

The House Ways and Means Budget for FY 2015

The House Ways and Means Budget follows through on commitments to increase funding for higher education and transportation initiatives. It also provides modest new funding to begin addressing the growing opiate abuse crisis, the underfunding of our child protective services, and the [lack of access](#) to early education and care for tens of thousands of children. At the same time, the budget proposes cuts in a number of areas, including funding for youth job and empowerment programs.

While less than in recent years, this budget still relies on temporary revenue. It draws \$140 million from the rainy day fund and \$195 million from other temporary sources. In addition, it relies on \$240 million of revenue from tax settlements that, under current law, would go to the rainy day fund.

That the budget relies on these temporary revenues, and forgone deposits into our reserves, more than five years into an economic recovery, highlights both the severity of the ongoing national economic crisis and the long term fiscal challenges faced by our Commonwealth. Since cutting taxes by [over \\$3 billion](#) between 1998 and 2002, our state has made deep budget cuts in local aid, higher education, public health and many other important areas. Yet, even in good times our state is barely able to balance the budget. And in times of economic crisis we are forced to cut deeply and rely heavily on reserves. This pattern is likely to continue until the Commonwealth reforms our tax system to generate needed revenue in a fair and efficient way.

The sections that follow provide an overview of the major proposals of the House Ways and Means Committee.

EDUCATION

Early Education & Care

The House Ways & Means FY 2015 budget proposal of \$527.1 million for programs and services administered by the Department of Early Education and Care (EEC) is essentially level with projected FY 2014 spending. As the table below outlines, the FY 2015 HWM proposal does not quite match the funding amount proposed by the Governor.

EARLY EDUCATION & CARE					
	Line Item #	FY 14 GAA	FY 14 Projected	FY 15 Gov	FY 15 HWM
Supportive Care	3000-3050	\$76,991,445	\$77,957,330	\$81,241,142	\$79,730,057
TANF Care	3000-4050	\$128,063,499	\$131,351,486	\$136,549,668	\$133,477,300
Income Eligible Care	3000-4060	\$214,340,742	\$221,080,459	\$241,894,678	\$241,894,678
I.E. Wait List	3000-4040	\$0	\$0	\$15,000,000	\$7,500,000
I.E. Wait List	3000-4070	\$15,000,000	\$15,000,000	\$0	\$0
Early Ed. Salary Reserve	1599-1690	\$11,500,000	\$11,500,000	\$0	\$0
Total		\$445,895,686	\$456,889,275	\$474,685,488	\$462,602,035

The **Income Eligible** account receives a \$20.8 million increase over FY 2014 projected spending. This increase annualizes the \$15 million directed towards the Income Eligible wait list (3000-4070) in FY 2014.

The Governor, in his proposal, set aside \$15 million for infants, toddlers and preschool children on the Income Eligible **Wait List** and projected that funding would provide care for about 1,700 children. HWM proposes half of that amount, \$7.5 million, and opens it to school-age children for after school care as well as full day care for infants, toddlers, and preschool children. Because school age children need fewer hours of care, the overall average cost per child for the HWM proposal is less than the Governor's. HWM projects that the \$7.5 million will provide services to about 1,250 kids.

Although funding increases help EEC support more kids with subsidies, wait lists remain high. The number of kids waiting for a subsidy through the Income Eligible account remains around 40,000 and does not appear to be shrinking significantly. In January, around 600 children in foster care were on a waiting list in the Supportive account. Supportive care provides early education and care opportunities to children in the care of the Department of Children and Families, the primary child welfare agency serving kids who have been abused and neglected. Although only 600 kids in the child welfare system were officially waiting for a subsidy, the actual need is likely much greater.

A few initiatives introduced by the Governor were not funded in the HWM proposal:

- \$2.5 million for IT costs to embed the Quality Rating and Improvement System (QRIS) into EEC's current computer system. QRIS is a rating system used by EEC to measure the quality of early education and communicate guidance to providers.
- \$2.0 million for the K1 Classroom Grant Program. This grant would fund new pre-k classrooms in cities and towns around the state with a goal of increasing school readiness and improving 3rd grade reading. Gateway cities and districts with struggling schools receive preference.

Services for Infants and Toddlers receives \$16.2 million, \$2.0 million below the Governor's proposal and FY 2014 spending. This account funds two grants administered by EEC - The Coordinated Family and Community Engagement (CFCE) and the Educator and Provider Support (EPS) grants. For more information on them, see the MassBudget [Children's Budget](#).

The special commission studying the cost of administering early education services submitted a final report in January. A summary of the report can be accessed [here](#). Although funding is available through the end of FY 2015, the funds were all allocated in the FY 2014 budget. An initial progress report was due by March 3, 2014. Goals of the assessment include identifying efficiencies in the distribution of subsidies, analyzing the needs of eligible families by region, and evaluating the importance of providing quality programming to children while also providing workforce support to guardians.

K-12 Education

Similar to the Governor's FY 2015 proposal, the HWM budget provides some modest increases to education programs, increases roughly in line with annual cost growth. All told, though, these

proposals would still render state support below pre-recession levels – about \$110 million less than in the FY 2009 GAA, adjusted for inflation.

In March, to help cities and towns better plan for their local FY 2015 budgets, both the House and Senate passed local aid resolutions committing the legislature early in the budget process to specific funding levels for **Chapter 70 education** aid and Unrestricted General Government Aid (UGGA). The HWM proposal reflects this commitment, funding Chapter 70 aid at \$4.40 billion, which is \$99.5 million, or 2.3 percent, over FY 2014. This HWM proposal is equal to what the Governor proposed for FY 2015.

Specifically, the HWM (and the Governor's) Chapter 70 proposal:

- Calculates district foundation budgets using updated enrollment and inflation data.
- Includes all pre-kindergarten students currently attending public schools in district foundation budgets, meaning they are counted when calculating state aid. Currently, districts can only count towards their foundation budgets up to two times as many regular education pre-kindergarten students as they have special education pre-kindergarten students. Further, these regular education students must be learning alongside special education students in an inclusive setting. This funding proposal would lift the cap for FY 2015 and allow districts to count towards foundation pre-kindergarten students in non-inclusive settings. As with all grade levels, students can only count towards foundation if they are not charged tuition for attending.

