, these accounts are \$200,000 below FY 2017 funding.

### FUNDING FOR LEARN TO EARN & WCTF

Line Item #	Line Item Name	FY 2017 Current	FY 2018 GAA	Transfers	FY 2018 GAA Adjusted	Difference: FY18 GAA (in FY17 Structure) - FY17 Current
7002-1075	WCTF	2,200,000	1,000,000	750,000	1,750,000	(450,000)
7002-1080	Learn to Earn	0	1,000,000	(750,000)	250,000	250,000
<b>TOTAL</b>		<b>2,200,000</b>	<b>2,000,000</b>	<b>0</b>	<b>2,000,000</b>	<b>(200,000)</b>

Some highlights of increases in the GAA include:

- \$10.7 million to [YouthWorks](#), the summer jobs program for at-risk youth, a \$600,000 increase over FY 2017 funding. This total reflects a \$300,000 veto to several local projects.
- \$2.7 million to the **Mass Service Alliance** for various workforce training programs and services in the state, a \$1.3 million increase over FY 2017 funding. Total reflects a \$380,000 veto to local service projects.
- \$24.5 million to the [Workforce Training Fund](#), a \$1.4 million increase over FY 2017 funding.
- Up to \$10.0 million in transfers from surplus funds, if there is a state surplus at the end of FY 2017, to the Massachusetts Life Sciences Investment Fund. (Additionally, up to \$10.0 million would be transferred to the Community Preservation Trust Fund as described in the section on "Other Local Aid.") The final accounting for the FY 2017 budget year will not be complete until the fall, but a substantial surplus seems unlikely.

The budget also decreased or eliminated funding for several programs including the following:

- \$100,000 decrease from FY 2017 to the [Re-Entry Demonstration Workforce Development Program](#), which provides workforce development and supportive services to individuals transitioning from a correctional facility, bringing total funding to \$150,000.

- \$2.2 million decrease from FY 2017 to the [Massachusetts Cultural Council](#), which offers grants and services to nonprofit cultural organizations, schools, communities, and artists in Massachusetts, bringing total funding to \$12.1 million. The Governor vetoed \$1.9 million from this account, which is reflected in the funding total, citing limited projected revenues.
- The Governor vetoed \$500,000 in proposed funding from the **Big Data Innovation and Workforce Fund** and \$1.0 million from the **Mass Manufacturing Extension Partnership** (MassMEP), eliminating funding for both accounts. The Big Data Innovation and Workforce Fund brings the public and private sectors together to prepare workers for big data careers and help identify and solve technology-based issues in transportation, public health, energy, and other areas. MassMEP, also a collaboration of government, business, and academic partners, helps manufacturers in the state plan and implement strategies for increased competitiveness.

For travel and tourism, the GAA funds the **Mass. Office of Travel and Tourism** (MOTT) at \$6.6 million. This total reflects a \$6.8 million veto as well as a \$4.0 million transfer from the **Tourism Trust Fund**. For the **Regional Tourism Council Grants**, the GAA provides \$6.0 million. This total comes entirely from the Tourism Trust fund. The current statute transfers a total of \$10.0 million in room occupancy tax revenue (from hotel room taxes) to the Massachusetts Tourism Trust Fund and distributes 40 percent of this funding (\$4.0 million) to MOTT and 60 percent (\$6.0 million) to the Regional Tourism Councils.

#### VETOES FOR ECONOMIC DEVELOPMENT

Line Item #	Line Item Name	FY 2018 Legislature	Vetoed	FY 2018 GAA
0640-0300	Massachusetts Cultural Council	13,950,699	(1,875,000)	12,075,699
2511-0100	Department of Agricultural Resources Administration	5,830,341	(281,264)	5,549,077
7002-0010	Executive Office of Housing and Economic Development	2,679,257	(425,000)	2,254,257
7002-0012	Summer Jobs Program for At Risk Youth	10,950,000	(300,000)	10,650,000
7002-0020	Workforce Development Grant	1,525,000	(175,000)	1,350,000
7002-0032	Innovation Institute	1,000,000	(250,000)	750,000
7002-0033	International Trade	100,000	(100,000)	0
7002-1502	Transformative Development Fund	250,000	(250,000)	0
7002-1508	Mass. Tech. Collaborative Tech and Innovation Entrepreneurs	1,550,000	(1,550,000)	0
7002-1512	Big Data Innovation and Workforce Fund	500,000	(500,000)	0
7003-0100	Executive Office of Labor and Workforce Development	975,048	(230,000)	745,048
7003-0606	Massachusetts Manufacturing Extension Partnership	1,000,000	(1,000,000)	0
7003-0803	One Stop Career Centers	3,960,051	(200,000)	3,760,051
7003-1206	Massachusetts Service Alliance	3,080,000	(380,000)	2,700,000
7007-0800	Small Business Development Center at UMass	1,386,222	(200,000)	1,186,222
7007-0952	Commonwealth Zoological Corporation	4,350,000	(350,000)	4,000,000
7007-1202	Mass. Tech. Collab. Computer Science Education	850,000	(850,000)	0

