

## Analyzing the Governor’s Budget for FY 2019

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## OVERVIEW

The Governor's Fiscal Year (FY) 2019 budget proposal level funds much of state government, includes some targeted initiatives – including an expanded earned income tax credit (EITC) and new services for people struggling with and recovering from mental illness – and proposes small reductions in funding, after accounting for inflation, for higher education and other areas.

The budget proposes an increase in the state EITC from 23 percent to 30 percent of the federal amount. The EITC is a refundable tax credit that increases the incomes of lower-income working families. Research has found that in addition to helping families make ends meet, the EITC has long-term positive effects on children: improving their performance in school and leading to higher lifetime earnings. The increase to 30 percent of the federal amount would increase the EITC for families by up to \$460 a year.

To improve mental health services, the budget proposal allocates \$84 million towards creating a new model of service delivery for adults. This model aims to provide more coordinated, standardized, and consistent treatment that would be better aligned with health care systems. It would seek to provide more comprehensive care, particularly for people with co-occurring substance use disorders.

The budget funds the state's colleges and universities at levels that don't keep pace with inflation. Since FY 2001, state funding for higher education has declined substantially, leading to rising tuition and fees for students and higher debt levels for graduates. The proposed funding levels in the Governor's budget won't make up for lost ground and will likely lead to continued tuition and fee increases.

Compared to recent budgets, this proposal reduces reliance on temporary revenue sources and temporary savings, but doesn't end those practices. It counts on \$260 million from an employer assessment to help fund MassHealth that is scheduled to end after this year (enacted in response to an historic trend of MassHealth paying for the health care costs of increasing numbers of private sector employees). The budget also relies on \$65 million from one-time state tax payments by multi-national corporations as a result of the federal tax changes - these payments would otherwise likely have been made in future years.

The rest of this Budget Monitor examines the Governor's proposals for major state programs in greater detail. Links from the Table of Contents below allow readers to jump quickly to specific sections. Each section also provides links to our on-line budget tools including our [Budget Browser](#) (which provides funding information for every account in the state budget going back to FY 2001) and, where applicable, to our [Children's Budget](#).

## EDUCATION

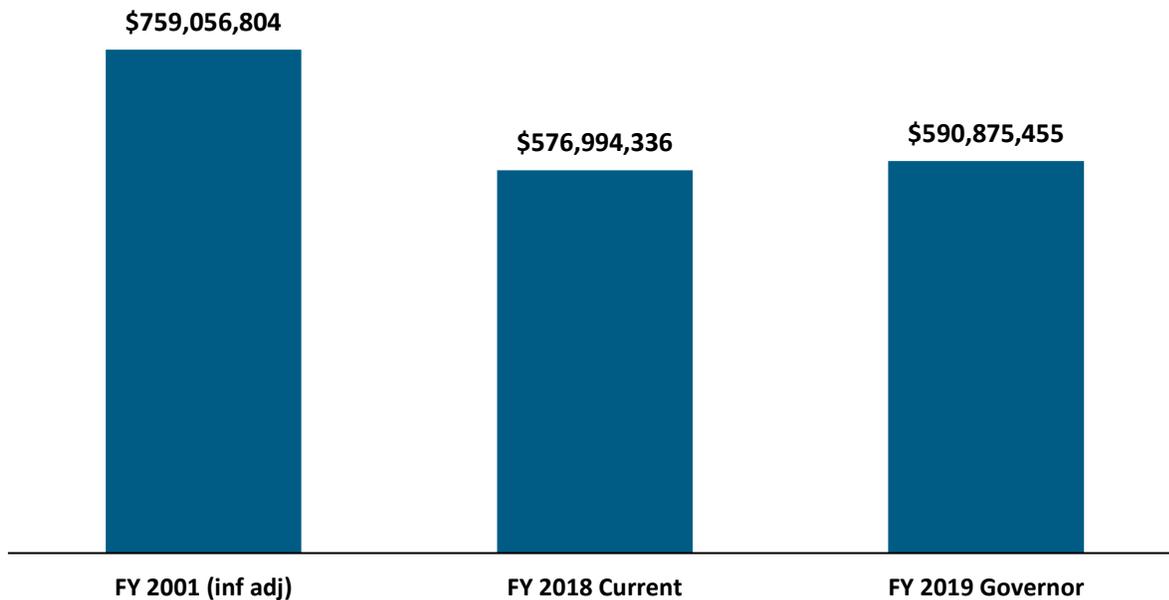
### Early Education & Care

Quality early education and care helps prepare our young children for success in education and allows them to thrive. Early education and care also provides critical support for working parents with young children, by offering safe and reliable care for kids while parents provide for their families.

The Governor’s Fiscal Year (FY) 2019 budget proposal allocates \$590.9 million to early education and care. The total amount of early education funding in the Governor’s proposal is a modest increase of \$13.9 million (2.4 percent) above current FY 2018 levels, roughly in line with the expected inflation rate.

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 Governor’s FY 2019 budget is \$168.2 million (22.2 percent) below what was available in FY 2001, adjusting for inflation (see chart below).

#### Early Education Funding Down 22 Percent Since 2001



Unlike the past several state budgets, the Governor’s FY 2019 proposal does not include specific line items dedicated to reducing waitlists for early education and care or to improve quality by increasing the rates paid by the state to child care providers. However, the Governor’s FY 2019 budget maintains the rate increases that took place in FY 2018 and increases funding to provide a full year of these higher reimbursements. For more detail see [Analyzing the State Budget for FY 2018](#). Larger allocations in the main subsidy accounts proposed by the Governor for FY 2019 may promote some improvement in program quality for young children and families by further increasing salaries for teachers at some child care centers.

The Governor's FY 2019 budget provides \$235.8 million for [Supportive and TANF Child Care](#), \$13.7 million (6.2 percent) above current FY 2018 levels. 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 Governor's FY 2019 budget provides \$270.1 million for [Income Eligible Child Care](#), \$14.7 million (5.8 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 over 23,300 kids in October 2017.

In his FY 2019 proposal, the Governor proposes eliminating the [Commonwealth Preschool Partnership Initiative](#) (which was funded at \$200,000 in FY 2018). This program helps existing early education providers – including school districts – expand access to services, particularly for 3-year-olds.

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 a strong, knowledge-driven economy. 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 serve all students. For further background on the state's education funding system, see [Demystifying the Chapter 70 Formula](#).

The Governor's Fiscal Year (FY) 2019 budget proposal increases **Chapter 70 Aid and Reserves** by \$118.6 million (2.5 percent) to \$4.87 billion. This increase is roughly the same as the 2.6 percent (\$118.9 million) increase in FY 2018.

In determining the Chapter 70 allocations to cities and towns for FY 2019, the Governor's budget took into account several updates to last year's calculations. The Governor's FY 2019 Chapter 70 proposal includes an annual inflation factor of 2.6 percent, as determined under Chapter 70 law. This is more than twice the FY 2018 rate. This Chapter 70 proposal also estimates that statewide student enrollment will decline by 0.4 percent in FY 2019. Finally, the Chapter 70 proposal guarantees a minimum increase of \$20 per student for districts that would not otherwise receive additional aid. This minimum aid increase accounts for roughly \$9 million of the additional proposed Chapter 70 funding.

The Governor's FY 2019 budget continues modest steps to implement some of the recommendations of the 2015 Foundation Budget Review Commission (FBRC). The FBRC found that schools across the state are significantly under-resourced relative to the Commonwealth's estimate of the costs of educating children, called the "foundation budget." This situation limits the capacity of schools across the state 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 components in the formula fail to reflect actual costs and student needs in several areas, especially employee health care, special education, as well as supports for English Language Learners and kids in poverty.

The Governor's FY 2019 budget partially addresses one of these problem areas by increasing the foundation rates for employee benefits (the category which includes health care for school employees) by between 5 and 11 percent depending on grade level and student category. This is higher than the standard 2.6 percent inflation factor used in the rest of the formula. The increase proposed by the Governor for FY 2019 would generate roughly \$24 million in new aid for school districts. This remains an incremental step relative to fully implementing the FBRC recommendations. For example, according to the Department of Elementary and Secondary Education (DESE), changes in FY 2018 and proposed for FY 2019 would collectively implement one-quarter of the commission's health care-related recommendations. FBRC recommendations in the areas of special education, English Language Learners, and kids in poverty have not been implemented.

FY 2019 will be the third year that Massachusetts has used the **Economically Disadvantaged** metric for calculating the number of students in poverty served by districts across the state. In this process, the number of kids considered economically disadvantaged is determined by certifying kids through their enrollment in other public services including MassHealth, Temporary Aid to Needy Families (limited cash assistance and work training for low-income families), SNAP (food stamps), and if they meet other criteria such as being in foster care.

Implementation of this new process initially caused a drop in statewide poverty headcounts compared to prior years. To offset that drop, the FY 2017 and FY 2018 budgets increased the amount of funding directed to each economically disadvantaged student. DESE and other agencies have now made significant progress in identifying more students participating in various state programs as economically disadvantaged. The Governor's FY 2019 budget reflects that over 339,000 students in poverty have been identified, up 7.8 percent from 315,000 in FY 2018. Identifying additional students in poverty would tend to increase aid, particularly for districts serving the lowest-income families. However, the Governor's FY 2019 budget reverses some of the policy changes of the prior two years by lowering the amount of funding included in the formula for each economically disadvantaged student by around 5 percent (about \$200 per student). This counteracts some potential aid increases that could have arisen from the improved identification of kids in poverty.

The Governor's FY 2019 proposal includes \$15.0 million for the **Chapter 70 Reserve (Foundation Reserve One Time Assistance)**. This specific funding is intended to support districts who had an influx of 2,400 students from Puerto Rico and the U.S. Virgin Islands after recent natural disasters. This funding, which would provide supplemental aid for FY 2019, is not directed to be included as part of future Chapter 70 calculations. The ordinary Chapter 70 Formula should, however, account for these students in calculating Chapter 70 aid for FY 2020 if they remain enrolled. Additionally, this reserve would not provide immediate assistance to districts who are already serving affected students in the current 2017-2018 school year. However, the Legislature is addressing this in a forthcoming FY 2018 mid-year supplemental funding bill.

The Governor's FY 2019 proposal provides \$862.6 million to the [Massachusetts School Building Authority](#) (MSBA) to support district construction and renovation projects across the state. This amount is \$16.0 million (1.9 percent) above current FY 2018 levels, less than the expected inflation rate.

The Governor's FY 2019 budget provides \$80.5 million to [Charter School Reimbursements](#), in line with current FY 2018 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 FY 2018 projections from DESE, the same funding level only supported about half the amount called for by the formula, leaving a \$73.4 million gap. This gap has increased from \$56.1 million in FY 2017. This underfunding means that only 71 percent of first-year outgoing student funding has been reimbursed in FY 2018, with no reimbursements available for students who left in any of the prior years. Without additional aid, these gaps may continue to rise as additional charter school seats are added and districts claim more reimbursements from the fund. 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 Governor's FY 2019 budget proposal creates a new line-item for **Early College Programs** funded at \$3.0 million. Early college programs typically involve high school students simultaneously enrolled in college, earning credits towards a higher education degree while finishing their K-12 education. The initiative proposed by the Governor has an emphasis on serving underrepresented students and those pursuing science, technology, engineering and math (STEM) coursework, which is often connected to high-growth fields in the economy. DESE and the Department of Higher Education jointly oversee the components and quality standards for early college programs in the Commonwealth.

