

The Legislature's Budget for FY 2014



July 2, 2014

Most of the pieces of the FY 2014 budget are now in place. The House and Senate have approved a budget—parts of which may be vetoed by the Governor but the bulk of which will remain as the spending blueprint for the coming year.

Most prominent among the investments laid out in the budget is an effort to fix and repair our state's transportation system, including roads, bridges, buses, and subways. As with a number of other initiatives in the Legislature's budget, these fixes depend on funding from a separate revenue bill, which is currently awaiting the Governor's signature.

Beyond transportation, the investments specified in the Legislature's budget tend to be modest, and narrowly targeted. Some examples include:

- Roughly \$100 million in additional funding for higher education, including UMass, state universities, and community colleges
- A variety of increases in public health programs that support family planning and protect consumers

Another area that would receive some targeted new funding is early education and care. In particular, the Legislature's budget devotes \$15 million to help clear a long wait list and ensure that young children have access to high-quality child care. The Governor's January budget proposal would have spent nearly four times as much money on this effort, as part of a broader attempt to reverse some of the large cuts to early education and that followed the income tax cuts of 1998-2002. It is difficult to make broad investments that help families and ensure the long-term strength of our economy without raising the substantial new revenue that the Governor had proposed.

The sections below describe the Legislature's budget proposal in greater detail, showing how it would affect a variety of programs across the budget—from Health Care and Education to Youth Employment, the Environment, and beyond. Also included is an analysis of the revenue sources that will support these programs.

Early Education & Care

The FY 2014 Budget directs just over \$500 million for early education and care programs, essentially level with FY 2013 appropriations, but more than was actually spent during the year. In FY 2001, funding for early education and care was more than \$700 million in inflation adjusted dollars, about \$200 million more than the FY 2014 Budget provides. The FY 2014 Budget does provide \$11.5 million for a rate increase for early education and care providers from potential FY 2013 surplus dollars.

Most of the funding within Early Education & Care funds three separate child care programs: 1) **TANF-Related Child Care** for children of families served by or transitioning from Transitional Aid to Families with Dependent Children (TAFDC); 2) **Supportive Child Care** for children in Department of Children and Families (DCF) care; and 3) **Income Eligible Child Care** for other children of low-income parents who are working, disabled or in an education or job training program. For the first two, all eligible children should receive services. To accommodate the need, the budget appropriation for these programs is based on case load projections for the coming year. More information on these programs can be found at the [Children's Budget](#).

In the Income Eligible Child Care program, children do not automatically receive services. Because of years of underfunding, this program utilizes a wait list which currently includes over 55,000 children. Over 30,000 of these children are infants, toddlers and preschool age children who need full day care to enable their parents to work.

The **Income Eligible Child Care** program had an approximate \$14.5 million surplus in FY 2013. In the FY 2014 Budget, **Income Eligible** receives \$214.3 million. Around \$8 million of the \$14.5 million FY 2013 surplus will be transferred to the account in FY 2014 bringing the total appropriation to roughly \$222 million. EEC projects maintenance for this program at around \$226 million.

The FY 2014 Budget also provides \$15.0 million for a **Wait List Initiative** to provide care for a little more than 2,000 children currently on the wait list mentioned above. In contrast, the Governor proposed almost \$57 million to get children off of the waitlist. Overall the FY 2014 Budget provides funding to get some children off of the waitlist, but the majority will continue to wait for care.

Supportive Child Care which provides child care for children involved with the Department of Children and Families receives \$77.0 million, a small cut after accounting for inflation. In the Supportive program, children who qualify sometimes have to wait to get a spot.

TANF-Related Child Care is facing over a \$6 million deficit in FY 2013 which will be covered by part of the \$14.5 million total surplus in the Income Eligible program mentioned above. In FY 2014, the TANF Related program receives \$128.1 million. EEC is already projecting the program to have around a \$3.5 million deficit for FY 2014. As in FY 2013, funding for this deficit might need

to be taken from the Income Eligible account near the end of the fiscal year.

The Governor proposed almost \$72 million to new programs to improve the quality of early education for children and families. The FY 2014 Budget does not include any funding for these initiatives, but includes \$250,000 for a **Pre-Kindergarten Curriculum Grant** to develop an innovative STEM (Science, Technology, Engineering, and Math) curriculum for children from 2 years 9 months until kindergarten.