For information on funding for all economic development programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## LAW & PUBLIC SAFETY

Law and public safety programs include the court system and indigent defense, prosecutors, state prisons and county sheriffs' departments, probation and parole functions, as well as the military division, fire safety services, and various other safety inspection services. The Fiscal Year (FY) 2018 General Appropriations Act (GAA) funds law and public safety accounts at \$2.70 billion, reflecting \$9.0 million in vetoes by the Governor. Total funding is \$57.4 million (2.1 percent) lower than FY 2017 funding levels. Some or all of this gap may be covered by a new reserve account, discussed below.

### FUNDING FOR LAW & PUBLIC SAFETY SUB-CATEGORIES

Sub-Category	FY 2017 Current	FY 2018 Legislature	FY 2018 GAA	Difference: FY18 GAA - FY17 Current	Notes
Courts & Legal Assistance	765,355,585	710,381,800	709,934,462	(55,421,123)	
Law Enforcement	390,577,692	390,992,141	389,649,188	(928,504)	*incl. adj.
Prisons, Probation & Parole	1,378,809,844	1,395,362,187	1,394,600,235	15,790,391	
Prosecutors	166,747,107	166,909,533	166,814,533	67,426	
Other Law & Public Safety	55,558,890	57,102,060	38,618,868	(16,940,022)	*incl. adj.
<b>Total Law &amp; Public Safety</b>	<b>2,757,049,118</b>	<b>2,720,747,721</b>	<b>2,699,617,286</b>	<b>(57,431,832)</b>	

\*Budget proposals sometimes shift the allocation of funding among line items. The chart above presents those proposals in the FY 2017 funding structure to make comparisons easier.

Many law and public safety accounts, including funding for **sheriff's departments** and **private counsel compensation (PCC)** for indigent persons are often underfunded in the annual budget and typically [receive significant mid-year funding](#). In recognition of this, the Legislature established a new **Caseload and Deficiency Reserve** account of \$104.1 million that can be used to supplement funding for, among other items, the sheriffs and PCC accounts. When signing the FY 2018 GAA, the Governor proposed an additional \$94.1 million be added to this reserve account – which, if approved, would bring the total amount in this reserve account to \$198.2 million. This is the total amount of deficiencies the Administration estimates the sheriffs, PCC, and several other areas of the budget will have throughout FY 2018.

Overall, the **sheriff's departments** have \$17.6 million less in direct funding allocations compared to FY 2017 spending levels, but the Administration estimates that the sheriff's departments are underfunded by a total of \$45.3 million. In order for the sheriff's departments to secure the additional mid-year funding from the abovementioned reserve account, they must submit a report explaining their cost reduction and efficiency efforts, as well as provide a detailed breakdown of how the additional funds will be spent. The **PCC** and related indigent persons court fees accounts are currently underfunded by over \$60.0 million when comparing FY 2017 current spending to the FY 2018 GAA budget. These shortfalls are expected to be covered by the Caseload and Deficiency Reserve account, if the Governor's supplemental funding is passed. Best budgeting practices would encourage including the full, anticipated cost for all programs as part of the annual budget, rather than assuming supplemental appropriations will be provided mid-year, however, this funded reserve account is a step in the right direction.

The most significant increase over last year is an additional \$18.0 million for the **Department of Corrections (DOC)**, which the Legislature suggested and the Governor kept mainly in place, aside from vetoing a \$125,000 earmark to monitor and document the [reform efforts](#) made at the Bridgewater State Hospital, a medium-security prison and mental health facility.