The Governor's FY 2019 budget proposal provides \$291.1 million in support for the [Special Education Circuit Breaker](#), \$9.9 million (3.5 percent) above current levels. The circuit breaker reimburses school districts for a portion of their costs for educating students with severe disabilities.

The Governor proposes eliminating several small K-12 grant programs in FY 2019, including:

- [Statewide College and Career Readiness](#) (funded at \$700,000 in FY 2018)
- [English Language Learners in Gateway Cities](#) (funded at \$250,000 in FY 2018)
- [Assessment Consortium](#) (funded at \$200,000 in FY 2018); and,
- [Innovation Schools](#) (funded at \$165,000 in FY 2018)

The Governor proposes significant cuts relative to current levels for several of K-12 grant programs in FY 2019, including:

- \$1.5 million cut (43.9 percent) from [After School and Out-of-School Grants](#) to \$2.0 million; and,
- \$1.4 million cut (4.8 percent) from **Adult Basic Education**, to \$28.2 million

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

## Higher Education

Higher education is an important factor in the success of the Massachusetts economy. In fact, 2016 saw our state reach a historic milestone: the first time [the majority of any state’s workforce had a bachelor’s degree or higher](#). Our system of public higher education, comprising three “segments” – the University of Massachusetts, the state universities, and the community colleges – has played a large role in this accomplishment. Adequate state funding is necessary to help ensure that quality postsecondary education is affordable and accessible for all who want to pursue it.

The Governor is proposing a total of \$1.19 billion in Fiscal Year (FY) 2019 higher education spending, an increase of \$6.9 million, or just 0.6 percent, over projected FY 2018 spending – less than the expected rate of inflation. From FY 2001 through FY 2017, state higher education funding per student has dropped sharply, after adjusting for inflation. Over the same period, tuition and fees at the state’s public colleges and universities have more than doubled, and students and families have taken on much larger shares of the cost of higher education. More students are graduating with higher levels of student debt. A budget increase that doesn’t even keep up with inflation will not reverse these trends.

### Campus Funding

The governor proposes a 1.0 percent increase in direct funding for the state’s college and university campuses, including a 0.9 percent increase for the community colleges and 1 percent each for the other two segments of the Massachusetts public higher education system. (These percentages and the figures in the following table are adjusted to account for the fact that all community colleges, as well as all state universities except the Massachusetts Maritime Academy and the Massachusetts College of Art and Design, send back – or “remit” – their in-state tuition revenues to the state’s General Fund. An Outside Section of the Governor’s budget proposal would create a task force to look at these tuition retention and remission policies.)

**HIGHER EDUCATION FUNDING BY SEGMENT**

Segment	FY 2018 Current	FY 2019 Governor	Difference FY19 Gov. - FY18 Curr.	Notes
Community Colleges	275,578,064	278,078,702	2,500,638	After adjustments for remission of in-state tuition to General Fund
State Universities	247,353,738	249,856,427	2,502,689	
University of Massachusetts	518,245,371	523,367,080	5,121,709	
<b>Total, all segments</b>	<b>1,041,177,173</b>	<b>1,051,302,209</b>	<b>10,125,036</b>	

By comparison, the average tuition increase from the 2016-17 academic year to 2017-18 was 5 percent across the four-year campuses (the University of Massachusetts and the state universities) and 4 percent at the community colleges.

### State Scholarships

The governor proposes **adding \$7.1 million in scholarships for community college students**, which the Governor describes as the amount needed to cover “all unmet need for students to cover tuition and fees at the Commonwealth’s 15 community colleges.” This represents a doubling of state scholarship funding for community colleges. Overall, other scholarship funding in the Governor’s FY 2019 remains flat when compared with FY 2018 appropriations, and is down 28.6 percent from FY 2001 after adjusting for inflation.

For information on funding for all higher education line items 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 Governor's Fiscal Year (FY) 2019 budget proposes spending \$205.0 million on environment and recreation programs, which is \$4.9 million or 2.5 percent more than the current FY 2018 budget.

Some highlights of the Governor's FY 2019 budget for environment and recreation programs include:

- \$2.2 million for **climate change adaptation and preparedness**, which is significantly more than the \$150,000 provided in the FY 2018 budget. The Executive Office of Energy and Environmental Affairs would use these funds to coordinate and implement strategies with state and local agencies to assess susceptibility to rising sea levels and extreme storms, and adopt strategies to minimize damage to state facilities such infrastructure, water supply, natural habitats, housing, and businesses.
- \$58.0 million for the **Department of Conservation and Recreation (DCR)** to manage state parks, recreation facilities, and playgrounds throughout the state. 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 to the Senate Ways and Means Committee last year, DCR's [Stewardship Council](#) recommended \$62 million in FY 2018 so that DCR could adequately staff and maintain state parks – the final FY 2018 budget provided \$57.2 million. Even with an increase of slightly less than \$800,000 above last year's budget, the Governor's FY 2019 proposal is still \$4.0 million below the amount recommended by the Council last year.
- Creating a new **Commonwealth Facility Trust for Energy Efficiency** in Outside Section 13 of the budget. This revolving trust, initially funded with \$500,000 from an existing energy credit and efficiency trust, will allow state agencies to fund smaller energy and water conservation projects.

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

## HEALTH CARE

### MassHealth (Medicaid) and Health Reform

The Commonwealth provides health insurance to about 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, to help pay for care for patients on publicly subsidized health insurance.

To hold back cost growth in the program, the Administration proposes two primary initiatives. The Governor proposes eliminating MassHealth coverage for some low-income adults, and reforms coverage and pricing for pharmaceutical drugs. These proposals are described in more detail below.

#### *MassHealth Program and Administration*

Funding for MassHealth in the Governor’s budget proposal is \$16.29 billion, with \$16.13 billion for the MassHealth program, and \$160.1 million for program administration (see table). This is a \$216.6 million or 1.3 percent (gross) increase over projected spending in FY 2018. These totals differ from the totals presented by the Administration, as MassBudget’s totals continue to include the costs of the Community Choices program, which the Administration now includes in its funding totals for the Department of Elder Affairs.

The Governor’s budget shifts costs for some people from MassHealth in FY 2018 to ConnectorCare in FY 2019, which is funded through the Commonwealth Care Trust Fund and the Health Connector. (See further discussion of this proposal below.) The Administration estimates that this shift will cost \$85.0 million from the Commonwealth Care Trust. The budget includes a transfer of \$130.8 million to this trust, as well as a transfer of \$128.5 million from tobacco excise revenue for a total of \$259.3 million. The table below includes those transfers in order to better align the Governor’s budget proposal for subsidized health care for low-income adults in FY 2019 with funding in FY 2018. Together, the Governor’s budget recommends an increase of \$364.2 million above FY 2018 total projected spending, or 2.2 percent. These are gross totals, and do not reflect the increased federal revenues the Governor states will come from this shift. (“Net costs” reflect just the state costs after subtracting federal reimbursement.)

**MassHealth (Medicaid) and Health Reform**

	FY 2018 Projected Spending	FY 2019 Governor	Difference FY19 Gov. - FY18 Current
<b>MassHealth</b>			
MassHealth Programs	15,919,062,626	16,134,592,329	215,529,703
MassHealth Administration	159,027,520	160,129,599	1,102,079
<b>SUBTOTAL</b>	<b>16,078,090,146</b>	<b>16,294,721,928</b>	<b>216,631,782</b>
<b>Commonwealth Care Trust Fund</b>			
Tobacco Excise Revenue Transfer	111,727,134	128,534,805	16,807,671
Transfer to Commonwealth Care Trust		130,772,892	130,772,892
<b>SUBTOTAL</b>	<b>111,727,134</b>	<b>259,307,697</b>	<b>147,580,563</b>
<b>TOTAL</b>	<b>16,189,817,280</b>	<b>16,554,029,625</b>	<b>364,212,345</b>

To reduce costs to the state, the Governor proposes moving 140,000 low-income adults off MassHealth coverage and into subsidized commercial coverage on the Health Connector (“ConnectorCare”). These are non-disabled adults, approximately 100,000 of whom are parents or grandparents under age 65 with incomes between 100 and 138 percent of the federal poverty level who are raising children. This particular group of low-income adults has been eligible for MassHealth coverage since Massachusetts’ early health reforms in 1997. The other 40,000 the Administration proposes moving off MassHealth are low-income childless adults who became eligible for MassHealth with the Medicaid expansions under the Affordable Care Act (ACA).

Part of the financial rationale for this plan is due to differing federal reimbursement rates for different types of health spending. In general, the federal government reimburses Massachusetts for 50 percent of its spending on the Medicaid/MassHealth program. (See “[What Is the Actual State Cost of MassHealth in 2018?](#)” for further explanation of federal reimbursement.) For the low-income adults who became eligible for MassHealth under Medicaid ACA expansion, the federal reimbursement is actually higher – 89.6 percent in calendar year 2018. Currently, Massachusetts also receives federal reimbursements to subsidize both co-payments and insurance premiums for low-income people who receive health insurance through the Connector. Even so, the Administration notes that switching these adults to the Connector from MassHealth would save the state \$60 million in FY 2019 in “net savings” thanks to \$108 million net in reduced spending at MassHealth offset by a \$48 million net increase in costs at the Connector.

There are important distinctions between MassHealth and the subsidized coverage offered at the Connector, and the Administration has stated they intend to address some of these differences. Currently, there are some benefits offered by MassHealth that are not part of ConnectorCare, and there can also be higher out of pocket costs to ConnectorCare members. Furthermore, the enrollment procedures are not as flexible on the Connector.

The Administration has stated that they would work to smooth the transition between the two health insurance systems. For example, the Administration has stated that they would expand dental benefits for low-income adults on ConnectorCare, which would benefit more than just the adults moving from MassHealth, and they would reduce cost sharing. The Administration has also said they would increase the income threshold for ConnectorCare Plan Type 1 to 138 percent of the federal poverty level

so that these enrollees would be able to select at least one plan with \$0 premiums, \$0 deductibles, and low co-payments so as to better align with the MassHealth cost sharing structure. However, the Governor's budget language does not reflect those suggested program modifications.

The Governor also proposed two major changes to prescription medication purchasing, in order to control the ever-increasing costs of prescription drugs in the MassHealth program. The Administration states that just 30 high-cost drugs (1 percent) account for 30 percent of MassHealth pharmacy costs, and total more than \$600 million a year. The first proposal is to expand the state's capabilities in negotiating prescription drug prices with the manufacturers and increase transparency in prescription pricing. The budget includes language that would allow the state to negotiate drug prices directly with manufacturers, and implement what are known as "value-based payment arrangements" – meaning that payments would be based on proven clinical effectiveness. If the manufacturer does not agree to the negotiation, the law would require the manufacturer to publicly disclose and justify their drug pricing.

The second proposed change to prescription purchasing would be to create what is known as a "closed formulary." Currently, federal law does not allow Medicaid programs to completely exclude certain drugs from coverage. Massachusetts is seeking an exemption from this prohibition, so as to exclude what the Administration says are a small number of drugs that are particularly high cost or that have no "proven clinical efficacy" if the price and transparency negotiations are not successful. The Administration states that they intend to create protections for MassHealth members and a public process prior to excluding any medication.