A few of the quality initiatives not funded by the FY 2014 Budget, but proposed in the Governor's proposal include:

- \$30.0 million for quality efforts tied to teacher training and professional development as well as class room grants and funding tied to the Quality Rating and Improvement System (QRIS)
- \$17.6 million to more safely transport children. Providing bus monitors to support drivers transporting a high number of kids.
- Approximately \$13 million to increase reimbursement rates paid to providers which would increase the pool of providers that families receiving a state subsidy could choose between. This would allow families to access higher quality programs for their children.

For a fuller description of all of the quality programs introduced by the Governor, see [Early Education & Care in the Governor's FY 2014 Budget](#).

The **Department of Early Education and Care (EEC)** receives \$12.8 million, \$732,000 (6 percent) more than FY 2013. EEC will also be the subject of multiple audits and assessments:

- The Office of the State Auditor is directed to audit EEC's vendor payment process and the integrity of the wait list for child care.
- \$500,000 is provided to hire a nonprofit research organization to undertake a 2 year assessment of the services administered by EEC beginning with an audit of the current system. Goals of the assessment would be to identify efficiencies in the distribution of subsidies, analyze the needs of eligible families by region, and to evaluate the importance of providing quality programming to children while also providing workforce support to guardians. The nonprofit research organization will be selected by October 1, 2013 with an initial progress report due by March 3, 2014. Funding through this line item would be available until June 30, 2015.
- A special commission will study the cost of administering early education services and file recommendations by December 31, 2013. Funding of \$150,000 is provided to hire a private consultant to support the commission's work.

Access Management receives \$5.9 million, a small cut compared to FY 2013. Access Management funds child care resources and referral agencies (CCR&R) which help families with a subsidy attain child care. It remains \$22.0 million (79 percent) below pre-recession FY 2009 GAA inflation-adjusted funding levels.

K-12 Education

The FY 2013 budget provides a modest funding increase for K-12 education that is somewhat above annual cost growth, about 4 percent overall. The Governor's budget, by contrast, proposed larger new investments in K-12 education and would have brought education spending back in line with pre-recession levels. Once fully phased-in, the Governor's proposal would have increased total education spending by about \$1 billion annually. Without a commitment to raise broad-based new revenue, the FY 2014 budget is unable to fund these future investments.

The FY 2014 budget funds Chapter 70 education aid ([Children's Budget link](#)) at \$4.30 billion, about 3 percent above current FY 2013 levels. The Governor's budget proposed increasing Chapter 70 by roughly \$96 million over the Legislature's FY 2014 budget. The Governor's budget fully phased-in many reforms planned in 2007 and also provided increases to pre-kindergarten and out-of-district special education components of the foundation budget.

	Line Item #	FY09 GAA (inflation-adj.)	FY13	FY14
Chapter 70 Aid	7061-0008	\$4,327,019,526	\$4,171,079,892	\$4,301,214,591

Key elements of the legislature's Chapter 70 funding detail include:

- Calculating district **foundation budgets** using updated enrollment, inflation, and municipal revenue growth factor measures, helping school districts keep up with the rising cost of providing baseline services.
- Phasing-in partially one of the reforms planned through the FY 2007 budget—15 percent **effort reduction** for districts whose preliminary contribution is above their target.
- Adding a new provision that directs additional aid to a subset of communities whose actual aid remains below their **target aid**. Because the state's target aid calculation guarantees a minimum amount of aid regardless of local wealth, this provision

tends to benefit wealthier communities. Specifically, qualifying districts would receive 25% of the difference between their preliminary aid calculation and their target aid. The budget does exempt 26 of the very wealthiest districts from this additional aid, doing so by distributing this money only to those districts whose Combined Effort Yield (a uniform measure of local property wealth and incomes available to fund K-12 education) as a percent of their foundation budgets is less than or equal to 140 percent.

- Guaranteeing that each school district receives a **minimum \$25 per pupil increase** over their FY 2013 aid allocation.

The following two Senate budget provisions were not included in the House budget and *did not* make it through conference committee and into the FY 2014 budget:

- The Senate amended an existing section of the Chapter 70 law calling for a **foundation budget review commission** to review the state's approach to calculating district foundation budgets. This Senate provision would have required the commission to convene at least 4 public hearings and file recommendations to the legislature every four years.
- The Senate budget included language allowing all districts to begin counting **health care costs for retired teachers** towards satisfying their net school spending requirements. Districts that counted retiree health care costs in FY 1994, when the current Chapter 70 formula was first implemented, have been allowed to continue including them towards net school spending every year since. Districts that did not include retiree health care costs in FY 1994, however, have had to count it separately. While this change would have equalized district spending requirements, it would have had the ultimate effect of allowing many communities to spend less on public education.