#### VETOES FOR LAW & PUBLIC SAFETY ACCOUNTS

Line Item #	Line Item Name	Sub-Category	FY 2018 Legislature	Vetoed	FY 2018 GAA
0321-2100	Prisoners' Legal Services	Courts & Legal Assistance	1,609,465	(122,274)	1,487,191
0321-2205	Suffolk County Social Law Library	Courts & Legal Assistance	1,906,264	(75,064)	1,831,200
0336-0003	Housing Court Expansion	Courts & Legal Assistance	1,000,000	(250,000)	750,000
0840-0100	Victim and Witness Assistance Board	Prosecutors	587,531	(95,000)	492,531
1201-0400	Task Force on Illegal Tobacco	Law Enforcement	897,499	(302,500)	594,999
8000-0600	Executive Office of Public Safety	Other Law & Public Safety	4,415,464	(1,987,000)	2,428,464
8000-1001	Boston Regional Intelligence Center	Other Law & Public Safety	850,000	(600,000)	250,000
8100-1001	Department of State Police	Law Enforcement	281,420,645	(1,887,952)	279,532,693
8200-0200	Municipal Police Training Committee	Law Enforcement	4,837,750	(50,000)	4,787,750
8324-0000	Department of Fire Services Administration	Other Law & Public Safety	24,541,413	(2,830,000)	21,711,413
8700-0001	Military Division	Other Law & Public Safety	9,691,590	(35,000)	9,656,590
8900-0001	Department of Correction Facility Operations	Prisons, Probation & Parole	615,454,903	(125,000)	615,329,903
8910-0107	Middlesex Sheriff's Department	Prisons, Probation & Parole	68,275,072	(250,000)	68,025,072
8910-0108	Franklin Sheriff's Department	Prisons, Probation & Parole	15,914,487	(100,000)	15,814,487
8910-0110	Hampshire Sheriff's Department	Prisons, Probation & Parole	14,165,464	(186,952)	13,978,512
8910-8500	Nantucket Sheriff's Department	Prisons, Probation & Parole	765,348	(100,000)	665,348

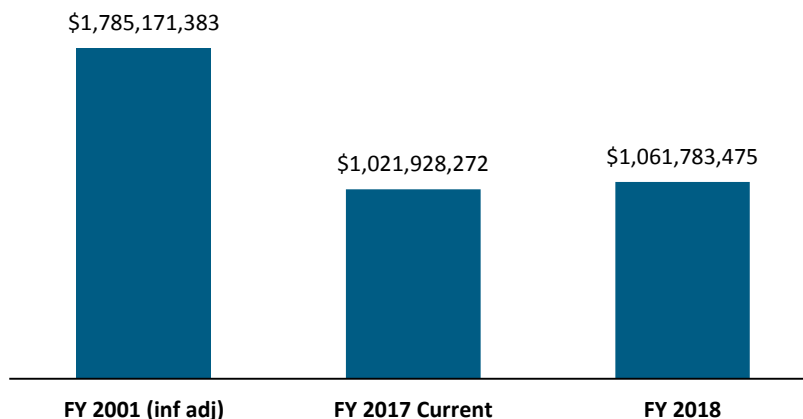
For information on funding for all law and public safety accounts going back to FY 2001, please see MassBudget's *Budget Browser* [here](#).

## LOCAL AID

General local aid helps cities and towns fund vital local services such as police and fire protection, parks, and public works. For more information on general local aid, please see [Demystifying General Local Aid in Massachusetts](#). The Fiscal Year (FY) 2018 General Appropriations Act (GAA) allots \$1.06 billion for **Unrestricted General Government Local Aid**. Also known as UGGA or "general local aid," the amount is an increase of \$39.9 million over FY 2017 levels.

The Commonwealth's capacity to fund general local aid has been hindered by a series of significant state-level tax cuts during the 1990s and 2000s combined with the Great Recession. While over the past several years, general local aid funding has increased in step with or slightly above inflation, it still remains 40.5 percent below FY 2001 levels, when adjusted for inflation.

## General Local Aid



## Other Local Aid

The Commonwealth provides other sources of local aid to cities and towns for more specific purposes. The largest form of local aid is for K-12 education, which is discussed separately in the K-12 Education section. Aid for libraries is also discussed in its own section in this *Budget Monitor*.

The Governor vetoed \$1.25 million in targeted local projects in the **Municipal Regionalization and Efficiencies Incentive Reserve**, bringing the total from \$11.5 million in the Legislature's proposal to \$10.2 million in the FY2018 GAA. This is \$1.25 million less than the amount approved in last year's budget, though \$4.0 million more than the current FY 2017 amount (\$6.2 million) remaining after the Governor cut the program's funding in December. Most remaining funds in this reserve are dedicated to four competitive grant programs to promote municipal best practices.