### *Other Health Subsidies and Related Spending*

The budget also includes funding for other supplemental payments to health safety net providers, funding for other subsidized health programs, and other administrative and operational supports. In the table below, the totals for the Medical Assistance Trust show budgeted appropriations current as of this moment. The timing of operating transfers into this trust (shown below) which are made up of provider assessments and federal revenues, do not align with the state fiscal year. The funding differences from year to year for other trusts also in part reflect timing discrepancies or changing requirements based on federal Medicaid waivers. The apparent large difference between FY 2018 and FY 2019 is simply due to the timing of the transfers. There will likely not be a significant difference in spending from this trust for FY 2019 compared to FY 2018.

## Other Health Subsidies and Related Spending

	FY 2018 Current	FY 2019 Governor	Difference FY19 Gov. - FY18 Curr.
<b>Other Health Subsidies</b>			
Prescription Advantage	16,929,054	16,939,784	10,730
<b>Spending to Trusts</b>			
Medical Assistance Trust	747,100,000	452,450,000	(294,650,000)
Safety Net Provider Trust	0	167,640,000	167,640,000
Delivery System Transformation Initiative	186,649,333	0	(186,649,333)
Substance Abuse Trust	47,000,000	0	(47,000,000)
<b>Other Administration and Operations</b>			
Center for Health Info. & APCD	28,306,406	28,181,406	(125,000)
Information Technology	124,870,082	102,764,307	(22,105,775)
Health Connector	17,925,694	16,775,216	(1,150,478)
Health Information Trust	4,153,272	19,153,272	15,000,000
Other Health Finance	9,541,494	9,602,936	61,442

The Governor's budget proposal includes payments to health safety net providers through a variety of trusts, funded by a combination of operating transfer appropriations, re-distributed assessments on providers, and federal reimbursements. For example, with the roll out of Accountable Care Organizations this year, funding for the Delivery Systems Transformation Trust is no longer needed. The Governor's budget creates a new trust, the Safety Net Provider Trust, funded with \$167.6 million to provide supplemental payments to health care providers based on a new initiative in the most recent Medicaid waiver.

Moreover, as with other parts of the budget, the Governor's budget incorporates proposals to implement expanded and improved behavioral health and expanded substance use disorder prevention and treatment. In FY 2018, the state dedicated \$47.0 million to a new trust fund to support substance use treatment, supported by federal reimbursement for the MassHealth program. The budget documents note that the Administration plans to spend \$30.0 million from this fund in FY 2019. The Administration also expects that with this year's implementation of the restructuring of MassHealth into Accountable Care Organizations, care coordinators will be responsible for fully integrating and aligning behavioral health services with medical care. There is a \$15.0 million increase in funding to the Health Information Trust, made necessary with the transition of funding for the state's health insurance eligibility data system (HIX) from the capital budget to the operating budget. This shift will also reduce the federal reimbursement rates for this spending.

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

## Mental Health

The Governor’s Fiscal Year (FY) 2019 budget includes \$870.0 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. This is a significant increase over FY 2018 projected spending – \$93.2 million more, or an increase of 12.0 percent. DMH provides supports to approximately 26,000 people – children as well as adults – through a network of inpatient facilities, residential treatment programs, and community support services.

Strengthening the state’s supports for behavioral health services is a priority in the Governor’s budget proposal, and this initiative is incorporated into funding recommendations for DMH, as well as funding for MassHealth, the Department of Public Health, and funding at the Department of Correction (included in the “Law Enforcement” section of this *Budget Monitor*).

The Governor’s budget increases funding for adult mental health services by \$95.7 million, (21.4 percent) to \$542.9 million over the FY 2018 current budget (see table). The Governor allocates \$84 million of this increase towards restructuring and expanding the primary adult services program (formerly known as Community Based Flexible Services) into a different model called Adult Community Clinical Services (ACCS). The Administration states that this new model will provide more coordinated, standardized, and consistent treatment that will be better-aligned with health care systems, and will provide more comprehensive treatment, particularly for people who also have substance use disorders.

### FUNDING FOR ADULT MENTAL HEALTH SERVICES

Line Item #	Line Item Name	FY 2018 Current	FY 2019 Governor	Transfers*	FY 2019 Gov. Adjusted	Difference FY19 Gov. adjusted - FY18 Curr.
5046-0000	Adult Support Services	387,080,579	486,670,614	(4,000,000)	482,670,614	95,590,035
5046-0006	Adult Community-Based Placements	4,000,000		4,000,000	4,000,000	0
5046-2000	Statewide Homelessness Supports	22,727,689	22,727,689		22,727,689	0
5046-4000	CHOICE Program Retained Revenue	125,000	125,000		125,000	0
5047-0001	Emergency and Mental Health Svcs.	24,101,834	24,103,661		24,103,661	1,827
5055-0000	Forensic Services	9,232,517	9,297,407		9,297,407	64,890
<b>TOTAL</b>		<b>447,267,619</b>	<b>542,924,371</b>	<b>0</b>	<b>542,924,371</b>	<b>95,656,752</b>

\*Budgets sometimes transfer the allocation of funding among line items from one year to the next. The chart above presents these line items in both the Governor’s FY 2019 proposed structure and the prior FY 2018 funding structure to make comparisons easier.

The Governor recommends \$90.2 million for [Child and Adolescent Mental Health](#). This is just below projected spending in FY 2018, and includes funding for the **Massachusetts Child Psychiatry Access Project (MCPAP)**, 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.

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

## Public Health

The Governor's budget proposal for Fiscal Year (FY) 2019 includes \$622.9 million for the state's public health infrastructure. The Department of Public Health (DPH) oversees a variety of prevention and treatment services, improves access to health care, and ensures the safety of our food, water, and land. This total is \$6.7 million more than current FY 2018 budgeted totals. As detailed below, the total includes some new public health initiatives not administered by DPH, but that are closely aligned with existing public health programs. Not included in this total is an additional \$3.0 million from casino revenue that will be dedicated to a new Public Health Trust Fund. These funds will be used to support the prevention and treatment of problems associated with compulsive gambling including substance misuse and addiction.

Overall, the Governor's budget proposal reflects the Administration's continued commitment to prevent and treat substance misuse, and initiatives at DPH are central to that effort. Combined, the funding for substance abuse and misuse services in DPH is \$152.9, a \$6.4 million increase over FY 2018 budgeted totals (see table).

### FUNDING FOR SUBSTANCE MISUSE PREVENTION AND TREATMENT

Line Item #	Line Item Name	FY 2018 Current	FY 2019 Governor	Transfers*	FY 2019 Gov. Adjusted	Difference FY19 Gov. adjusted - FY18 Curr.	Notes
4512-0200	Bur. of Substance Addiction Svcs.	132,575,888	136,123,457		136,123,457	3,547,569	
4512-0201	Substance Abuse Step-Down	4,908,180	4,908,180		4,908,180	0	
4512-0202	Secure Treatment Facilities	1,940,000	1,940,000		1,940,000	0	
4512-0203	Substance Abuse Family Interv.	1,440,450	1,440,450		1,440,450	0	
4512-0204	Nasal Narcan Pilot Expansion	970,000	970,000		970,000	0	
4512-0205	Substance Abuse Grants	980,000	0		0	(980,000)	
4512-0211	Recovery High Schools	3,600,000	0	2,475,000	2,475,000	(1,125,000)	See text
7061-9607	Recovery High Schools		2,475,000	(2,475,000)	0	0	See text
1595-0025	Substance Use Prevention Trust		5,000,000		5,000,000	5,000,000	See text
<b>TOTAL</b>		<b>146,414,518</b>	<b>152,857,087</b>	<b>0</b>	<b>152,857,087</b>	<b>6,442,569</b>	

\*Budgets sometimes transfer the allocation of funding among line items from one year to the next. The chart above presents these line items in both the Governor's FY 2019 proposed structure and the prior FY 2018 funding structure to make comparisons easier.

Funding for **substance misuse treatment and prevention** is scattered throughout the state budget, and the Governor's FY 2019 proposal allocates some new funding for substance misuse services for school-aged children to the Department of Elementary and Secondary Education (DESE). Funding for **Recovery High Schools**, for example, has historically been within DPH. The Governor proposes moving that funding over to DESE, but this analysis shifts it back to allow for more accurate year-to-year comparisons. The Governor also proposes \$5.0 million for a new fund to support substance use prevention, education and screening within the schools. These programs would be coordinated between both DPH and DESE.

There is little new investment in other areas crucial to protecting the public health. **Maternal and child health** programs overall receive \$69.7 million in the Governor's budget proposal, \$2.2 million more than current FY 2018 budget totals. This total includes:

- \$11.9 million for the state supplement for the [WIC \(Women, Infants, and Children\) Program](#), just above anticipated spending in FY 2018. WIC provides access to healthy food and nutrition counseling during pregnancy and in the early years of life.
- \$29.3 million for the [Early Intervention Program](#), essentially level-funded with anticipated FY 2018 spending. This funding supports community-based programs for infants and toddlers with developmental delays, or who are at risk for developmental delay.
- However, the Governor does not recommend funding for the [Postpartum Depression Pilot Program](#). This program received \$50,000 in FY 2018 to support community health workers at a handful of health centers who work with women who have been identified with postpartum depression.

The Governor's budget proposes funding the state's anti-smoking efforts in DPH through [Smoking Prevention and Cessation](#) at \$3.4 million. This is a 9.7 percent reduction to the FY 2018 funding level. At one time, Massachusetts led the nation with its successful public health campaign to reduce smoking. In FY 2001, for example, the state budgeted more than 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.

The department's **oral health programs** receive \$2.6 million, a 10.1 percent decrease compared to FY 2018 totals. A \$297,000 reduction to [Dental Health Services](#) brings funding for those services to \$1.7 million, and the [SEAL](#) sealant and fluoridation program receives essentially level funding of \$894,000.

[Domestic Violence and Sexual Assault Prevention](#) receive \$34.1 million, a 2.8 percent increase above anticipated FY 2018 spending, essentially just above inflation. The Administration states that budget totals include \$500,000 for a new domestic violence and sexual assault prevention and awareness campaign. Funding for the [Sexual Assault Nurse Examiner](#) program is \$4.8 million, essentially level with FY 2018 spending, and the Governor does not recommend continued funding for the [Healthy Relationships](#) grant program, which received \$50,000 in FY 2018.

The Governor's budget proposal increases funding to address **gambling and other compulsive behavior** by \$250,000 to a total of \$1.5 million.

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 \$9.2 million, a 26.3 percent reduction from expected FY 2018 spending for these programs. For example, the [Safe and Successful Youth Initiative](#) provides young people with a public health approach to reducing gun-related violence. This program receives \$7.3 million in the Governor's budget, level with the FY 2018 total.

### Funding for Youth Violence Prevention and Youth Engagement Programs

Line Item #	Line Item Name	FY 2018 Current	FY 2019 Governor	Difference FY19 Gov. - FY18 Curr.	Notes
4000-0005	Safe and Successful Youth Initiati	7,320,000	7,320,000	0	See text
4590-1506	Violence Prevention Grants	1,337,124	1,338,850	1,726	
4590-1507	Youth At-Risk Matching Grants	3,765,000	500,000	(3,265,000)	
<b>TOTAL</b>		<b>12,422,124</b>	<b>9,158,850</b>	<b>(3,263,274)</b>	

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

### State Employee Health Insurance

The Governor's Fiscal Year (FY) 2019 budget proposal includes \$1.59 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).