Since enrollment counts are set for calculating FY 2015 foundation budgets, this policy change would only cost a modest \$2.3 million in its first year. If continued for future years, however, this change could significantly increase the provision of public early education.

- Phases-in an additional portion of the formula reforms planned in the 2007 budget, but slowed due to the ongoing fiscal crisis. Specifically, the budget provides 50 percent effort reduction and 35 percent downpayment aid. For more information on the reforms of 2007, please see MassBudget's [Demystifying the Chapter 70 Formula](#).
- Provides a minimum \$25 per pupil increase over FY 2014 aid for all districts that wouldn't otherwise receive an increase of this amount.

The HWM budget does not include a provision that was in the Governor's budget calling for a **foundation budget review commission** to review the state's approach to determining district foundation budgets. The foundation budget was designed more than twenty years ago and many of its underlying assumptions are increasingly [out of date](#).

Among K-12 grant programs, the HWM budget provides:

- An increase of \$5.0 million for **Charter School Reimbursements**, up to \$80.0 million. This proposal would still fall short of fully funding the reimbursements formula, which DESE estimates would require \$104 million. Charter reimbursements have not been fully funded since FY 2012. The Governor proposed level funding of \$75.0 million.
- An increase of \$5.0 million for the **Special Education Circuit Breaker** and an increase of \$2.0 million for **Regional School Transportation**. The Governor proposed level funding for both. The HWM budget projects that this circuit breaker funding level is sufficient to fully fund the reimbursement formula.

- An increase of \$1.0 million for **Extended Learning Time Grants**.
- Level funding for **Kindergarten Expansion Grants**. The Governor proposed an increase of \$3.1 million.
- Level funding for **METCO**. The Governor also proposed level funding.
- A cut of \$1.0 million for **Adult Basic Education**. The Governor proposed a somewhat more modest cut.
- Elimination of funding for **Innovation Schools**. This account was funded at \$1.0 million for FY 2014 and the Governor proposed an increase to \$4.6 million for FY 2015.

Additionally, the HWM budget projects receipt of \$771.6 million from an automatic transfer of sales tax revenue to the **School Modernization and Reconstruction Trust Fund**, which is used to help school districts pay for school construction and renovation projects. When someone pays the Massachusetts sales tax, one percent of the retail value of the purchase goes to this fund. The HWM amount is \$10.8 million below the Governor's proposal, as his budget anticipated greater sales tax revenue resulting from his proposal to eliminate the sales tax exemption for candy and soda.

Higher Education

The HWM budget proposes a third year of continued reinvestment in public higher education, building on progress begun in FY 2013 and continued this year. Driven largely by state level income tax cuts that cost the state roughly \$3.2 billion annually, and by the lingering effects of the Great Recession, higher education was cut by roughly a third between FY 2001 and FY 2012 (adjusted for inflation). Even with this one-year increase of \$61.2 million, funding for higher education would still be 22 percent below FY 2001 levels.

Appropriations to each of the three campus types are detailed in the table below. It is important to note that starting in FY 2012, all campuses began retaining tuition payments from out-of-state students, rather than remitting that revenue back to the state. MassBudget adds in an estimate of these payments for FY 2012 to the present, allowing for more accurate year to year comparisons. Additionally, MassBudget adds collective bargaining accounts and other programs located at particular campuses to their respective campus totals.

	FY 2014	FY 2015 Governor	FY 2015 HWM	FY15 HWM - FY14 Current
UMass	500,019,691	531,501,214	537,187,564	37,167,873
State Universities	232,907,944	246,202,891	246,602,939	13,694,994
Community Colleges	248,588,549	266,533,781	271,283,781	22,695,232
Total, all campuses	981,516,184	1,044,237,886	1,055,074,284	73,558,100

The HWM proposal follows through on a commitment made through the FY 2014 budget to increase funding for **UMass** by \$40 million in FY 2015 (due to MassBudget adjustments, this total differs slightly from the UMass increase shown in the table above). If this increase is met, UMass has committed to freezing student tuition and fee increases for FY 2015. The Governor proposed a somewhat smaller increase of \$36.9 million increase for the primary UMass line item.

Roughly \$13 million of funding for the state's Community Colleges would support a new **performance-based funding formula**, which is first being used in FY 2014.

The HWM budget proposes level funding of \$4.8 million for the **Science, Technology, Engineering and Mathematics (STEM) Starter Academy**, whereas the Governor proposed elimination of funding. Further, the HWM budget proposes making permanent the STEM Council, which currently functions under an executive order of the Governor.

The HWM budget proposes an increase of \$1.0 million for the **State Scholarship Program**, whereas the Governor proposed roughly level funding.

Youth Development

Youth Development programs aim to help young people find their path to a promising career. They foster engagement in the community, provide training or employment, and prevent violence or other antisocial behavior.

The HWM Committee budget recommends spending \$22.8 million on Youth Development programs in FY 2015. (Each line item in the chart below is described in the [Youth Development](#) section of MassBudget's [Jobs & Workforce Budget](#)). The HWM Committee's budget is \$13.9 million less than FY 2014 current funding for these combined programs and \$16.7 million less than the Governor's FY 2015 proposal.

YOUTH DEVELOPMENT PROGRAMS					
Line-Item name (number)	FY14 current	FY15 Governor	FY15 HWM	FY15 HWM-FY 14 current	FY15 HWM-FY15 Gov.
Safe and Successful Youth Initiative (4000-0005)	\$8,800,000	\$9,533,708	\$4,000,000	(\$4,800,000)	(\$5,533,708)
Shannon Gang Prevention Grant (8100-0111)	\$7,000,000	\$8,000,000	\$4,000,000	(\$3,000,000)	(\$4,000,000)
Youth Works (7002-0012)	\$10,000,000	\$12,000,000	\$8,000,000	(\$2,000,000)	(\$4,000,000)
School to Career Connecting Activities (7027-0019)	\$2,750,000	\$2,750,000	\$1,000,000	(\$1,750,000)	(\$1,750,000)
Youth-at-Risk Matching Grants (4590-1507)	\$3,600,000	\$2,700,000	\$1,800,000	(\$1,800,000)	(\$900,000)
Gateway City Career Academies (7009-6402)	\$500,000	\$500,000	\$0	(\$500,000)	(\$500,000)
Youth Build Grants (7061-9626)	\$2,000,000	\$2,000,000	\$2,000,000	\$0	\$0
Transitional Employment Program at Roca (4800-0016)	\$2,000,000	\$2,000,000	\$2,000,000	\$0	\$0
Total	\$36,650,000	\$39,483,708	\$22,800,000	(\$13,850,000)	(\$16,683,708)