Each legislative chamber proposed a different approach to buttressing funding for the **Community Preservation Act (CPA) Trust Fund**. The CPA Trust Fund provides state matching funds to municipalities that vote for a targeted property tax increment to fund their own local account dedicated to preserving open space, restoring historical buildings, creating affordable housing, or developing outdoor recreation facilities. State Registry of Deeds filing fees fund the CPA Trust Fund. During the first years of the CPA, the state fund matched 100 percent of the revenue that municipalities raised themselves, but that portion has fallen sharply in recent years. The fund may face additional strains because eleven new municipalities, including Boston, voted in last year to adopt the CPA. Rejecting the Senate's proposal to more than double the Registry of Deeds fee that supports the Fund (from \$20 to \$45), the Legislature instead adopted the House language, which provides the Community Preservation Act (CPA) Trust Fund with up to \$10.0 million in state surplus at the end of FY 2017, if any consolidated net surplus occurs. The final accounting for the FY 2017 budget year will not be complete until the fall, but a substantial surplus seems unlikely.

## OTHER

### Libraries

The state budget supports local libraries, the Boston Public Library which serves as the primary research and reference service for the Commonwealth, and other library programs in Massachusetts. The Fiscal Year (FY) 2018 General Appropriations Act (GAA) provides \$25.2 million for libraries, which is slightly above the FY 2017 budget. The Governor vetoed \$250,000 in funding from the Legislature's budget for libraries. Even with a slight increase over FY 2017, funding for public libraries has fallen by 49 percent since FY 2001 after adjusting for inflation.

Among his vetoes, the Governor eliminated funding for the **Center for the Book**, which received \$200,000 in the Legislature's FY 2018 budget. The Center for the Book is a public-private partnership that helps to advance reading and supports outreach for local libraries.

For information on funding for all library programs going back to FY 2001, please see MassBudget's *Budget Browser* [here](#)

#### VETOES FOR LIBRARIES

Line Item #	Line Item Name	FY 2018 Legislature	Vetoes	FY 2018 GAA
7000-9402	Talking Book Program Worcester	491,715	(50,000)	441,715
7000-9508	Center for the Book	200,000	(200,000)	0

### Pensions

The General Appropriations Act (GAA) budget follows the House (and Governor's) recommended increase in the state's contribution to the Pensions Reserves Investment Trust (PRIT) Fund, raising the annual contribution by \$196.4 million over Fiscal Year (FY) 2017, to a total of \$2.39 billion. Based on the recent update by the Secretary of Administration and Finance to the state's five-year pension contribution schedule, the GAA budget also specifies the increased contribution amounts to be made in FY 2019 and FY 2020. (To read more about how PRIT contributions are calculated and about the current schedule for paying down the state's unfunded pension liabilities, see MassBudget's, "[Analyzing the Governor's Budget for FY 2018](#)."

Assets held and managed within the PRIT are used to fund future state employee retirement costs. The funds in the PRIT come from three sources: employee pension contributions, the state's contributions toward employee pensions, and the investment returns generated from the PRIT. To learn more about the Massachusetts state pension system in general, see MassBudget's report "[Demystifying the State Pension System](#)."

For information on funding for all pension items going back to FY 2001, see MassBudget's *Budget Browser*, [here](#).

## Additional Line Item Vetoes

In addition to the spending accounts discussed above in the *Budget Monitor*, the Governor made vetoes in the following MassBudget subcategories: *Commercial Regulatory Entities, Constitutional Officers, and Other Administrative*.

### VETOES FOR COMMERCIAL REGULATORY ENTITIES

Line Item #	Line Item Name	FY 2018 Legislature	Vetoes	FY 2018 GAA
0610-0050	Alcoholic Beverages Control Commission	2,438,091	(49,999)	2,388,092
7006-0011	Loan Originator Admin. & Consumer Counseling	2,350,000	(800,000)	1,550,000

### VETOES FOR CONSTITUTIONAL OFFICERS

Line Item #	Line Item Name	FY 2018 Legislature	Vetoes	FY 2018 GAA
0511-0000	Secretary of the Commonwealth Admin.	6,457,442	(74,980)	6,382,462
0511-0200	State Archives	665,557	(100,000)	565,557
0511-0270	Census Data Technical Assistance	574,980	(175,020)	399,960
0526-0100	Massachusetts Historical Commission	982,724	(50,000)	932,724
0610-0010	Financial Literacy Programs	495,000	(60,000)	435,000
0710-0220	Health Care Cost Containment Investigation	375,000	(107,689)	267,311

### VETOES FOR OTHER ADMINISTRATIVE

Line Item #	Line Item Name	FY 2018 Legislature	Vetoes	FY 2018 GAA
0910-0200	Office of the Inspector General	2,588,525	(10,000)	2,578,525
0910-0220	Bureau of Program Integrity	449,980	(50,020)	399,960
0910-0300	Inspector General MassDOT Office	437,479	(12,521)	424,958
0920-0300	Office of Campaign and Political Finance	1,617,919	(15,861)	1,602,058
1231-1000	Water and Sewer Rate Relief Payments	1,100,000	(1,100,000)	0
1232-0100	Underground Storage Tank Reimbursements	5,500,000	(2,500,000)	3,000,000
1599-2003	Uniform Law Commission	50,000	(50,000)	0