Earlier in January, the Group Insurance Commission (GIC) proposed a significant restructuring of the health insurance for state employees and retirees by eliminating plans offered by Harvard Pilgrim Health Care, Tufts Health Plan, and Fallon Community Health. The GIC would instead contract with UniCare, Neighborhood Health and Health New England. This proposed change would affect about 200,000 of the 450,000 members of the GIC. At the time, the GIC stated that reducing the number of plans offered in this way would save the state approximately \$20.8 million in the next year. However, there was significant concern from GIC members that this change would be very disruptive, could require some members to lose access to their providers, and that members were given little notice and little opportunity to weigh in on this decision. On February 1, the GIC voted to reverse this decision.

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 2018 Current with MassBudget Adjustment	FY 2019 Governor	MassBudget Adjustment	FY 2019 Gov. Adjusted	Difference FY19 Gov. Adjusted - FY18 Current
1108-5200	Group Insurance Premiums	1,074,915,272	1,645,981,013	(568,972,812)	1,077,008,201	2,092,929
1108-5400	Retired Municipal Teachers	0	54,938,941	(54,938,941)	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 a variety of transfers to the **State Retiree Benefits Trust**. The Governor’s budget proposal includes \$441.2 million in an operating transfer directed to the State Retiree Benefits Trust. 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. The intent was to use 70 percent of the award in FY 2019, which would be \$175.9 million.

However, instead of transferring \$175.9 million, the Governor’s budget proposes transferring an amount equivalent to just 10 percent of the Tobacco Settlement award – \$25.1 million – into the State Retiree Benefits Trust to fund OPEB. Language in the budget states that this transfer would come from unexpended debt payments reverted to the General Fund or, if those reversions are insufficient, the Governor proposes making the transfer from the Master Tobacco Settlement money deposited into the General Fund. This total is \$150.7 million less than the amount indicated for FY 2019 in the statute.

There is also language in the budget stating that \$4.4 million in excess capital gains would be transferred from the Stabilization Fund to the State Retiree Benefits Trust (and an additional \$4.4 million to support pensions) as long as the Stabilization Fund receives at least \$79.2 million in excess capital gains revenue.

For information on funding for State Employee Health Insurance going back to FY 2001, please see MassBudget’s *Budget Browser* [here](#).

## HUMAN SERVICES

### Child Welfare

The Governor proposes \$998.3 million in Fiscal Year (FY) 2019 for the child welfare system, state services that aim to protect children at risk of neglect or abuse. This is about 2.2 percent more than budgeted for FY 2018. The increase will help the services keep pace with inflation. The Department of Children and Families (DCF) – which is responsible for child protection and custody – has a mission to protect vulnerable children, both through strengthening a child’s family environment and removing them from their home environments, if necessary.

The Governor’s budget proposes a \$14.2 million or 2.5 percent increase for **foster care services** for FY 2019. Foster care services include out-of-home placements, community-based services, [group care services](#), and a campaign to recruit new foster parents.

**FUNDING FOR FOSTER CARE SERVICES**

Line Item #	Line Item Name	FY 2018 Current	FY 2019 Governor	Difference FY19 Gov. - FY18 Curr.
4800-0038	Services for Children and Families	289,964,283	297,006,167	7,041,884
4800-0041	Congregate Care Services	278,593,375	285,762,918	7,169,543
4800-0058	Foster Care Parent Outreach	250,000	250,000	0
<b>TOTAL</b>		<b>568,807,658</b>	<b>583,019,085</b>	<b>14,211,427</b>

The Governor also proposes a 5.1 percent increase for **administrative costs at the DCF**, which includes the cost of bringing in new employees, regional office support services, and a program to help DCF clients transition to employment (contracted with Roca, Inc.).

**FUNDING FOR DCF ADMINISTRATIVE COSTS**

Line Item #	Line Item Name	FY 2018 Current	FY 2019 Governor	Difference FY19 Gov. - FY18 Curr.
4800-0015	Clinical Support Services and Operations	98,384,611	102,653,558	4,268,947
4800-0016	Roca Retained Revenue for Cities and Towns	2,000,000	2,000,000	0
4800-0025	Foster Care Review	4,142,546	4,197,923	55,377
4800-0030	DCF Local and Regional Management of Service:	5,350,000	6,672,922	1,322,922
<b>TOTAL</b>		<b>109,877,157</b>	<b>115,524,403</b>	<b>5,647,246</b>

This year, the Administration proposes level funding for **case management**, which includes social worker training and salaries for social workers. The Governor proposes a 1.3 percent, or \$3.1 million, increase over current spending levels. For social worker training, the Administration proposes a \$10,494 increase over what was budgeted in FY 2018, but this increase still leaves the FY 2019 budget almost \$150,000 less than current spending levels.

**FUNDING FOR CASE MANAGEMENT**

Line Item #	Line Item Name	FY 2018 Current	FY 2019 Governor	Difference FY19 Gov. - FY18 Curr.
4800-0091	Social Worker Training Institute	2,670,740	2,681,234	10,494
4800-0151	Alternative Non-Secure Overnight	509,943	509,943	0
4800-1100	Social Workers for Case Mgmt	236,811,034	236,811,034	0
<b>TOTAL</b>		<b>239,991,717</b>	<b>240,002,211</b>	<b>10,494</b>

The Governor proposes a 2.8 percent increase over the FY 2018 budget for **family support services** – services to help families stay together. Within this category, the Governor proposes most of these modest increases go to [Family Resource Centers](#), which help children and families in crisis access public resources, and to [Family Support and Stabilization](#), which try to help children stay in their homes and help families work on their own unique challenges.

**FUNDING FOR FAMILY SUPPORT SERVICES**

Line Item #	Line Item Name	FY 2018 Current	FY 2019 Governor	Difference FY19 Gov. - FY18 Curr.
0950-0030	Commission on Grandparents Raising Grandchildren	111,714	111,714	0
4800-0040	Family Support and Stabilization	47,642,955	48,911,855	1,268,900
4800-0200	DCF Family Resource Centers	9,731,116	10,058,440	327,324
<b>TOTAL</b>		<b>57,485,785</b>	<b>59,082,009</b>	<b>1,596,224</b>

The above analysis on child welfare services does not include the domestic violence line item, which was formerly housed under DCF but is now part of the Department of Public Health budget. Please refer to the Public Health section of this *Budget Monitor* for information on domestic violence programs.

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

**Disability Services**

While the Governor is proposing a modest increase to disability services overall, he proposes larger boosts to services for people with autism spectrum disorders. He also recommends modest increases to a program for young adults with disabilities who have graduated from special education and supports for adults to find and prepare for work.

Disability services include job training programs and community-based supports to help people with physical and developmental disabilities as well as their families. The 2.4 percent increase, from \$1.95 billion to \$2.00 billion, is about adequate to keep pace with inflation.

The Governor proposes four notable increases in disability services for **Autism Omnibus Services**, the **Turning 22 Program**, **transportation services**, and **Community Day and Work Programs**:

- A 35.6 percent increase in funding for **Autism Omnibus Services**, which includes support for individuals with autism spectrum disorder, Smith-Magenis syndrome, or Prader-Willi syndrome. The Autism Omnibus law established these services when it was passed in 2014. The law includes several provisions: to require MassHealth coverage of necessary treatments for individuals younger than 21 who have autism spectrum disorders; to encourage special education teachers to deepen their knowledge about autism spectrum disorders; and to create tax-free savings accounts to help families cover disability-related services for those with autism spectrum disorder or other physical and developmental disabilities.
- A modest 4.9 percent increase in funding for the **Turning 22 Program**, from a combined \$37.3 million to \$39.1 million. This includes funding across three different departments – Massachusetts Commission for the Blind (MCB), Massachusetts Rehabilitation Commission (MRC), and Massachusetts Department of Developmental Services (DDS) – and pays for a portion of services offered during the transition year when the eligible young adults turn 22. The Governor recommends a notable increase to the Turning 22 program under DDS and essentially level funding for MCB and MRC (see below).

## PROPOSED FUNDING FOR THE TURNING 22 PROGRAM

Line Item #	Line Item Name	FY 2018 Current	FY 2019 Governor	Difference FY19 Gov. - FY18 Curr.
4110-2000	Turning 22 Program and Services - MCB	13,575,558	13,714,942	139,384
4120-4010	Turning 22 Program and Services - MRC	572,538	322,187	(250,351)
5920-5000	Turning 22 Program and Services - DDS	23,102,218	25,044,805	1,942,587
<b>TURNING 22 TOTAL</b>		<b>37,250,314</b>	<b>39,081,934</b>	<b>1,831,620</b>

- A 7.3 percent increase for **transportation services** from home to community-based day programs or employment services.
- For the **Community Day and Work Programs**, the Governor proposes a 3.7 percent increase.

Meanwhile, the Governor proposes essentially level funding to most other items in disability services.

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

## Elder Services

The Governor proposes increasing funding for elder services by \$13.5 million, from \$286.1 million budgeted for Fiscal Year (FY) 2018 to a proposed \$299.5 million (4.7 percent) for FY 2019.

**Councils on Aging** help elders access services such as transportation, food programs, health screenings, recreation, and education. The 16 percent increase Baker is proposing will support a \$12 per elder formula grant, an increase from \$9.70 per elder.

The Administration also proposes a 9.3 percent increase for **Elder Protective Services**, to strengthen investigations into emotional, physical, sexual, or financial abuse of seniors.

The Governor also proposes a modest boost to **elder home care services**, which enable seniors to age in place rather than live in nursing homes. Most of the proposed 3.3 percent increase will go toward the **Home Care program's** case management and administration. The Administration notes the boost will support more than 600 new clients and ensure incoming clients will not have to be on a waitlist for services.

## FUNDING FOR ELDER SERVICES

Line Item #	Line Item Name	FY 2018 Current	FY 2019 Governor	Difference FY19 Gov. - FY18 Curr.	Notes
9110-0100	Department of Elder Affairs Admin.	2,076,565	2,099,609	23,044	
9110-1604	Supportive Senior Housing Program	5,651,421	5,910,893	259,472	
9110-1630	Elder Home Care Purchased Services	173,749,706	175,019,124	1,269,418	See note above
9110-1633	Elder Home Care Case Mgmt. and Admin.	52,271,372	58,948,934	6,677,562	See note above
9110-1636	Elder Protective Services	28,661,688	31,611,680	2,949,992	
9110-1660	Elder Congregate Housing Program	1,959,284	1,986,482	27,198	
9110-1700	Elder Homeless Placement	186,000	186,000	0	
9110-1900	Elder Nutrition Program	7,268,675	7,268,675	0	
9110-9002	Grants to Councils on Aging	14,242,900	16,515,125	2,272,225	
	<b>TOTAL</b>	<b>286,067,611</b>	<b>299,546,522</b>	<b>13,478,911</b>	

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

## Juvenile Justice

The Governor proposes a 1.5 percent, or \$2.7 million, decrease in overall juvenile justice funding in for Fiscal Year (FY) 2019. The FY 2019 proposal is 0.2 percent, or \$339,548 less than current estimated spending for FY 2018. The Administration notes the decreases are because Department of Youth Services (DYS) – the agency that provides juvenile justice services – has seen recent savings.