ENVIRONMENT & RECREATION

The state budget funds programs that keep our air and water clean, maintain fish and wildlife habitats and support parks, beaches, pools and other recreation facilities. The HWM Committee recommends

spending \$191.3 on these programs, an increase of \$2.0 million above the current FY 2014 budget but \$6.6 million less than the budget recommended by the Governor for FY 2015. Since FY 2001, when \$3 billion in tax cuts were being implemented, environment and recreation programs have seen a 36 percent drop in funding in inflation-adjusted dollars.

Of the cuts to state funding for environment and recreation, the largest have been to the Department of Conservation and Recreation (DCR) which oversees the state's beaches, parks, pools and other recreation facilities. Since FY 2001 the parks and recreation budget has been cut almost in half (44 percent) in inflation-adjusted dollars. This has forced DCR to cut back on maintenance of its recreation facilities and to shorten the season when many parks, beaches and pools are open to the public. The HWM budget recommends increasing funding in FY 2015 for beaches and seasonal employees working at state recreation facilities by \$714,000 but reduces funding for state parks by \$2.1 million below the FY 2014 budget.

The HWM budget for Environment and Recreation also does not include two proposals recommended in the Governor's budget for FY 2015:

- The HWM budget does not expand the bottle bill to water, juice, coffee and tea drinks. The Governor's budget used \$4.0 million from this proposed expansion to increase state support for redemption centers to \$4.4 million. The HWM budget recommends level-funding support for these centers at \$400,000.
- The Governor proposed \$2.0 million in new funding to help the state adapt to and prepare for climate change, including the hiring of a state climatologist. The HWM Committee budget does not include this initiative.

HEALTH CARE

MassHealth (Medicaid) & Health Reform

The FY 2015 House Ways and Means (HWM) budget does not make any major changes to the state's MassHealth and Health Reform programs, and largely follows the Governor's budget proposal. Like in the Governor's budget, the HWM budget includes the expansion of health coverage under the federal Affordable Care Act (ACA). The costs of this expansion will be fully reimbursed and in fact will bring in substantial new revenue to the Commonwealth. (For a discussion of the budgetary impact of the Affordable Care Act, see our [brief](#) on the Governor's budget proposal.) As of the beginning of this calendar year, all adults in Massachusetts (citizens or qualified non-citizens) with incomes below 133 percent of the Federal Poverty Level are now eligible for MassHealth, the state's Medicaid program.

With the implementation of new eligibility standards for Medicaid included in the ACA, MassHealth enrollment in FY 2015 is expected to grow by approximately 153,000 people, including an estimated 20,000 people who previously had no health care coverage at all.

Like in the Governor's budget, HWM includes continued funding for the coverage of adult dental fillings. This is a benefit that MassHealth used to cover, was partially restored in FY 2013, and recently

fully restored. The Governor's budget also included funding to cover adult dentures for members, a benefit that would have been expected to start in January 2015. Language in the HWM budget proposal, however, states that the level of dental coverage in FY 2015 may not be greater than the level of coverage in FY 2014, limiting the ability of MassHealth to restore that benefit. Not implementing this benefit results in a net savings of \$4.0 million over the Governor's budget.

In order to track all the major changes to the organization of health care (such as the FY 2014 phasing out of the Commonwealth Care program and its replacement by the ConnectorCare program), MassBudget, in conjunction with the Mass. Law Reform Institute and the Mass. Medicaid Policy Institute, publishes detailed briefs about MassHealth and health reform finance over the course of the budget debate. The brief analyzing the House budget will be published after the House budget debate.

Mental Health

The FY 2015 House Ways and Means budget includes \$723.6 million for mental health services, \$11.2 million above the amount recommended by the Governor. The Department of Mental Health serves close to 21,000 children and adults with severe mental illness, providing inpatient services for only about 10 percent of these people, and community-based services for the remainder.

Funding for child and adolescent mental health totals \$87.4 million in the HWM proposal, \$1.1 million above the Governor's proposal. Adult mental health services are funded at \$426.8 million, \$7.6 million above current funding and \$4.0 million above the Governor's proposed amount. HWM notes that this funding should allow some clients to move off a waiting list for services.

The HWM budget also includes \$181.4 million for the state psychiatric hospitals and community mental health centers. This total is \$8.2 million above the Governor's proposal, and includes continued funding for the operation of 45 beds at Taunton State Hospital.

Public Health

Unlike the Governor's budget, the FY 2015 House Ways and Means budget does not include the elimination of the sales tax exemption for candy and soda. By increasing the cost to the consumer of candy and soda, this proposal was intended as part of a public health battle to fight obesity. Approximately \$57 million from this new revenue source would have helped balance the budget and been earmarked for public health programs.

HWM includes \$6.8 million for youth violence prevention programs, less than half of the amount recommended by the Governor. The HWM total is also \$7.1 million less than current FY 2014 funding totals.

On the other hand, HWM directs new funding for services to combat substance abuse and addiction. Funding for these programs increases by \$6.3 million over FY 2014 current budget levels, to a total of \$100.0 million. This budget proposal includes \$89.4 million for the Bureau of Substance Abuse Services, an increase of \$2.5 million over the Governor's proposal. Funding also includes support to expand resources for inpatient treatment of substance abusers, with line item language specifying that there would be \$1.3 million to fund 64 additional beds for detoxification and clinical stabilization. The public health budget also includes \$2.0 million for secure treatment for opiate addiction (\$300,00 more

than the Governor's proposal), which would offer non-violent opiate addicts with a jail diversion program, and \$815,000 for a new opioid overdose prevention pilot program that distributes intra-nasal Narcan (naloxone) – an emergency medication used to respond to an opioid overdose. Moreover, the budget proposal includes language that directs the Dept. of Public Health to require every hospital emergency room to collect and report to the department on the use of the emergency room by patients seeking mental health or substance abuse services.