## REVENUE AND BALANCE

The Fiscal Year (FY) 2018 General Appropriations Act (GAA) reflects lawmakers' deepening realization that, despite a reviving economy, state tax revenue continues to grow slowly. In light of FY 2017 tax revenues falling short of forecasts, the Legislature reduced its tax revenue estimate for FY 2018 by \$650 million. The decline would have been \$83 million larger, but under existing law, the deteriorating revenue situation likely will forestall a previously scheduled reduction in the income tax rate from 5.10 percent to 5.05 percent. The Governor projects that tax revenues in FY 2018 will now likely fall short by an additional \$99 million, thus leaving a \$749 million gap between spending in the Legislature's budget and expected revenues for the fiscal year.

## Tax Revenue

The Legislature adopted “tax modernization” proposals much like those originally introduced by the Governor. These deliver a mix of both one-time and ongoing revenue. The Legislature agreed to a proposal by the Governor to have merchants remit sales taxes daily rather than at the end of the month. This results in a one-time increase in revenue of \$125.0 million in FY 2018 (because the state will receive thirteen months of sales tax revenue). The GAA also relies on \$59.0 million in net additional tax revenue, largely from measures to improve compliance. A description of these tax modernization measures can be read in MassBudget’s [Budget Monitor](#) on the Senate Ways & Means Committee’s budget proposal.

The Legislature did not adopt a number of Senate proposals for additional revenues: higher taxes on flavored cigars, tighter eligibility and salary caps for Film Tax Credits, and extending the room occupancy tax to short-term rentals such as those made through Airbnb (a version of which the Governor had also proposed).

The FY2018 GAA also does not include the Senate’s proposal for a Tax Expenditure Review Commission. This commission would have been tasked with systematically reviewing many of the tax breaks provided by the Commonwealth, as well as making recommendations about whether to continue, alter, or eliminate each credit. (For more detail on the growing cost of special business tax breaks in Massachusetts, see MassBudget’s report [here](#)).

The Governor let stand the Legislature’s proposals for an expansion of the Earned Income Tax Credit (EITC), making it easier for married victims of domestic abuse to claim the credit without filing a joint return with their spouse. Along with this change, the budget limits the size of state EITC benefits for part-time residents and eliminates access to the credit for nonresidents. The Legislature also agreed to create a new business tax credit for employers that hire qualified, Massachusetts-based veterans. (For more detail on these two proposed tax credits, see MassBudget’s House Ways and Means Committee *Budget Monitor* [here](#).)

## Non-Tax Revenue

The FY 2018 GAA relies on a variety of non-tax revenues: federal revenues, which are mostly reimbursements from the federal government for state spending on Medicaid (MassHealth and related costs); departmental revenues, which are fees, assessments, fines, tuition, and similar receipts; and what are known as “transfer” revenues, which include lottery receipts, revenues from the newly-licensed gambling facilities, and funds that the state draws from an assortment of non-budgeted trusts.

The FY 2018 GAA includes several non-tax revenue new to this fiscal year, including:

- \$10.3 million in transfers to the General Fund from the sale of abandoned property. In December, the Administration announced it would be liquidating a large amount of stock and mutual funds. Mass. General Law requires that 75 percent of abandoned property growth be directed to the Stabilization Fund (\$33.8 million in FY 2018), but the remainder would be for the General Fund, and used in balancing the budget.
- \$1.0 million in new fees assessed at the Department of Public Health.

- \$42.5 million in additional federal reimbursement for health safety net payments to community health centers, now approved under the state's new Medicaid waiver. Previously, payments for uncompensated care to community health centers had been capped, but Massachusetts recently received approval for this cap to be lifted. The state anticipates \$85 million in payments, which would bring in \$42.5 million in reimbursement.

The FY 2018 GAA is also counting on \$200.0 million from an assessment on employers to help address growing public costs resulting from a shift from employer-sponsored health insurance to publicly-funded health insurance (MassHealth). The Legislature adopted a proposal offered by the Governor in June that would increase the existing Employer Medical Assistance Coverage (EMAC) to generate these revenues. The Governor sent these provisions back to the Legislature with proposed amendments that included that same \$200.0 million EMAC assessment along with other provisions to restructure MassHealth eligibility and to reform the commercial health insurance market. (See the MassHealth (Medicaid) and Health Reform section of this *Budget Monitor* for a further discussion.) Because the Governor counts on this revenue to balance the budget, we include that amount here, and because the Governor's proposal is to sunset the assessment in December 2019, we count it as temporary revenue.