According to the Administration, these savings are driven in part by an 11.6 percent decline in the DYS monthly caseload between November 2014 and November 2017. They also noted that a decline in caseload allowed the closure of a program and \$2.0 million in savings to the department. Most services within juvenile justice funding will see essentially level funding. [Residential Services for Committed Population](#) – which funds facilities and residential programs for DYS-committed youth not living in the community – could see a 0.9 percent decrease from FY 2018 estimated spending. The proposed FY 2019 budget for this account is, however, 3.1 percent less than what was budgeted for FY 2018.

## FUNDING FOR JUVENILE JUSTICE

Line Item #	Line Item Name	FY 2018 Current	FY 2019 Governor	Difference FY19 Gov. - FY18 Curr.	Notes
4200-0010	DYS Administration and Operations	4,244,705	4,287,115	42,410	
4200-0100	Non-Res. Services for Committed Population	23,355,341	23,920,854	565,513	
4200-0200	Residential Services for Detained Population	28,581,402	28,942,669	361,267	
4200-0300	Residential Services for Committed Population	118,863,123	115,182,010	(3,681,113)	See text above
4200-0500	DYS Teacher Salaries	3,059,187	3,059,187	0	
4200-0600	DYS Alternative Lock Up Program	2,352,953	2,397,359	44,406	
	<b>TOTAL</b>	<b>180,456,711</b>	<b>177,789,194</b>	<b>(2,667,517)</b>	

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. In total, the Governor's Fiscal Year (FY) 2019 budget proposes funding transitional assistance programs at \$656.3 million, a \$30.4 million increase (4.9 percent) from current FY 2018 levels.

Transitional Aid for Families with Dependent Children (TAFDC) receives a significant increase in funding in the FY 2019 proposal, \$31.2 million (19.2 percent) more than current FY 2018 funding. The purpose of TAFDC is to afford a baseline safety net of financial support for low-income families with children. Program participants receive a cash grant, and may also receive job training and assistance, education support, and child care to help parents find and keep jobs. Yet in recent years, the value of the cash grant has not kept up with inflation.

In this proposal, there are several substantive recommendations for TAFDC:

- A portion of the proposed increase is to support a rise in caseloads, many of whom are families from Puerto Rico escaping the devastation from the 2017 hurricane.
- The increase in proposed funding would also support families who are subject to work requirements. Since 1995, work-required families receive approximately 2.75 percent less in grants than non-work required recipients. The Governor's proposal would raise TAFDC benefits for work-required families to the level that non-work-required families receive.
- The Governor also proposes an improved treatment of earnings for TAFDC recipients who are required to work. Currently, the first \$200 of monthly earned income and 50 percent of the remaining earned income count against TAFDC eligibility. The proposal would not count 100 percent of a working recipient's earned income for the first 6 months of employment (as long as total income does not exceed 200 percent of the federal poverty level) and then count 50 percent of earnings afterwards.
- The proposal seeks to double the TAFDC assets cap from \$2,500 to \$5,000, which allows more families in poverty to be eligible for cash assistance and allow families to save money as they return back to work. However, assets limits still bar many families in poverty from getting assistance they need and many states have moved to eliminate their assets limits all together.

The proposal also keeps the annual back-to-school **clothing allowance** to TAFDC recipients at \$300 and the monthly rent allowance at \$40.

The Governor proposes to reduce funding for the account that supplements the federal Supplemental Nutrition Assistance Program (SNAP) by \$300,000 (50.0 percent) below current FY 2018 levels. The Governor also proposes a new account to provide for **transportation benefits for SNAP** recipients who are participating in the SNAP work program. This would be funded at \$960,000.

The Department of Transitional Assistance (DTA) also funds some important workforce development programs. For instance, the Governor proposes funding the [Employment Services Program](#), the primary education and job-training program for TAFDC clients, at \$14.2 million, a \$22,000 decrease from current FY 2018 levels. Also, [Pathways to Self-Sufficiency](#), would receive \$1.0 million, the same as current FY 2018 levels. This funding supports employment services for TAFDC clients who will no longer be exempt from the work requirement resulting from the 2014 welfare reform law's mandated alignment of state disability standards with federal SSI disability standards.

[Emergency Aid to the Elderly, Disabled and Children](#), a cash assistance program, receives \$74.9 million, \$3.0 million less than current funding.

Under the Governor's proposal, the [Caseworkers Reserve](#) account, which funds salaries for caseworkers in DTA, receives a \$2.0 million increase (2.9 percent) over current FY 2018 funding.

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 Governor's Fiscal Year (FY) 2019 budget proposal includes \$206.2 million for other human services, just under the FY 2018 current budget total. This funding includes allocations for veterans' services, food banks, and some cross-agency initiatives such as the rate increases 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 Governor proposes \$17.7 million for the [Emergency Food Assistance Program](#) which is level with FY 2018 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 Governor proposes a total of \$147.8 million for **veterans' services**, \$705,000 below FY 2018 budget totals, and \$6.5 million below anticipated spending in FY 2018. The biggest difference is due to a one-time payment to Gold Star families in FY 2018.

The Governor's budget includes \$400,000 for the **Low-Income Citizenship Program** in the Office for Refugees and Immigrants, level-funded with current FY 2018 budget totals. This program helps legal permanent residents become citizens.

Included in the total for "Other Human Services" is \$38.5 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. 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, the rate increases would be included in the totals of the agencies that received the funds, and included in the budget totals in other sections of this *Budget Monitor*.

For information on funding for all 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 the structure of funding flows for transportation operations and debt service, see MassBudget's fact sheet, "[What Does Massachusetts Transportation Funding Support and What Are the Revenue Sources?](#)"

The Governor's proposal would level-fund support for the Commonwealth's 15 **Regional Transit Authorities** (RTAs) at \$80.4 million in Fiscal Year (FY) 2019. The budget also proposes \$367.7 million for the **Massachusetts Transportation Trust Fund** (MTTF) in FY 2019. This is a \$64.3 million more than the FY 2018 amount currently funded, though the current year's amount will likely increase with supplemental funding for snow and ice cleanup later in the year. The Governor's FY 2019 proposal already includes \$83.0 million for a snow and ice account. With supplemental funding, the amount for the MTTF was \$410.6 million in FY 2017, after adjusting for inflation - \$42.9 million more than the Governor's current proposal. This fund contributes to highways, transit, intercity rail, small airports, the Massachusetts Turnpike, and Motor Vehicle Registry, while also receiving funds from tolls and federal transportation sources, in addition to the state's Commonwealth Transportation Trust Fund.

The budget proposes a transfer of \$127.0 million in FY 2019 to support operation of the **Massachusetts Bay Transit Authority** (MBTA), the same amount as in FY 2018. Last year's budget reduced this budget item by \$60.0 million compared to the FY 2017 amount, and was accompanied by creation of a \$60.0 million supplemental capital funding account for MBTA repair and modernization projects. To date, the MBTA has spent \$53.1 million of the \$60.0 million authorized in FY 2018. The administration expects to make another \$60.0 million available for this use in FY 2019. The MBTA's stated goals include spending enough toward achieving a state of good repair to eliminate its backlog of repairs by Fiscal Year 2032, and to modernize and expand the system for the region's population and job growth. The agency could alternately use this funding on the operational side, such as to increase bus service, but the MBTA's Fiscal Management and Control Board reports that MBTA management believes \$127 million will be sufficient to balance the agency's anticipated operating budget. To bridge operating shortfalls in recent years, the agency introduced various efficiencies, increased its advertising, sold off land and other assets, privatized some functions, increased fares, and cancelled late-night bus service, among other actions.

The transfer of budgeted funds away from operations is partially counterbalanced by an Outside Section of the Governor's budget proposal that would ease an earlier requirement that ongoing employee costs be moved from the capital budget to the operating budget. The MBTA has already shifted hundreds of employees off the capital budget. The Governor's budget would allow employees who work on design and construction to continue being paid through the capital budget. About \$27

million of remaining annual salaries would no longer need to be shifted. The MBTA notes that this is in accordance with government accounting standards and federal reporting requirements.

A majority of the MBTA’s revenue comes from a dedicated portion of the Massachusetts sales and use tax. The Governor’s budget anticipates \$1.03 billion in sales tax transfers to the MBTA in FY 2019, a \$25.0 million increase (2.5 percent) over the FY 2018 amount. Despite the relatively robust economy, this growth remains below the “worst-case” three-percent revenue growth projection when this revenue source was dedicated to the MBTA. (To read more about sales tax funding for the MBTA, read, [“How Slow Sales Tax Growth Causes Funding Problems for the MBTA.”](#))

**Funding for Transportation**

Line Item #	Line Item Name	FY 2018 Current	FY 2019 Governor	Difference FY19 Gov. - FY18 Curr.	Notes
1595-6368	Mass. Transportation Trust Fund	303,341,772	367,679,448	64,337,676	\$83M for Snow & Ice
1595-6369	Mass. Bay Transit Authority	127,000,000	127,000,000	0	Plus \$60M capital
1595-6370	Regional Transit Authorities	80,400,000	80,400,000	0	
1595-6379	Merit Rating Board	9,404,567	9,768,209	363,642	
TO100340	MBTA State & Local Tax Transfer	1,006,809,769	1,031,800,000	24,990,231	
<b>TOTAL</b>		<b>1,526,956,108</b>	<b>1,616,647,657</b>	<b>89,691,549</b>	

Another Outside Section of the budget facilitates refunds of motorists’ \$25 court filing fee, if they are eventually found not responsible for an infraction after a clerk magistrate’s hearing.

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

**Housing**

Making sure that Massachusetts has an adequate supply of affordable housing for low- and moderate-income adults and children is an important component to improving the health and quality of life of the Commonwealth’s residents while also investing in our state’s long-term economic success. The state budget funds programs that provide shelter and affordable housing assistance to families and individuals. The Governor’s Fiscal Year (FY) 2019 budget proposes \$452.1 million for these programs. This amount, while \$11.4 million more than the current FY 2018 budget, is only slightly more (\$1.9 million) than the amount the state expects to spend during the current fiscal year.

***Homelessness Assistance***

Currently, almost 60 percent of the state’s housing budget funds shelter and assistance to families and individuals who are homeless or at risk of losing their housing. The Governor recommends providing \$261.0 million for these programs in FY 2019. Of that, most goes to providing shelter, through the [Emergency Assistance \(EA\)](#) program, to very low-income families who are homeless and have children. The Governor’s budget recommends providing EA with \$160.6 million. While this is \$4.7

million more than the FY 2018 current budget, it is about \$10 million less than the \$170.6 million the state expects to spend during this year. Because EA provides a right to shelter for low-income homeless families who are eligible, the state needs to provide sufficient funding to meet demand. Any additional funding that EA will need in FY 2018 will either come from the Caseload and Deficiency Reserve Account, created in the FY 2018 budget to provide supplemental funding to underfunded accounts, or from a supplemental budget passed by the Legislature. Funding for EA has fallen from its peak of almost \$200 million in FY 2016, as the state has moved families out of shelter, particularly hotels and motels, into housing. The state's Department of Housing and Community Development (DHCD) ay expects the number of families needing shelter to fall even further in FY 2019 as they try to keep more of these families housed. There is concern, however, that the strict requirements governing which families qualify for EA shelter, may prevent some families from receiving assistance even when they are homeless. The Governor's budget, like the FY 2018 current budget, requires that many families first prove they have slept in a place such as a car or emergency room before they are eligible for shelter.