It is important to note that since the Governor's proposal, legislation has moved funding for the universal immunization program into an "off-budget" trust. For the purposes of this analysis, funding has been adjusted so that this shift of approximately \$53.8 million does not appear as a reduction in funding.

State Employee Health Insurance

For a discussion of the funding of state retiree health benefits see the Non-Tax Revenue section of this *Budget Monitor*.

HOUSING

The state housing budget funds affordable housing programs and provides shelter to low-income homeless families as well as homeless individuals. The HWM budget recommends spending \$368.8 million on affordable housing programs in Fiscal Year (FY) 2015 which is \$77.7 million less¹ than the FY 2014 current budget and \$36.8 million less than the Governor's FY 2014 budget proposal.

The number of low-income families who have become homeless and are eligible for assistance from the state has grown despite recent efforts to restrict these families' access to shelter and other supports. The increase in low income homeless families needing shelter has coincided with significant cuts in the Massachusetts Rental Voucher Program (MRVP) since the late 1980s. (See MassBudget's [Shelter and Housing for Homeless Families](#).)

As the number of low income homeless families has grown, the state has significantly increased funding for shelter. The HWM budget recommends spending \$135.1 million on shelter, including hotels and motels, managed by the [Emergency Assistance](#) (EA) program. This amount is significantly less than the \$179.6 million the Governor recommended spending on EA in FY 2015 and is \$20 million less than the amount the state expects to spend in FY 2014. The Governor's FY 2015 proposal increased funding to expand family shelters to move homeless families from hotels and motels. While hotels and motels are preferable to living in unsafe and unhealthy conditions, they do not provide cooking and other facilities available in family shelters and are often located in places far from public transportation and children's schools. The HWM budget decreases funding for family shelters by \$3.0 million below FY 2014 expected spending and decreases funding for hotels and motels by \$17.0 million.

¹ It is important to note that the FY 2014 current budget includes \$20 million in funding for the Low Income Housing Assistance Program (LIHEAP) which is often funded by the Legislature in a supplemental budget as winter approaches. The FY 2014 budget also provided \$10 million in one-time funding to create the Affordable Housing Preservation and Stability Trust which also receives surplus funding from various housing programs at the end of the fiscal year. Prior to FY 2014 any surpluses in housing programs were reverted to the General Fund at the close of each fiscal year.

While shelter funding has increased over the years, funding for housing assistance does not appear to be keeping pace with the growing need. The federal Housing and Urban Development fair market rent for the greater Boston area is \$1,454 for a two-bedroom apartment. Families who qualify for EA can earn no more than 115 percent of poverty which for a family of three is \$22,756 or \$1,900 per month. Without housing support from the state families may not be able to afford to pay for permanent housing and still provide for their families. Many families living in shelters earn well below the income limit for EA.

In FY 2012 the state created a short-term housing program called [HomeBASE](#) to help families, who are eligible for EA, secure housing. When it was created, HomeBASE provided two types of support: short-term rental assistance to families at risk of becoming homeless and one year of housing assistance to families moving out of shelter and into permanent housing. The rental assistance program, which initially provided families with three years of assistance of \$4,000, was shut down quickly to new families because demand exceeded funding. The assistance to current families was reduced from three to two years. During the course of FY 2015 all families receiving rental assistance will exhaust their benefits. The HWM budget recommends two changes to HomeBASE. It increases total housing assistance for families from \$4,000 to \$6,000 for one year. Also it reduces funding from the FY 2014 budget amount for HomeBASE by \$33.0 million to \$26.0 million. This reduction reflects the fact that the remaining families, of the total of 5,000 who enrolled in the rental assistance program, will exhaust their benefits in FY 2015.

The HWM Committee budget recommends a \$3.0 million increase to \$60.5 million to create more [MRVP](#) housing vouchers. Documents provided by the Committee note that this increase, combined with \$12 million in anticipated FY 2014 surplus from the program, will allow the state to create up to 1,200 new vouchers in FY 2015. However, even with these increases to about 8,000 vouchers, the program will still be well short of the 20,000 vouchers that the state provided to low-income renters in the late 1980s/early 1990s.

In other housing programs the HWM budget recommends a number of changes compared with the FY 2014 current budget including:

- Creating a new account of \$500,000 to support the Secure Jobs Initiative (funding for this account is not included in our Housing budget total). This initiative is a one year demonstration project designed to link families served by the HomeBASE rental assistance program with resources they need to enter and remain in the workforce.
- Increasing funding for the [Residential Assistance for Families in Transition](#) (RAFT) program by \$500,000 million to \$10.5 million. This is \$1 million more than the Governor's recommendation. RAFT provides one-time assistance of no more than \$4,000 to families who would otherwise lose their housing and become homeless.
- Increasing funding for homeless individuals, including the Home and Healthy for Good program for chronically homeless people, by \$1.8 million to \$44.0 million.
- Increasing funding for vouchers that help clients at the Department of Mental Health pay rent by \$1.0 million to \$5.1 million.

- Decreasing funding for [subsidies to public housing authorities](#) by \$400,000 to \$64.0 million. The Governor's FY 2015 budget proposal provides \$64.3 million to local housing authorities around the state.
- Decreasing funding that provides housing counseling and services by \$1.0 million to \$1.6 million.

HUMAN SERVICES

Child Welfare

The FY 2015 HWM Budget proposal for Child Welfare programs and services is \$811.6 million, a 3.1 percent increase over FY 2014 levels, but slightly less than the Governor's proposal of \$819.0 million. Funding for programs supporting our most vulnerable children remains over 10 percent lower than pre-recession levels.

Section 98 of the budget proposal directs the office of the Child Advocate, in consultation with the Inspector General and Attorney General, to conduct an emergency review of the department's office management, record keeping and background check policies. This review is funded with a \$200,000 earmark in the **Office of the Child Advocate** (0411-1005). Section 93 calls for the development of an IT plan to make it easier for case workers in the field to upload real-time data into the state system and to communicate with their supervisors. A report on the development of the plan would be due on September 30, 2014.