There are some non-tax revenues that may become available over the course of the year, but the amounts are unknown. Specifically, it is very likely that by the end of FY 2018, the Administration will be able to transfer ("sweep") extra funds from a variety of trusts, but the GAA is not counting on a specific amount of those funds at this time.

### Other Budget-Balancing Strategies

In addition to the items described above, the Legislature and Governor count on additional temporary solutions to balance the budget. They provide \$128.8 million less in funding for the State Retiree Benefits Trust than is called for by existing law. (See [State Employee Health Insurance](#) section of this *Budget Monitor* for discussion.) Similarly, they deposit \$51.5 million less in capital gains tax revenues into the state's Stabilization ("rainy day") Fund than current law requires.

Lawmakers also underfunded several accounts, for which the Legislature will likely be required to appropriate additional funds in a supplementary budget later in the year. Since there is a legal right to shelter, and indigent defendants have a legal right to counsel in Massachusetts, and since the Department of Transportation is statutorily allowed to spend beyond budget to pay contractors for addressing snow and ice removal, inadequate funding of these accounts is typically made up for with substantial supplementary funding during the year. Underfunding these and other accounts as part of the initial appropriations process, however, can create sizeable--though hidden--holes in the budget that would have to be filled as the fiscal year moves ahead.

To address the underfunding of these accounts, the Legislature created a \$104.1 million Caseload and Deficiency Reserve. The Governor concluded that there were instead \$198.2 million in underfunded accounts, and proposed a supplementary budget of \$94.1 million to address these anticipated shortfalls.

In addition, the FY 2018 GAA assumes approximately \$200 million from "reversions," money projected to be left over at the end of FY 2018 in various accounts that can be reallocated ("reverted") back into the General Fund.

FY 2018 TEMPORARY AND ONGOING REVENUE AND TEMPORARY SAVINGS (\$ millions)				
	Legislature		GAA	
	Ongoing	Temp.	Ongoing	Temp.
<b>TAX REVENUES</b>				
Sales & room-occupancy tax daily remittance		125		125
Cap life sciences credit program		5		5
Sales tax from out-of-state online retailers	30		30	
Require 1099s for additional individuals & small business owners	20		20	
Apply occupancy tax to certain short-term rentals				
Tighter film tax credit eligibility & salary cap				
Reduced EITC for part-time residents; separate filing for living apart due to domestic abuse	10		10	
Veterans tax credit for employers	(1)		(1)	
<b>SUBTOTAL</b>	<b>59</b>	<b>130</b>	<b>59</b>	<b>130</b>
<b>NON-TAX REVENUES</b>				
Employer health contribution*		200		200
Transfers from trusts		20		
Revenue from sale of abandoned property		10		10
Reimbursement for payments to community health centers	43		43	
Public health fees	1		1	
<b>SUBTOTAL</b>	<b>44</b>	<b>230</b>	<b>44</b>	<b>210</b>
<b>OTHER BUDGET BALANCING STRATEGIES</b>				
Depositing less than required in State Retiree Benefits Trust		129		129
Underfunding capital gains tax deposit to the Stabilization Fund		52		52
Underfunding snow and ice appropriations		19		19
Underfunding emergency assistance (shelter)		10		10
Underfunding sheriffs appropriations		45		45
Underfunding public counsel		64		64
Other underfunded accounts		60		60
Reserve for underfunded accounts (include Gov's Supplem budget)		(104)		(198)
Spending reversions		205		200
<b>SUBTOTAL</b>	<b>-</b>	<b>480</b>	<b>-</b>	<b>381</b>
<b>TOTAL FROM POLICY CHANGES</b>	<b>103</b>	<b>840</b>	<b>103</b>	<b>721</b>

\* Not officially in the GAA because the Governor sent it back with an amendment, but it is included here because the revenue is counted on to balance the budget.

## TOTAL BUDGET BY CATEGORY AND SUBCATEGORY

In order to allow for more accurate comparisons from year to year and to better include all appropriated spending, MassBudget makes certain adjustments to the way budget data are presented by the Administration and Legislature.

The totals in the Fiscal Year (FY) 2018 columns show funding in the structure of the FY 2017 budget in order to allow for more accurate across-year comparisons. For example, if the FY 2018 budget consolidates several line items, using information provided by the Administration, MassBudget “un-consolidates” the total and re-distributes the amounts back into their original line items in order to allow for more accurate across-year comparisons of totals.