The state budget also provides short-term housing assistance to low-income families who are homeless or at risk of becoming homeless. [HomeBASE](#) helps families who are eligible for the EA program to move from shelter into housing or to provide assistance to keep them housed. **Residential Assistance for Families in Transition (RAFT)** helps low-income families, some of whom may not be eligible for EA or HomeBASE, to remain housed so that they do not become homeless. Because the need for assistance is quite high and because it is not an entitlement program, RAFT often runs out of funds before the end of the fiscal year. The FY 2018 budget provides \$15.0 million for RAFT which is expected run out sometime in the spring. The Governor recommends providing the same level of funding that both of these programs received in the FY 2018 current budget.

#### FUNDING FOR HOMELESSNESS ASSISTANCE

Line Item #	Line Item Name	FY 2018 Current	FY 2018 Expected Spending	FY 2019 Governor	Difference FY19 Gov. - FY18 Expec.Spndg.
7004-0101	EA Family Shelters and Services	155,878,948	170,586,546	160,615,706	(9,970,840)
7004-0108	HomeBASE	30,147,305	28,929,046	30,147,305	1,218,259
7004-9316	RAFT	15,000,000	15,000,000	15,000,000	0
4400-1020	Secure Jobs Connect	650,000	650,000	650,000	0
7004-0100	Operation of Homeless Programs	5,090,311	5,090,311	5,367,719	277,408
7004-0102	Homeless Individuals Assistance	45,770,000	45,695,000	45,180,000	(515,000)
7004-0104	Home and Healthy for Good Program	2,040,000	2,000,000	2,040,000	40,000
4000-0007	Unaccompanied Homeless Youth	675,000	220,000	2,000,000	1,780,000
<b>TOTAL</b>		<b>255,251,564</b>	<b>268,170,903</b>	<b>261,000,730</b>	<b>(7,170,173)</b>

A smaller portion of the state's housing budget provides shelter and assistance to homeless individuals. The Governor recommends a slight cut to the program that provides **shelter for homeless individuals** while he level funds the **Home and Healthy for Good** program, which provides supportive housing for individuals who have been chronically homeless. The program that provides shelter and services for [unaccompanied youth](#) receives a significant increase in the Governor's FY 2019 budget proposal compared with the FY 2018 budget.

## *Housing*

While the Governor's budget slightly reduces funding for homelessness assistance programs, it recommends a small increase in overall spending for housing programs. The Governor's budget recommends spending \$191.1 million on housing which is \$7.4 million more than the state expects to spend in FY 2018.

The increases in the Governor's proposed housing budget includes \$2.7 million for the **Housing Choice Initiative** which the Governor announced at the end of 2017. This new program provides incentives for cities and towns to increase their housing supply. The \$2.7 million proposed by the Governor is part of \$10 million in total funding from both the operating and capital budgets that is intended to give municipalities the incentive to make zoning and other changes that will add 135,000 new housing units statewide by 2025. It is worth noting that this initiative provides incentives to create housing but is not targeted specifically at expanding affordable housing stock in the state.

The Governor's budget also recommends providing the [Massachusetts Rental Voucher Program](#) (MRVP) with \$5.2 million more than the amount the state expects to spend in FY 2018. Documents accompanying the Governor's budget estimate that this increase will allow DHCD to fund more than 200 new supportive housing vouchers for low-income renters.

The Governor's budget recommends providing \$2.6 million to implement the **expansion of Housing Courts** to serve the entire state. This is an increase of \$1.6 million above the current budget to help pay for increased personnel to work at these courts. (Note: This amount is not included in the total for housing funding, since MassBudget includes it in the Courts and Legal Assistance subcategory of the Law & Public Safety Category.)

In addition to these increases, the Governor's budget recommends \$400,000 less for the **Alternative Housing Voucher Program** (AHVP) than the current FY 2018 budget. AHVP helps individual adults with disabilities secure affordable apartments. This program received \$5.0 million in FY 2018 but the state expects to spend only \$4.3 million by the end of the current fiscal year.

## FUNDING FOR AFFORDABLE HOUSING

Line Item #	Line Item Name	FY 2018 Current	FY 2018 Expected Spending	FY 2019 Governor	Difference FY19 Gov. - FY18 Expec.Spndg.
0940-0101	Fees and Federal Reimbursement Retained Revenue	3,100,000	3,100,002	3,300,000	199,998
7004-0099	Dept of Housing and Community Development Admin	8,158,469	8,220,759	6,739,414	(1,481,345)
7004-2017	Housing Choice	0	0	2,698,841	2,698,841
7004-3036	Housing Services and Counseling	2,221,992	2,201,572	2,041,992	(159,580)
7004-3045	Tenancy Preservation Program	500,000	495,000	500,000	5,000
7004-4314	Service Coordinators Program	350,401	346,897	350,401	3,504
7004-9005	Subsidies to Public Housing Authorities	64,500,000	63,870,204	64,500,000	629,796
7004-9007	Public Housing Reform	950,000	940,500	950,000	9,500
7004-9024	Massachusetts Rental Voucher Program	92,734,677	92,234,677	97,469,569	5,234,892
7004-9030	Alternative Housing Voucher Program	5,000,000	4,326,179	4,600,000	273,821
7004-9033	Rental Subsidy Program for DMH Clients	5,548,125	5,548,125	5,548,125	0
7004-9315	Low-Income Housing Tax Credit Fee Retained Revenue	2,369,399	2,369,399	2,369,399	0
<b>TOTAL</b>		<b>185,433,063</b>	<b>183,653,314</b>	<b>191,067,741</b>	<b>7,414,427</b>

For information on funding for 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. In total, the Governor's Fiscal Year (FY) 2019 budget proposes to fund economic development programs at \$140.1 million, a \$2.6 million decrease (1.9 percent) from current FY 2018 levels.

Not included in the economic development totals are \$1.8 million in non-budgeted funding (money allocated outside the budget process) - \$1.2 million to the Tourism Trust Fund and \$600,000 to the Mass. Cultural Council. This funding comes from casino tax revenue.

The Governor recommends increases to several workforce development programs. For instance, **Learn to Earn** would receive \$1.0 million, a \$750,000 increase over current funding levels. This program trains and places unemployed and underemployed individuals in jobs in high-demand fields through partnerships between public agencies, businesses, community-based organizations, and career centers. The **Workforce Competitiveness Trust Fund (WCTF)** would receive \$5.0 million, \$3.3 million above current funding. WCTF is an employer grant program that has similar workforce development goals as Learn to Earn. Also, the proposal provides \$1.5 million in new funding for **Advanced Manufacturing Workforce Development Grants**, which provides training to unemployed and underemployed individuals, including veterans.

The Governor also proposes funding decreases--- about 6 percent--- for workforce development programs like **YouthWorks**, a summer jobs program for at-risk youth; and **One-Stop Career Centers**, which helps job seekers, particularly those receiving unemployment insurance, improve their skills and

navigate the job search process. Most of the reduction in YouthWorks reflects the removal of dedicated funding (or earmarks) to specific organizations running youth employment programs. Also, the **Workforce Training Fund** would receive \$500,000 less than current funding – a 2 percent decrease.

The **Massachusetts Service Alliance**, which serves as the state commission on service and volunteerism, would see a proposed \$1.8 million decrease (58.6 percent) from current funding levels.

The Governor proposes \$2.0 million – \$1.3 million over current funding – for **Small Business Technical Assistance Grants**, which are competitive grants awarded to economic development organizations to provide technical assistance or training programs to businesses with 20 or fewer employees. Also, the Governor recommends \$1.2 million for the **Small Business Development Center at UMass** – \$212,000 less than current FY 2018 funding.

The Governor proposes funding the **Massachusetts Office of Travel and Tourism (MOTT)** at \$4.2 million. This total reflects a \$4.0 million transfer from the **Tourism Trust Fund**. For the **Regional Tourism Council Grants**, the Governor provides \$6.0 million, which 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. Overall, the proposal funds travel and tourism \$9.2 million less than current FY 2018 funding.

**FUNDING FOR TOURISM**

Line Item #	Line Item Name	FY 2018 Current	FY 2019 Governor	Transfers*	FY 2019 Gov. Adjusted	Difference FY19 Gov. adjusted - FY18 Curr.	Notes
7008-0900	Mass. Office of Travel & Tourism	13,403,337	163,176	4,000,000	4,163,176	(9,240,161)	
7008-1000	Regional Tourism Council Grants	6,000,000		6,000,000	6,000,000	0	
T0101630	Mass. Tourism Trust Fund	0	10,000,000	(10,000,000)	0	0	FY 18 Current includes transfers
<b>TOTAL</b>		<b>19,403,337</b>	<b>10,163,176</b>	<b>0</b>	<b>20,163,176</b>	<b>(9,240,161)</b>	

\*Budgets sometimes transfer the allocation of funding among line items from one year to the next. The chart above presents these line items in both the Governor's FY 2019 proposed structure and the prior FY 2018 funding structure to make comparisons easier.

Finally, the Governor recommends several new economic development programs, including:

- \$1.2 million for **Cannabis and Hemp Oversight**;
- \$1.0 million for **Manufacturing College**;
- \$350,000 for **Downtown Regional Grant Program**;
- \$700,000 for **Registered Apprenticeship Expansion**;
- and \$200,000 for **Business Export Grants**.

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

## LAW & PUBLIC SAFETY

The Law & Public Safety budget includes prosecutors; law enforcement; the Departments of Correction and Probation; sheriffs; the courts; and legal defense for those unable to afford it themselves. Overall the Governor's Fiscal Year 2019 (FY 2019) Law & Public Safety budget is \$3.01 billion, which is 5.2 percent over expected FY 2018 spending.

*The Governor's budget includes an increase of \$68.5 million to fund projected costs of collective bargaining agreements with the state's public safety unions. As of now we do not know the exact allocation of these funds across the various public safety subcategories, so readers should be aware that some of the subcategories in the following table and in the text that follows will end up with larger increases, once amounts and allocations of the collective bargaining costs are final.*

### FUNDING FOR LAW & PUBLIC SAFETY

Subcategory	FY 2018 Expected Spending	FY 2019 Governor	Difference FY19 Gov. - FY18 Spending	Notes
Prosecutors	167,473,080	175,045,270	7,572,190	
Law Enforcement	386,430,968	403,495,704	17,064,736	
Prisons, Probation & Parole	1,443,135,922	1,485,622,784	42,486,862	Includes Sheriffs
Collective Bargaining Reserve	38,752,260	107,246,977	68,494,717	
Courts	518,300,245	529,685,456	11,385,211	
Legal Assistance	254,716,122	258,111,645	3,395,523	
Other Law & Public Safety	55,585,337	53,495,620	(2,089,717)	
<b>TOTAL LAW &amp; PUBLIC SAFETY</b>	<b>2,864,393,934</b>	<b>3,012,703,456</b>	<b>148,309,522</b>	

#### *Prosecutors*

The Governor proposes spending \$7.6 million, or 4.5 percent, over FY 2018 spending on prosecutors – the Attorney General and District Attorneys. The Governor proposes a \$3.0 million reserve fund to bring minimum **salaries for assistant district attorneys** up to \$46,000 in 2019. A [2014 Massachusetts Bar Association report](#) found that Massachusetts assistant district attorneys were “grossly underpaid, earning far less than their counterparts in comparative jurisdictions across the country,” leading to a “revolving door of prosecutors.” This reserve account was first funded in FY 2016 – also at \$3.0 million. **The Suffolk and Hampden District Attorneys also receive large percentage increases** in the Governor's budget over FY 2018 spending (5.7 percent and 6.1 percent, respectively).