The **Department of Children and Families (DCF) Administration** receives \$74.6 million, on par with the Governor's proposal and 5.0 percent over FY 2014 current spending of \$71.1 million which includes \$1.7 million recently appropriated in a FY 2014 supplemental budget bill. The HWM proposal includes language earmarking \$200,000 for background checks of all persons older than 15 in a household filing to be a foster care placement. Section 97 of the budget proposal requires a suitability check of current foster parents. Another \$500,000 is earmarked for the establishment of a runaway unit pilot program at one regional office "to help identify at risk youth and provide preventive services and implement a runaway recovery response policy."

Social Workers for Case Management receives an increase of \$7.3 million (4.2 percent) compared to FY 2014 current spending. This matches the increase proposed by the Governor. This account also received increased funding of \$1.1 million through a FY 2014 supplemental budget bill. The \$8.4 million increase from the two years together would be used to hire additional full time case workers. This increase coupled with increases for **Administration** over the two years will allow an increase in staffing of 245 workers. The intention of these increases is to ensure that caseworkers not be responsible for more than 28 children and that caseloads levels be reduced to an average of 15 cases per caseworker. Currently, many caseworkers have caseload levels of more than 20. This funding increase may be sufficient to get the average caseload to 15, but annual turnover of caseworkers will present a challenge. Losing experienced staff coupled with the hiring of new caseworkers who must go through training first and then start with a lower number of cases, will challenge DCF as they attempt to increase the net number of case workers enough to decrease the average caseload to 15.

Language in Section 15 of the budget requires all social workers to be licensed as a certified social worker within three years of their hiring and to participate in 30 hours of paid professional development annually.

Services for Children and Families receives an increase of \$14.2 million to \$265.4 million. Over \$10 million of that is tied to Chapter 257 rate increases. For more information on Chapter 257's rate standardization paid to contracted human and social service providers, see this [Chapter 257 update](#). Of the \$10 million tied to Chapter 257, almost \$4 million will go towards an increase in foster care rates. About \$3 million in this account will go towards Family Resource Centers.

Placement Services for Juvenile Offenders receives a cut of over 50 percent (\$524,000) to \$504,000, matching the Governor's proposal. This program funds alternative placements for DCF youth who get arrested and detained by police.

The **Transitional Employment Program (ROCA)** receives \$2.0 million in the FY 2015 proposal, the same as last year. ROCA supports youth aging out of the child welfare system, the juvenile justice system, parolees and other high risk youth. Programming teaches youth about work building positive work habits helping youth stay connected. In 2013 ROCA and the MA Executive Office of Administration and Finance launched a social innovation financing project to reduce recidivism among youth aging out of the juvenile justice system and keep them out of the adult criminal justice system. The program is initially funded with private investment with the state only reimbursing if the program meets certain performance goals. In his FY 2015 budget proposal, the Governor allocated \$7.0 million for potential future payments to private investors if certain success benchmarks are met. The HWM proposal allocates only \$250,000, the same as the projected spending level for FY 2014.

Disability Services

Disability services receives \$1.71 billion, an increase of \$154.3 million (11.3 percent) compared to FY 2014 projected spending, but about \$9.5 million below the Governor's proposal. The major increase goes to **Community Residential Supports** which receives \$990.2 million, an increase of \$137.6 million over FY 2014 projected. Most of that increase is needed to cover Chapter 257 rate increases.

Community Day and Work Programs receives an increase to \$173.7 million, \$10.8 million above FY 2014 projected spending, but \$5.5 million below the Governor's proposal. This increase supports moving more clients into integrated work environments. **Community Transportation Services** also receives an increase of \$2.9 million (22.1 percent) to \$15.9 million, equal with the Governor's proposal.

Respite Family Supports receives \$54.9 million, an increase of \$2.5 million (4.8 percent) compared to FY 2014 projected spending. For many families with disabled children, the respite program is the only source of support for afterschool recreational programming or for specialized caregiving.

HWM also proposes \$1.0 million for a new pilot program for individuals to participate in a community based employment program.

The HWM proposal for programs and services administered by the Massachusetts Rehabilitation Commission (MRC) and the Massachusetts Commission for the Blind (MCB) is quite similar to the Governor's proposal with increases over FY 2014 projected spending of:

- \$3.3 million (26.9 percent) to \$15.7 million for **Head Injury Treatment Services**.

- \$1.2 million (10.5 percent) to \$13.0 million for the **MCB Turning 22** program.

Elder Services

The HWM proposal funds Elder Services at \$253.5 million, \$18.1 million more than FY 2014 spending, and just \$328,000 below the Governor. Specific increases over FY 2014 that match the Governor's proposal include:

- A \$10.1 million increase for **Elder Enhanced Home Care Services** to \$63.1 million. This increase will avoid wait lists for home care for the elderly allowing over 5,000 elderly to remain at home instead of living in a nursing home.
- A \$5.7 million increase for **Elder Home Care Purchased Services** to \$104.4 million. This will support an increase in services hours available for clients of this program.
- A \$1.3 million increase for **Supportive Senior Housing** to \$5.5 million

HWM also proposes \$11.5 million for **Grants to Councils on Aging**, \$1.0 million above both current spending and the Governor's proposal.

The **Home Care Workforce Training Fund**, a new program proposed by the Governor is not funded in the HWM proposal. The \$1.2 million would have supported training for outreach workers, case managers, home care aides and protective services investigators.

Juvenile Justice

The Department of Youth Services receives significant increases in a few of their programs, nearly matching the increases proposed by the Governor. The increases will allow DYS to accommodate 17 year olds in the juvenile system. Previously, 17 year olds were treated as adults. "Raise the Age" legislation passed in 2013 places these kids into the juvenile system with appropriate services tailored for a youth population through the juvenile court. These youth will also be safer as youth face a much higher risk of being assaulted, including being the victims of sexual assault when they are held with adults. Increases over FY 2014 which will help support these new kids include:

- \$26.0 million for **Detained Youth**, an increase of 5.3 percent (1.3 million), \$137,000 below the Governor.
- \$118.1 million for **Residential Services for Committed Youth**, an increase of 5.9 percent (6.6 million), \$283,000 below the Governor.
- \$4.2 million for The **Department of Youth Services Administration**, a modest increase of \$136,000 (3.3 percent), \$11,000 below the Governor.