**FY 2017 Current** column shows the budgeted General Appropriation Act as enacted in July 2016, and as amended by mid-year 9c cuts and by supplemental budget legislation.

For other explanatory information, see details below the chart.

BUDGET BY CATEGORY AND SUBCATEGORY (\$ millions)	FY 2017 Current	FY 2018 Governor	FY 2018 House	FY 2018 Senate	FY 2018 Legislature	FY 2018 GAA (Post-Vetoes)
<b>Education</b>	<b>7,798.2</b>	<b>7,924.0</b>	<b>7,977.4</b>	<b>8,037.4</b>	<b>7,946.9</b>	<b>7,929.2</b>
Early Education & Care	567.6	568.0	583.5	587.1	577.0	574.3
Higher Education	1,162.4	1,172.5	1,175.1	1,204.7	1,169.9	1,162.4
K-12: Chapter 70 Aid	4,628.0	4,719.4	4,747.0	4,756.8	4,747.0	4,747.0
K-12: Non-Chapter 70 Aid	605.5	602.5	610.2	627.1	606.0	598.5
K-12: School Building	834.7	861.6	861.6	861.6	847.1	847.1
<b>Environment &amp; Recreation</b>	<b>193.2</b>	<b>199.6</b>	<b>203.0</b>	<b>205.2</b>	<b>199.0</b>	<b>194.2</b>
Environment	83.5	89.1	87.7	89.3	84.6	84.0
Fish & Game	27.5	28.0	30.0	28.4	29.5	27.9
Parks & Recreation	82.3	82.4	85.4	87.5	84.9	82.3
<b>Health Care</b>	<b>19,513.5</b>	<b>20,512.3</b>	<b>20,473.0</b>	<b>20,427.8</b>	<b>20,034.3</b>	<b>19,800.4</b>
MassHealth (Medicaid) & Health Reform	16,558.7	17,542.2	17,469.2	17,422.1	17,068.9	16,846.5
Mental Health	763.9	773.2	774.2	777.1	772.5	768.9
Public Health	604.4	612.1	623.4	622.6	613.3	605.4
State Employee Health Insurance	1,586.4	1,584.9	1,606.1	1,606.0	1,579.5	1,579.5
<b>Human Services</b>	<b>4,170.9</b>	<b>4,256.8</b>	<b>4,256.2</b>	<b>4,282.2</b>	<b>4,229.2</b>	<b>4,206.3</b>
Child Welfare	947.6	985.6	975.4	988.4	976.9	976.4
Disability Services	1,900.7	1,978.7	1,978.7	1,979.8	1,953.1	1,945.1
Elder Services	274.6	287.0	287.8	288.3	286.1	285.4
Juvenile Justice	176.3	182.2	182.0	182.7	180.5	178.7
Transitional Assistance	657.5	616.8	626.3	635.3	625.9	618.8
Other Human Services	214.1	206.5	206.0	207.7	206.9	201.9
<b>Infrastructure, Housing &amp; Economic Development</b>	<b>2,259.7</b>	<b>2,233.2</b>	<b>2,225.9</b>	<b>2,233.6</b>	<b>2,172.8</b>	<b>2,146.6</b>
Commercial Regulatory Entities	58.4	63.7	63.9	62.9	61.5	60.6
Economic Development	126.9	133.1	146.0	145.8	143.7	128.0
Housing	454.7	453.7	451.9	468.3	440.3	432.3
Transportation	1,619.7	1,582.6	1,564.1	1,556.5	1,527.2	1,525.6
<b>Law &amp; Public Safety</b>	<b>2,757.0</b>	<b>2,827.1</b>	<b>2,742.3</b>	<b>2,770.2</b>	<b>2,720.7</b>	<b>2,711.8</b>
Courts & Legal Assistance	765.4	756.0	715.8	725.8	710.4	709.9
Law Enforcement	390.6	394.7	397.4	395.5	391.0	389.1
Prisons, Probation & Parole	1,378.8	1,452.6	1,400.8	1,422.3	1,395.4	1,394.6
Prosecutors	166.7	170.6	172.4	169.2	166.9	166.8
Other Law & Public Safety	55.6	53.1	56.0	57.3	57.1	51.3
<b>Local Aid</b>	<b>1,056.1</b>	<b>1,099.4</b>	<b>1,097.4</b>	<b>1,093.3</b>	<b>1,100.7</b>	<b>1,099.5</b>
General Local Aid	1,021.9	1,061.8	1,061.8	1,061.8	1,061.8	1,061.8
Other Local Aid	34.1	37.6	35.6	31.5	38.9	37.7
<b>Other</b>	<b>5,426.3</b>	<b>5,644.8</b>	<b>5,638.8</b>	<b>5,578.5</b>	<b>5,688.3</b>	<b>5,683.8</b>
Constitutional Officers	83.6	75.0	75.9	76.2	75.6	75.1
Debt Service	2,636.2	2,658.3	2,658.3	2,658.3	2,628.3	2,628.3
Executive & Legislative	74.4	74.4	74.4	74.4	74.4	74.4
Libraries	25.2	25.4	26.2	26.7	25.5	25.2
Pensions	2,198.1	2,394.5	2,394.5	2,394.5	2,394.5	2,394.5
Other Administrative	408.8	417.1	409.5	348.4	490.0	486.3
<b>Total Budget</b>	<b>43,175.0</b>	<b>44,697.2</b>	<b>44,614.0</b>	<b>44,628.1</b>	<b>44,092.0</b>	<b>43,771.7</b>