#### *Law Enforcement*

The Governor proposes spending \$17.1 million, or 4.4 percent, over FY 2018 spending on law enforcement. This includes \$5.1 million in additional funding for the **Chief Medical Examiner**, which is

facing an increasing caseload due to the statewide opioid epidemic. [Massachusetts had the 8<sup>th</sup>-highest death rate from drug overdoses in the United States in 2016.](#)

### *Prisons, Probation, and Parole*

The Governor proposes an increase of \$42.5 million, or 2.9 percent, over FY 2018 spending on prisons, probation, and parole. This includes a \$3.0 million (30.8 percent) increase for the **Massachusetts Alcohol and Substance Abuse Center**. The Massachusetts Alcohol and Substance Abuse Center, housed within the Plymouth County Correctional Facility, has been the [subject of recent criticism](#) for its treatment of people struggling with drug addiction. The governor also proposes large increases to the **Suffolk, Essex, and Franklin sheriffs**.

### *Courts*

The Governor proposes an increase of \$11.4 million, or 2.2 percent, over FY 2018 spending on courts. This includes a \$1.6 million expansion of the state's **Housing Courts**. The Governor proposes a \$6.6 million (10.0 percent) increase in funding for **Trial Court justices' salaries**, as mandated by state statute. The Governor's budget also includes a \$1.1 million increase (3.9 percent) for the **Probate and Family Courts**, which the Governor says is "to help alleviate pressure on overburdened courts due to recent spikes in cases related to substance misuse and children's needs" in Western Massachusetts.

Additionally, the Governor's budget includes an Outside Section authorizing the trial court to transfer funds within its divisions, as long as no more than 5 percent of transferred funds come from the probation and community corrections appropriations.

### *Legal Assistance*

Massachusetts funds legal assistance for those who cannot afford it themselves. Among all the Law & Public Safety subcategories, the smallest increase over FY 2018 spending in the Governor's budget goes to legal assistance: just \$3.4 million, or 1.3 percent – less than inflation.

The **Committee for Public Counsel Services (CPCS)** provides legal defense for those who cannot afford it in "[criminal, delinquency, youthful offender, child welfare, mental health, sexually dangerous person, and sex offender registry cases](#)." The Governor proposes an increase in CPCS funding of just \$3.2 million, or 1.4 percent – insufficient to keep up with inflation.

The remaining legal assistance funding is distributed across three line items, each of which is seeing just a 1.0 percent increase in the Governor's budget – again, lower than the rate of inflation:

- **Massachusetts Legal Assistance Corporation (MLAC)** is a nonprofit that funds civil legal defense to low-income Massachusetts residents in cases involving, among other things, child welfare, domestic violence, housing, employment, immigration, health care, and government benefits. MLAC received \$18.0 million in FY 2018, but the legal aid programs it funds have to turn away about two-thirds of eligible residents who seek legal assistance – [45,000 low-income people each year](#).
- **Prisoners Legal Services** is a nonprofit that provides civil legal defense to, and advocates on behalf of, people incarcerated in Massachusetts prisons and jails, with particular focus on health

care, assaults by correctional staff, conditions of confinement, and segregation (which includes solitary confinement). Currently there are [over 3,000 prisoners for every PLS attorney](#).

- **Mental Health Legal Advisors Committee** is a branch of the Massachusetts Supreme Judicial Court that provides advocacy and legal representation to low-income people with mental health concerns.

**FUNDING FOR LEGAL ASSISTANCE**

Line Item #	Line Item Name	FY 2018 Expected Spending	FY 2019 Governor	Difference FY19 Gov. - FY18 Spending
0321-1510	Private Counsel Compensation	152,819,973	154,268,437	1,448,464
0321-1500	Committee for Public Counsel Services	58,896,643	59,485,609	588,966
0321-1520	Indigent Persons Fees and Court Costs	22,036,141	23,184,600	1,148,459
<b>COMMITTEE FOR PUBLIC COUNSEL SERVICES TOTAL</b>		<b>233,752,757</b>	<b>236,938,646</b>	<b>3,185,889</b>
0321-1600	Massachusetts Legal Assistance Corporation	18,000,000	18,180,000	180,000
0321-2100	Prisoners' Legal Services	1,609,465	1,625,560	16,095
0321-2000	Mental Health Legal Advisors Committee	1,353,900	1,367,439	13,539

For information on funding for all Law and Public Safety programs going back to FY 2001, please see MassBudget’s *Budget Browser* [here](#).

**LOCAL AID**

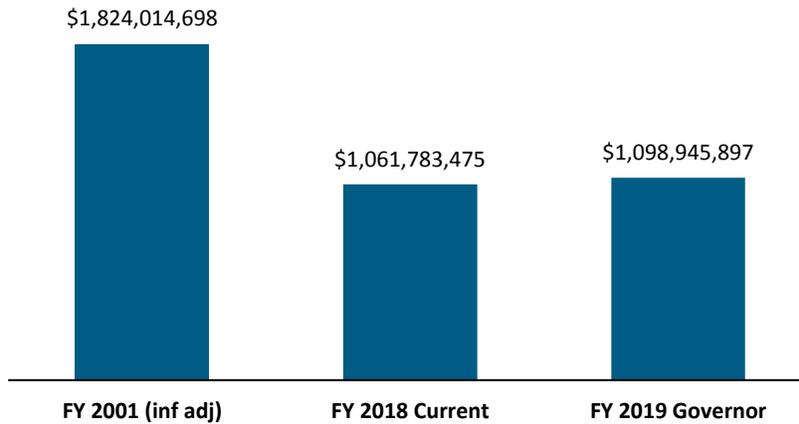
**Unrestricted Local Aid**

The Governor’s Fiscal Year (FY) 2019 budget proposes to increase Unrestricted General Government Aid (UGGA) by \$37.2 million over current FY 2018 levels to \$1.10 billion, an increase of 3.5 percent. This is less than last year’s \$39.9 million increase.

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 Commonwealth’s capacity to fund general local aid has been hindered by a series of significant state-level tax cuts during the 1990's and 2000's 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 39.8 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’s budget proposal would provide \$10.2 million for the **Municipal Regionalization and Efficiencies Incentive Reserve** – \$1.25 million below the amount initially enacted in the current FY 2018 amount. Identical to last year, as part of this proposal, the Governor’s budget would provide \$3.4 million for a competitive **public safety grants** program for populous communities with low per-capita police funding. It would allocate \$2.8 million for continuing a **District Local Technical Assistance Fund** administered by the Division of Local Services within the Department of Revenue. The proposal would provide \$2.0 million to fund a competitive grants program for **regionalizing services or planning**, and \$2.0 million for the **Community Compact** incentive program to support best local practices.

Some cities and towns receive other forms of non-education local aid from smaller programs that provide aid only to a subset of qualifying cities and towns. For example, the Governor’s budget would provide \$26.8 million for **local payments in lieu of taxes** to communities with state-owned land that is not subject to local property taxes. This is the same amount as this item has been since FY 2014. The Governor’s budget reflects lower **horse racing revenue** with the same amount of racing revenue shared with cities and towns (\$721,000) as in FY 2018.

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

## 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 Governor's Fiscal Year (FY) 2019 budget proposes spending \$25.6 million on public libraries, which is \$170,000 above the current FY 2018 budget. Most of the major programs funded through the library budget, including state aid to municipal libraries and to the regional library program, receive an increase of 1 percent which does not keep pace with increased costs due to inflation. Below is a summary of the Governor's funding proposals for libraries in FY 2019 compared with the FY 2018 current budget.

#### **FUNDING FOR LIBRARIES**

Line Item #	Line Item Name	FY 2018 Current	FY 2019 Governor	Difference FY19 Gov. - FY18 Current
7000-9101	Board of Library Commissioners	1,077,431	1,088,204	10,773
7000-9401	Regional Libraries Local Aid	9,982,317	10,082,140	99,823
7000-9402	Talking Book Program Worcester	491,715	441,715	(50,000)
7000-9406	Talking Book Program Watertown	2,512,772	2,512,772	0
7000-9501	Public Libraries Local Aid	9,090,000	9,180,900	90,900
7000-9506	Library Technology & Automated Resource	2,097,330	2,115,928	18,598
7000-9508	Center for the Book	200,000	200,000	0
<b>TOTAL</b>		<b>25,451,565</b>	<b>25,621,659</b>	170,094

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

## REVENUE

The Governor's Fiscal Year (FY) 2019 budget contains new sources of revenue from casinos and marijuana, as well as a new temporary source of federally-induced corporate income tax, a proposed extension of the room-occupancy tax to short-term rentals, and the second year of a temporary health care assessment for employers. The budget also presumes a previously scheduled reduction in the personal income tax rate from 5.10 percent to 5.05 percent. The major tax-related policy proposal included in the Governor's budget is an increase in the state match to the federal Earned Income Tax Credit (EITC) that would provide additional funds to low-income working families when they file their 2019 taxes in 2020.

### Tax Revenue

The starting point for every state budget is the Consensus Revenue Estimate (CRE). The FY 2019 CRE figure agreed to by the Administration, the House, and the Senate is \$27.594 billion, an amount \$933

million or 3.5 percent above the current FY 2018 benchmark estimate of \$26.661 billion, which is a \$157 million increase over the prior estimate. In light of about \$220 million in other tax law changes (such as a triggered reduction in the personal income tax rate), however, this means that to achieve the level of *actual* tax revenue growth (\$933 million), the *baseline* revenue growth in FY 2019 would have to increase by \$1.153 billion, or 4.3 percent, over the FY 2018 benchmark estimate.