Non-Residential Services for Committed Youth actually gets cut slightly to \$22.6 million, \$339,000 below FY 2014 spending and \$86,000 below the cut proposed by the Governor.

Transitional Assistance

For entitlement programs like transitional assistance, funding levels are significantly affected by anticipated caseload levels. The “entitlement” part means that any qualified person who applies must receive the service. Funding for these then is directly tied to how many people qualify and apply. These caseload levels have dropped over the past calendar year. For more detailed information on caseload levels for transitional assistance accounts, see “Research and Statistics” on the [DTA home page](#). The caseload for **Transitional Assistance for Families with Dependent Children (TAFDC)** dropped from 52,659 in December 2012 to 46,546 in December 2013. That trend has continued this year with the caseload dropping further to 45,643 in February 2014. The decrease in caseloads has led to a decrease in the projected spending amount for FY 2014 and the proposed funding levels for FY 2015 in both the Governor and HWM proposals.

The FY 2014 GAA budget funded **TAFDC** grants at \$302.0 million. FY 2014 spending is projected at \$287.6 million and the Governor’s FY 2015 proposal called for \$263.8 million in spending. HWM reduces funding even further based on projections that the caseload will continue to fall. The HWM proposal provides \$251.7 million, 4.6 percent below the Governor’s proposal and 12.5 percent below FY 2014 projected spending. It is important to note that under this program, grants given to qualified families have lost significant value over time due to inflation. Instead of decreasing the appropriation, HWM could have proposed increasing the value of the grant to help these children and families fight to stay out of poverty. For a more in depth analysis of the grants value, see [TAFDC: Declines in Support for Low-Income Children and Families](#).

The current proposal could also have used these savings to provide increases to other programs that help low income children and families, such as child care and job training. Instead, the HWM proposal provides the **Employment Services Program** with just \$5.0 million, a cut of \$2.7 million from FY 2014 current spending, and \$2.4 million below the Governor’s proposal. This program provides TAFDC recipients with education, occupational skills and the employment support services needed to acquire and retain jobs. Under the HWM proposal, this program is 83.9 percent below FY 2009 GAA inflation adjusted levels.

Emergency Aid to the Elderly, Disabled and Children (EAEDC) receives \$87.6 million, a slight decrease from FY 2014 projected spending of \$89.1 million. The Governor proposed \$88.9 million. EAEDC is a cash assistance program individuals who are disabled, caring for someone who is disabled, 65 or older, in a Mass. Rehab program, and children who are not able to get TAFDC benefits.

The **Department of Transitional Assistance Administration** receives \$61.1 million, 5.4 percent below FY 2014 current spending of \$64.6 million. The Governor’s proposal combined this account with SNAP Participation Rate Programs. The HWM proposal moves SNAP Participation Rate Programs back into a separate line item funded at \$3.0 million. Adding the two together, the HWM proposal is \$2.0 million below the Governor’s proposal.

The HWM proposal provides an earmark of \$150,000 in the Executive Office of Health and Human Services (4000-0300) for the Massachusetts unaccompanied homeless youth commission to determine the amount of need facing unaccompanied youth ages 24 and younger who are experiencing homelessness, and to outline and implement solutions.

The clothing allowance, a one-time payment made in September to TAFDC recipients to help pay for back-to-school clothing, remains at \$150. This allowance has also lost significant value over time due to inflation. A rent allowance of \$40 per month is not included in budget language.

LOCAL AID

In March, to help cities and towns better plan for their local FY 2015 budgets, both the House and Senate passed local aid resolutions committing the legislature to funding **Unrestricted General Government Aid (UGGA)** at \$945.8 million. The FY 2015 HWM budget reflects this commitment, which is \$25.5 million above FY 2014 levels. The Governor, by contrast, proposed level funding.

UGGA is a form of local aid, money that flows from the state budget to city and town budgets, helping them fund vital local services such as police and fire protection, parks, public works, and schools (UGGA comes in addition to direct school support that districts receive from Chapter 70 aid).

Driven largely by state level income tax cuts that cost the state roughly \$3.2 billion annually and by the lingering effects of the Great Recession, UGGA has been cut dramatically since FY 2001. Specifically, the HWM budget's proposed spending level is \$778.2 million, or 45 percent, below FY 2001 levels, adjusted for inflation.

For more information on the history of how general local aid has been distributed, please see *MassBudget's* paper [Demystifying General Local Aid in Massachusetts](#).

TRANSPORTATION

The HWM budget continues progress implementing last year's long-term transportation funding law, which planned gradual transportation spending increases each year from FY 2014 through FY 2018. Specifically, the HWM budget increases transportation spending by \$122.8 million over current FY 2014 levels, helping MassDOT modernize its infrastructure, investing in capital improvements at the MBTA and Regional Transit Authorities, and making progress towards ending the practice of borrowing money to pay for MBTA operating costs. This HWM proposal is roughly the same as the Governor's.

The HWM transportation proposal includes \$811.3 million for the **MBTA State and Local Contribution Trust Fund**, an increase of \$12.0 million over FY 2014. The MBTA is funded largely through this automatic sales tax transfer equal to one percent of all retail purchases.

It is important to note that a significant portion of the state's transportation-related capital spending shows up in separate debt service accounts, the largest of which is the **Consolidated Long-Term Debt Service** line item. For FY 2015, 56.3 percent of this \$2.07 billion account is projected to cover transportation-related debt.

REVENUE

The House Ways and Means (HWM) FY 2015 budget, like the Governor's budget, calls for additional revenue beyond the amount agreed to in the Consensus Revenue Estimate. Both budgets rely on additional tax revenue and non-tax revenue (both one-time and ongoing), with each budget drawing on the state's "rainy day" fund. Like permanent changes in spending levels, ongoing revenue changes affect the state's long term fiscal condition, whereas temporary revenue changes are useful for balancing the budget only in the current fiscal year (to read more about the state's projected FY 2015 budget gap, see [MassBudget's FY 2015 Budget Preview](#)).

Notably, the HWM excludes most of the new, ongoing tax changes proposed by the Governor (to read more about the Governor's tax package see [MassBudget's review of the Governor's FY 2015 budget](#)). Overall, HWM calls for some \$55 million less in total additional revenue than the Governor, relying on less new tax revenue, but slightly more one-time revenue than the Governor (though HWM makes a smaller draw on the "rainy day" fund). Details of the HWM tax and non-tax revenue budget elements follow, below.