- MassBudget's totals include the "pre-budget transfers" of funds. Statutes require that the Legislature transfer portions of revenue prior to the appropriation process to support certain functions. Although these transfers function no differently from appropriations, the Governor

and Legislature do not reflect these expenditures in their budget totals; instead, they are shown as amounts deducted or transferred from revenue prior to the budgeting process. To better reflect total state funding, MassBudget includes these pre-budget transfers in appropriation totals. In the Governor's, House, and Senate budgets in FY 2018, these transfers add \$4.3 billion to the total; in the Legislature's and GAA budgets the pre-budget transfers add \$4.4 billion. These transfers are: tax revenues dedicated to the MBTA and school building assistance, cigarette excises dedicated to the Commonwealth Care Trust Fund, the state contribution to the pension system, a transfer to the State Retiree Benefits Trust, and transfers to the Workforce Training Trust.

- MassBudget's totals include annual appropriations into **non-budgeted ("off-budget") trusts**. The transfer of funds from the General Fund or another budgeted fund into a non-budgeted trust is a form of appropriation, and should be treated as any other appropriation. Prior to FY 2011, the budget authorized these transfers in Outside Section budget language. Starting in FY 2011, a new section of the budget, **Section 2E**, systematically accounted for the transfer of funds into off-budgeted trusts. MassBudget's totals include these operating transfers in all budget years.
- When spending that is now included in the budget was previously "off-budget," MassBudget's totals include the prior years' "off-budget" spending totals in order to reflect more accurate **year-to-year comparisons**. For example, funding directed to health care providers as partial reimbursement for uncompensated care was previously funded by a transfer of federal revenue directly into the off-budget Uncompensated Care Trust Fund. This spending was brought on-budget in FY 2009, and incorporated into the state's budgeted health care appropriations. MassBudget's health care budget totals include the off-budget spending for these services in order to reflect a more accurate across-year comparison.
- MassBudget reduces **State Employee Health Insurance** totals to exclude spending on health insurance for municipal employees and retired teachers for which the state is fully-reimbursed by participating municipal governments.
- MassBudget reduces funding for the community colleges, state universities, and University of Massachusetts campuses by the amount of tuition that these campuses remit to the state treasury each year. These adjusted totals more accurately reflect the "net" appropriations available to the campuses to support operations, and allow for more consistent comparisons across the years, since the policies about **tuition remission** have varied from year to year and from campus to campus. For example, until FY 2003, all of the University of Massachusetts (UMass) campuses were required to remit to the state treasury all tuition from all students. From FY 2004 – FY 2011, UMass Amherst (only) remitted only in-state tuition, and retained tuition from out-of-state students. Starting in FY 2012, the remaining UMass campuses were also allowed to retain tuition from out-of-state students. Starting in FY 2017, all of the UMass campuses retained all tuition revenue, remitting none. The MassBudget adjustments make it possible to make meaningful comparisons of appropriations to these campuses even with these policy changes.
- MassBudget's totals include funding paid for out of **anticipated reversions**. Reversions are appropriated funds that remain unspent by the end of the year that are then returned to the

General Fund. For example, a portion of funding for health care for retired state employees has in some years come from anticipated reversions of funds.

- MassBudget's totals reflect legislatively-approved "**prior appropriation continued**" (PAC) amounts. In most instances, MassBudget shifts the PAC amount from the year in which the funding was first appropriated into the year in which the Administration expects to spend the totals.
- Because MassBudget totals reflect budgeted appropriations and not actual spending, there can be apparent fluctuations in the MassHealth and Health Reform totals that are simply due to the timing of payments to certain off-budget trusts. These budget variations may not reflect real differences in spending.