Other assumptions and new policies also affect the amount of available tax revenue for the budget:

- **Personal income tax rate trigger** – Included in the CRE is the assumption that revenue growth in FY 2019 will be strong enough to trigger another automatic reduction in the personal income tax rate, dropping the rate as directed by law from the current 5.10 percent to 5.05 percent on January 1, 2019, halfway through FY 2019. The Department of Revenue estimates that this rate drop will cost the Commonwealth about \$84 million in forgone revenue in FY 2019 (over the course of half a calendar year). (Read more about the automatic rate reduction mechanism in this MassBudget [FAQ](#).)
- **Marijuana sales** – With the legalization of recreational marijuana, the budget anticipates \$63 million in marijuana sales taxes and excise taxes, \$40 million of which is directed to the Marijuana Regulation Fund, \$3.7 million of which is directed to the Massachusetts School Building Authority, and \$19.3 million is transferred to the state’s General Fund.
- **Casino opening** – The budget proposal anticipates \$60.0 million in new casino revenue, including \$43.8 million to support budget spending and \$16.2 million allocated outside the budget process. The funds allocated in the budget include: \$12.0 million for a Gaming Local Aid Fund, \$9.0 million for a Transportation Infrastructure and Development Fund, \$8.4 million for an Education Fund, \$6.0 million for the Stabilization Fund, \$5.7 million for a Gaming Economic Development Fund, and \$2.7 million for a Local Capital Projects Fund. Of the funds directed to non-budgeted sources, the largest share is \$6.0 million directed to a Long-Term Liability reduction fund for debt reduction. Apart from these casino revenues, the state is also expecting \$54.4 million in anticipated Plainridge slots revenue, approximately \$10 million less than FY 2018 to account for the possible impact of the opening of Springfield casino on Plainridge.
- **Corporate dividend repatriation** – As a result of the new federal tax law, the Governor’s budget anticipates \$65.0 million in new, one-time revenue from the accumulated profits of the foreign subsidiaries of U.S.-based corporations. While these subsidiaries’ foreign profits were subject to U.S. taxation when they were “repatriated” in the form of dividend payments back to the U.S. parent, over \$2 trillion is currently held (for tax purposes) abroad. The new federal law deems these profits to have been repatriated and applies a discounted federal tax rate – thus creating a one-time increase in revenue. Under existing state law, a small share of these repatriated profits attributed to Massachusetts will be subject to taxation.
- **Short-term rentals** – Similar to last year, the Governor proposes to extend the state’s five percent room occupancy tax – which is paid currently by hotels and motels – to include short-term housing rentals, including those rented on online platforms such as Airbnb. This proposal would apply only to rooms rented 150 or more nights per year and is estimated to generate \$13 million in additional state revenue. Localities would also be empowered to charge their own tax of up to six percent (6.5 percent for Boston.) The budget proposal would also allow companies like Airbnb to enter voluntary agreements to collect these taxes on behalf of the state. Airbnb’s

website lists 39 other states, as well as the District of Columbia and Puerto Rico, where laws enable the company to collect and remit taxes on behalf of the host. For more information on Airbnb and Massachusetts state taxes, see MassBudget's July 2016 fact sheet, "[Airbnb and Taxes: What Other States are Doing and How Much Revenue Might Be Raised in Massachusetts.](#)"

- Earned income tax credit (EITC)** – While it will not impact this year's budget, the Governor proposes to expand the state's Earned Income Tax Credit (EITC) by increasing the state match of the federal EITC from 23 percent to 30 percent. This is a refundable tax credit for low-income workers to increase the after-tax rewards from work. It is available only to tax filers with earned income and provides benefits primarily to workers with children. The new federal tax law erodes the value of the EITC over time by using a slower adjustment for inflation. A body of research has shown that – in addition to encouraging people to work and helping families to make ends meet – the EITC improves health outcomes for mothers and children, and boosts children's academic performance and lifelong income earnings. By increasing Massachusetts' state match rate to 30 percent, the Commonwealth would be on par with New York's match, though below other states such as Vermont, New Jersey, and California. The proposed increase would begin January 1, 2019, meaning the higher credits would be paid after low-income workers file their taxes in 2020. The annual cost for the increase will be about \$65 million per year when fully implemented. The last time the Governor's budget proposed increasing the EITC, it proposed cuts to the state's Film Tax Credit to pay for the change. The Governor's FY 2019 budget does not appear to propose a funding source for the cost of this initiative when the state begins paying for it in FY 2020.

FY 2019 NEW REVENUE CHANGES (\$ millions)	
<b>TAX REVENUES</b>	
Reduce personal income tax from 5.1% to 5.05%	(84.0)
Marijuana Sales and Excise Taxes	63.0
Casino tax revenue (due to casino opening)	43.8
Reduction in slots tax revenue anticipated due to casino opening	(10.0)
Corporate Dividend Repatriation (one-time)	65.0
Extend occupancy tax to short-term rentals	13.0
Increase EITC match to 30% starting 2020	0.0
<b>SUBTOTAL</b>	<b>90.8</b>
<b>NON-TAX REVENUES</b>	
Limited liability charter fee reduction	(3.9)
Marijuana licenses	2.9
<b>SUBTOTAL</b>	<b>(1.0)</b>
<b>TOTAL</b>	<b>89.8</b>

## Non-Tax Revenue

The Governor’s Fiscal Year (FY) 2019 budget proposal 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.

There are several non-tax revenue issues of note in the Governor’s budget proposal. The first is not new, but is a significant revenue source scheduled to end after FY 2019: the \$259.9 million in revenue from an assessment on employers to offset increased MassHealth costs. This assessment was put into place in response to a growing number of private sector employees not getting employer-sponsored insurance and instead enrolling in MassHealth.

### Temporary Budget-Balancing Strategies

The Governor’s budget is balanced partially with temporary savings and revenue:

- **Assessment for employees on MassHealth** –As mentioned above, the budget includes an employer assessment to defray state MassHealth costs due to employees using health insurance coverage under MassHealth. This assessment will expire after this year.
- **Underfunding state retiree health benefits by \$150.7 million** – State law dictates that by FY 2019 the state should be transferring 70 percent of the Tobacco Settlement to the State Retiree Benefits Trust, or \$175.9 million. Instead of this amount, the Governor’s budget includes \$25.1 million for these “other post-employment benefits” (“OPEB”) for state retirees paid from debt reversions or, if those reversions are not available, using the Tobacco Settlement funds (see the [“State Employee Health Insurance”](#) section of this *Budget Monitor*.)
- **Sale of state-owned property** – The Governor’s budget includes \$29.5 million in transfers to the General Fund from the sale of state-owned property, the Sullivan Courthouse in East Cambridge. There had been delays with this sale, but the Administration expects the sale will close in FY 2019. This is a non-recurring revenue source because the property will not be available to sell again in future years.

TEMPORARY BUDGET-BALANCING MEASURES (\$ millions)	
Employer assessment	259.9
Underfunded: State Retiree Benefits Trust	150.7
Sale of state-owned property	29.5
Corporate dividend repatriation	65.0
<b>TOTAL</b>	<b>505.1</b>

The Governor's budget appears to break from budget writers' recent practices of obtaining temporary "savings" from underfunding accounts relative to their anticipated costs and then providing substantial supplemental funding in subsequent legislation later in the year. The Governor's proposal fully funds anticipated snow and ice removal for winter storms, as well as fully funding typically underfunded accounts for sheriffs and public counsel. Unlike in the past several years the Governor's budget does not anticipate drawing money out of the Commonwealth Care Trust Fund to help balance the budget. In fact, there is an appropriation this year into that fund. (See the "[MassHealth and Health Reform](#)" section of this *Budget Monitor*.)

Unlike past years, the Governor proposes to fully fund the statutorily required \$88.5 million deposit of capital gains taxes to the state's Stabilization Fund ("Rainy Day Fund"). In addition, the budget deposits \$6.0 million in gaming revenues and \$3.7 million from sale of abandoned property into the Stabilization Fund. These funds will be available to the state when the current long economic recovery period comes to an end and new funds are needed for needs such as unemployment benefits and filling other shortfalls from reduced revenue.

## Department of Revenue Administration

Among its other activities, the Department of Revenue (DOR), through its Office of Tax Administration, makes sure that taxpayers are paying taxes they legally owe to the state. These activities are funded through two primary accounts including the DOR administrative account (1201-0100) and the Additional Auditors Retained Revenue account (1201-0130). DOR hires auditors and collectors who identify taxes legally owed to the state that have not yet been paid, and works with taxpayers to collect these unpaid taxes.

For these DOR tax activities, the Governor proposes a combined \$106.7 million, which is 0.2 percent more than current FY 2018 funding levels, but remains 41.0 percent below the 2001 level, when adjusting for inflation. The DOR's lower funding levels in recent years partly reflect large numbers of employees who have taken part in the Commonwealth's early retirement program. Large staff reductions can have implications for DOR's ability to identify and collect all the taxes owed to the Commonwealth, such as those that lead to large tax settlements. If vacated positions are not filled in future years (which will require reversing some or all of the recent cuts), there is a danger that the cuts not only could reduce permanently the Commonwealth's ability to collect unpaid taxes that are legally owed to the state, but also that such cuts could engender greater levels of tax evasion. If sophisticated, well-financed taxpayers come to view DOR's audit and collection capacities as permanently degraded, some of these taxpayers could see this as an opportunity to reduce their tax payments through increased levels of tax evasion or other forms of non-compliance.

You can see historical funding levels for administration of the DOR at MassBudget's *Budget Browser* [here](#).

## TOTAL BUDGET BY CATEGORY AND SUBCATEGORY

To allow for more accurate year-to-year comparisons and to better include all appropriated spending, MassBudget makes certain adjustments to the budget data as presented by the Administration and Legislature.

**FY 2019 Governor** column shows funding in the structure of the FY 2018 budget in order to allow for more accurate across-year comparisons. For example, if the FY 2019 budget proposal consolidates several line items, using information provided by the Administration, MassBudget “un-consolidates” the total and re-distributes the amounts back into their prior year’s line items in order to allow for more accurate across-year comparisons of totals.

**FY 2018 Current** column shows the budgeted General Appropriation Act as enacted in July 2017, and as amended by supplemental budget legislation.

For other explanatory information, see details below the chart.

BUDGET BY CATEGORY AND SUBCATEGORY (\$ millions)	FY 2018 Current	FY 2019 Governor
<b>Education</b>	<b>7,948.8</b>	<b>8,126.0</b>
Early Education & Care	577.0	590.9
Higher Education	1,173.7	1,190.7
K-12: Chapter 70 Aid	4,747.0	4,865.6
K-12: Non-Chapter 70 Aid	604.6	616.2
K-12: School Building	846.6	862.6
<b>Environment &amp; Recreation</b>	<b>200.0</b>	<b>205.0</b>
Environment	84.6	90.6
Fish & Game	30.5	28.4
Parks & Recreation	84.9	86.0
<b>Health Care</b>	<b>20,252.7</b>	<b>20,450.1</b>
MassHealth (Medicaid) & Health Reform	17,284.5	17,367.5
Mental Health	772.5	870.0
Public Health	616.2	622.9
State Employee Health Insurance	1,579.5	1,589.7
<b>Human Services</b>	<b>4,229.3</b>	<b>4,338.7</b>
Child Welfare	976.9	998.3
Disability Services	1,953.1	2,000.5
Elder Services	286.1	299.5
Juvenile Justice	180.5	177.8
Transitional Assistance	625.9	656.3
Other Human Services	207.0	206.2
<b>Infrastructure, Housing &amp; Economic Development</b>	<b>2,174.6</b>	<b>2,275.0</b>
Commercial Regulatory Entities	64.2	66.2
Economic Development	142.7	140.1
Housing	440.7	452.1
Transportation	1,527.0	1,616.6
<b>Law &amp; Public Safety</b>	<b>2,721.1</b>	<b>3,012.7</b>
Courts & Legal Assistance	710.4	787.8
Law Enforcement	391.9	510.7
Prisons, Probation & Parole	1,395.4	1,485.6
Prosecutors	167.1	175.0
Other Law & Public Safety	56.4	53.5
<b>Local Aid</b>	<b>1,100.7</b>	<b>1,136.6</b>
General Local Aid	1,061.8	1,098.9
Other Local Aid	38.9	37.7
<b>Other</b>	<b>5,688.1</b>	<b>5,872.0</b>
Constitutional Officers	75.6	82.1
Debt Service	2,628.3	2,662.8
Executive & Legislative	74.4	74.4
Libraries	25.5	25.6
Pensions	2,394.5	2,608.5
Other Administrative	489.8	418.5
<b>Total Budget</b>	<b>44,315.4</b>	<b>45,416.1</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 budget in FY 2019, these transfers add \$4.68 billion to the total. 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.