Tax Revenue

The Fiscal Year 2015 consensus tax revenue figure agreed to by the Administration, the House and the Senate is \$24.337 billion, an amount 4.9 percent above the revised FY 2014 revenue estimate of \$23.200 billion. HWM, like the Governor, has proposed drawing on a number of one-time and ongoing sources for additional tax revenue to be used in FY 2015. These include a one-year delay of the FAS 109 corporate tax break (also part of the Governor's budget proposal) for a one-time gain of \$46 million, and changes to the way large, one-time tax settlements and judgments are split between the General Fund and the Stabilization Fund. These tax settlement changes will allow more revenue to be directed to the General Fund, providing an estimated \$240 million annually in new, ongoing tax revenue (the Governor's budget includes a similar proposal, though estimates the FY 2015 gain at \$203.5 million).

FY 2015 REVENUE PROPOSALS	FY 2015 Governor		FY 2015 House Ways & Means	
	Ongoing Source	One-Time Source	Ongoing Source	One-Time Source
TAX REVENUES				
Eliminate exemptions for candy and soda	67,800,000			
Clarify rules for Internet room sellers	8,100,000			
Extend Room Occupancy Tax to short-term rentals and B&Bs	2,600,000			
Delay FAS 109 deduction for one year		46,000,000		46,000,000
Reclassify certain securities investment businesses	21,000,000			
Close loophole for insurance company subsidiary income	8,400,000			
Redirecting large tax settlements to General Fund	203,500,000		240,000,000	
SUBTOTAL	311,400,000	46,000,000	240,000,000	46,000,000
NON-TAX REVENUES				
Expand "bottle bill" to include water & other drinks	24,200,000			
Stabilization ("Rainy Day") Fund withdrawal		175,000,000		140,000,000
Stabilization ("Rainy Day") Fund interest transfer		10,700,000		10,700,000
Proceeds from gaming licenses		53,500,000		53,500,000
Shift in payment schedule to hospitals		13,000,000		13,000,000
Federal reimbursements for TANF		32,200,000		32,200,000
Trust fund sweeps		10,000,000		10,000,000
OPEB savings				75,900,000
Slot parlor gaming revenue	20,000,000		20,000,000	
SUBTOTAL	44,200,000	294,400,000	20,000,000	335,300,000
TOTAL	355,600,000	340,400,000	260,000,000	381,300,000

FAS 109

The FAS 109 corporate tax break is a tax break that primarily affects about a dozen multi-state businesses. Delaying implementation of this tax break for another year (the tax break has been delayed on a one-year basis in prior budgets) would raise an estimated \$45.8 million in FY 2015 (see [Governor's FY 2015 budget documents](#)). While the details of this tax law change involve technical and complex interactions among a corporation's records for tax purposes and its public financial accounting records, the FAS 109 provision, in essence, is an attempt to offset certain costs to publically-traded companies resulting from the 2008 combined reporting tax reform package.ⁱ

As part of that package, rule changes were enacted that increased the cost of some tax liabilities of some companies operating in the Commonwealth. In certain cases, these rule changes would have required changes to a company's existing financial statements. The FAS 109 tax break would allow publically-traded companies to claim a new tax break that would offset the impact to their financial statements resulting from the effects of combined reporting on deferred tax liabilities.

The Department of Revenue (DOR) estimated that this provision would cost the Commonwealth \$535 million during the period in which it was originally scheduled to be in effect – tax benefits were to be distributed equally across seven years, 2012-2018 (see [DOR report to Legislature](#)). DOR has estimated

further that 88 percent (or \$472 million) of the total tax reductions associated with the FAS 109 tax break will accrue to just fourteen corporations. When this provision was enacted, the cost was unknown and a process was established that would allow an evaluation of the likely cost before the tax break would be implemented.

TAX SETTLEMENT REDIRECTION

The HWM budget relies on \$240 million in new, ongoing revenue from a change in the law governing how much of any large, one-time tax settlements or judgments must be directed to the Stabilization Fund rather than to the state's General Fund.ⁱⁱ Currently, for any tax settlement or judgment that exceeds \$10 million, the amount in excess of \$10 million is transferred to the Stabilization Fund. The proposed change would make such transfers to the Stabilization Fund only when the *average total* of such settlements and judgments in a given year exceeds the average annual total over the prior 5 years.ⁱⁱⁱ The Governor's budget proposes a similar change, but uses a slightly different formula to calculate "excess", resulting in an estimated revenue gain of \$203.5 million in FY 2015.^{iv}

Non-Tax Revenue

The House Ways and Means budget proposal also relies on several sources of non-tax revenues to balance the budget.

There are three main types of non-tax revenue: federal revenues, which are mostly reimbursements from the federal government for state spending on the Medicaid (MassHealth) program; departmental revenues, which are fees, assessments, fines, tuition, and similar receipts; and other revenues, which are mostly funds that the state draws from an assortment of non-budgeted trusts.

FEDERAL AND DEPARTMENTAL REVENUE

Compared to FY 2014, and like in the Governor's budget proposal, the FY 2015 HWM budget shows a significant increase in federal revenue. These revenues will come to the Commonwealth as a partial reimbursement for increased spending on MassHealth and health reform expansions with the implementation of the federal Affordable Care Act (ACA).

With the ACA, there will be a large increase in enrollment in the publicly-subsidized health insurance programs that bring in federal reimbursement. At the same time, provisions in the ACA allow for Massachusetts to receive an enhanced reimbursement rate for many of these enrollees. The HWM budget proposal reduces funding for these programs compared to the Governor, thereby also reducing the amount of federal reimbursement the Commonwealth will receive. In addition, both the Governor and HWM anticipate \$32.2 million in revenues from increased federal reimbursements from the TANF program and the soldiers' homes, and also \$13.0 million realized in FY 2015 by delaying certain payments to hospitals into the next fiscal year.

The most significant difference between the Governor's revenue estimates for fees and assessments is that unlike the Governor, the HWM budget does not include \$24.2 million in increased departmental revenue associated with a proposed expansion of the state's "bottle bill."

TRANSFERS FROM TRUSTS AND OTHER SOLUTIONS TO BALANCE THE BUDGET

Like the Governor, the HWM budget anticipates \$53.5 million in one-time revenue from gaming licenses, and \$20 million new ongoing revenue from slot parlors. Also like the Governor, HWM anticipates \$10.0 million that will be available as one-time revenue from unused funds remaining in various off-budget trust funds.

The HWM proposes withdrawing \$140.0 million from the state's Stabilization ("Rainy Day Fund") in order to balance the budget, \$35.0 million less than the proposal from the Governor. This is a one-time revenue source. HWM, like the Governor, also proposes to balance the budget with the continued withdrawal of interest earned by the Stabilization Fund.

The HWM budget includes language that would shift for FY 2015 the way in which the state funds its liability to the State Retiree Benefits Trust to fund health care for retired state employees. In FY 2012, the state passed a law directing that an annually increasing share of the funds from the Master Tobacco Settlement go into the State Retiree Benefits Trust in order to help pay these costs. The HWM budget, instead of funding this liability in this way, proposes using unspent funds at the end of the year from the state's debt service liability, as was done in FY 2014.

STATE BUDGET BREAKDOWN

BUDGET BY CATEGORY AND SUBCATEGORY (millions)	FY 2009 GAA Adj. for Infla.	FY 2014 Current	FY 2015 Governor	FY 2015 House Ways and Means
Education	7,764.8	7,258.4	7,504.6	7,478.2
Early Education & Care	659.4	515.8	545.8	527.1
Higher Education	1,220.4	1,115.4	1,168.8	1,176.7
K-12: Chapter 70 Aid	4,412.4	4,301.2	4,400.7	4,400.7
K-12: Non-Chapter 70 Aid	688.2	593.9	606.8	602.2
K-12: School Building	784.4	732.0	782.4	771.6
Environment & Recreation	239.9	189.3	197.8	191.3
Environment	102.4	85.2	94.1	88.2
Fish & Game	23.8	23.9	23.9	23.9
Parks & Recreation	113.7	80.2	79.8	79.2
Health Care	14,344.8	16,157.1	17,300.8	17,208.6
MassHealth (Medicaid) & Health Reform	11,609.5	13,569.6	14,602.0	14,579.6
Mental Health	765.9	707.8	712.4	723.6
Public Health	664.3	555.3	561.1	556.1
State Employee Health Insurance	1,305.1	1,324.4	1,425.4	1,349.3
Human Services	3,920.6	3,677.8	3,884.8	3,837.6
Child Welfare	934.7	787.4	819.0	811.6
Disability Services	1,508.3	1,533.9	1,716.4	1,706.9
Elder Services	266.6	235.4	253.9	253.5
Juvenile Justice	182.2	168.3	176.6	176.0
Transitional Assistance	867.5	778.1	737.1	718.7
Other Human Services	161.2	174.7	182.0	170.8
Infrastructure, Housing & Economic Development	1,579.0	2,129.2	2,129.8	2,068.8
Commercial Regulatory Entities	57.6	54.7	56.5	56.5
Economic Development	193.2	206.7	123.6	99.4
Housing	309.1	446.6	405.6	368.8
Transportation	1,019.1	1,421.3	1,544.1	1,544.1
Law & Public Safety	2,839.6	2,518.2	2,613.4	2,587.7
Courts & Legal Assistance	732.0	646.6	699.2	667.4
Law Enforcement	465.9	359.5	353.6	358.0
Prisons, Probation & Parole	1,428.2	1,316.0	1,361.7	1,362.5
Prosecutors	163.2	146.6	148.4	151.5
Other Law & Public Safety	50.2	49.6	50.4	48.3
Local Aid	1,504.8	987.8	950.3	976.5
General Local Aid	1,469.2	921.4	920.2	946.9
Other Local Aid	35.6	66.4	30.0	29.6
Other	4,769.6	4,626.5	4,884.0	4,863.0
Constitutional Officers	99.9	79.7	82.1	81.3
Debt Service	2,383.7	2,422.7	2,497.6	2,497.6
Executive & Legislative	77.3	71.0	72.9	73.1
Libraries	38.1	22.2	22.7	23.2
Pensions	1,637.0	1,630.0	1,793.0	1,793.0
Other	533.7	400.9	415.6	394.9
Total Budget	36,963.0	37,544.3	39,465.5	39,211.5

Note: MassBudget's budget total is higher than other commonly-presented budget totals. We make a number of adjustments in order to allow for more accurate across-year comparisons of budget totals.

We include "pre-budget" transfers in our budget totals, which in FY 2015 adds \$3.5 billion. We include tax revenues dedicated to the MBTA and to school building assistance, the cigarette excise tax dedicated to the Commonwealth Care Trust Fund, the state contribution to the pension system, and the transfers to the Workforce Training Trust and to the State Retiree Benefits Trust (when designated).

We also make additional adjustments to allow for more accurate across-year comparisons. In FY 2015, these adjustments lead to more than \$500 million subtracted from the proposed budget totals. We add approximately \$18.1 million to make up for budget reductions made when public higher education campuses were allowed to retain a greater share of the student tuition and more than \$50 million in the House budget that shifts spending to the Vaccine Purchase Trust. We subtract approximately \$571.3 million to account for budget increases that simply reflect increased funding "passing through" the Group Insurance Commission from municipalities, and we adjust for the shifting in funding of the State Office Pharmacy Services (\$14 million).

ⁱ As part of the combined reporting package, the tax rates applied to business profits were reduced significantly. This reduction in tax rates offset much of the gain in tax revenue the Commonwealth otherwise would have received through combined reporting (which closes a variety of corporate tax loopholes). For a more thorough discussion of Combined Reporting, please see MassBudget's Tax Primer (Chapter 7: Business Taxes).

ⁱⁱ HWM FY 2015 Budget, Section 1A: <https://malegislature.gov/Budget/FY2015/House>

ⁱⁱⁱ HWM FY 2015 Budget, Outside Section 17: <https://malegislature.gov/Budget/FY2015/House>

^{iv} Governor's FY 2015 Budget Summary: http://www.mass.gov/bb/h1/fy15h1/exec_15/hdefault.htm