Several K-12 grant programs receive increases over FY 2013 levels. Of note, the FY 2014 budget provides increases of (Children's Budget program links embedded):

- \$10.6 million for the [Special Education Circuit Breaker](#), which appears to fully fund the statutory reimbursement rate of 75 percent. Total funding for FY 2014 is \$252.5 million.
- \$6.0 million for [Regional School Transportation](#), bringing total funding up to \$51.5 million.
- \$4.5 million for [Charter School Reimbursements](#), bringing total funding up to \$75.0 million. It is important to note that a supplemental budget for FY 2013 that has passed the Legislature and awaits action from the Governor includes an additional \$8.0 million for these reimbursements for FY 2013.
- \$1.6 million for [English Language Acquisition](#), bringing total funding up to \$2.8 million.

- \$1.0 million for [Innovation Schools](#), which would fund competitive grants for school districts planning, implementing, or seeking to enhance Innovation Schools in Massachusetts. This is a new program for FY 2014.
- \$500,000 for [METCO](#), bringing total funding up to \$18.6 million.

A few other programs would be cut from FY 2013 levels. Of note, the FY 2014 budget provides decreases of:

- \$4.0 million for [Homeless Student Transportation](#), bringing total funding down to \$7.4 million.
- \$823,000 for [Literacy Programs](#), bringing total funding down to \$2.3 million.
- \$480,000 for [MCAS Low-Scoring Student Support](#), bringing total funding down to \$9.1 million.

Higher Education

Higher education is vital to economic prosperity, and it serves as the critical final step for students advancing through our state education system. According to the most recent data provided by the State Higher Education Executive Officials Association, Massachusetts enrolled over 170,000 full time students in Fiscal Year 2012, an increase of 27,000 from five years earlier. About 70 percent of these students are from Massachusetts and many of them are likely to stay in this state and contribute to the state economy. However, state spending on higher education, including funding for the UMass system, Community Colleges and State Universities, declined 25 percent from FY 2002 to FY 2013 (adjusted for inflation). While state spending has gone down, the funding needs of these institutions has not declined. To make up for the difference, these systems regularly raised student tuition and fees.

While the budget reflects the Conference Committee's decision to adopt the higher levels of funding proposed by the House, funding in this area is still \$96.5 million lower than what the Governor proposed last January, reflecting the constraints within which legislative budget writers had to operate after rejecting most of the Governor's revenue package.

FUNDING FOR CAMPUSES

The bulk of higher education funding goes directly to institutions. The FY 2014 budget provides \$978.3 million for community colleges, state universities and the University of Massachusetts system, an increase of \$101.3 million compared to FY 2013. The FY 2014 budget would restore a modest portion of the \$454.6 million cut to higher education between FY 2001 and FY 2013, adjusted for inflation.

Starting in FY 2012, all campuses of public higher education began retaining tuition payments from out-of-state students, rather than remitting that revenue back to the state. Thus when comparing funding between years MassBudget makes adjustments to higher education appropriation amounts to reflect this accounting change and allow for more accurate year to year comparisons.

Institution	FY09 GAA (inflation-adj)	FY13	FY14
UMass	\$550,943,048	\$457,106,600	\$497,448,410
Community Colleges	\$267,758,100	\$215,599,925	\$248,054,632
State Universities	\$243,881,360	\$204,278,972	\$232,826,641

- The FY 2014 budget provides \$497.5 million **the UMass System**, an increase of \$40.3 million over FY 2013, and higher than the proposals of the Governor, House, and Senate for FY 2014. UMass has a goal of creating a 50-50 funding split between state support and student payments. This funding level comes with a requirement that the UMass not increase tuition and fees for the upcoming school year. .
- The budget provides \$248.1 million for **Community Colleges**, an increase of \$32.4 million over FY 2013. This represents an increase over all three proposals and includes an additional \$20.0 million that would be distributed across campuses using a new performance-based funding formula approved last year. This provision was included in both the Governor's and House's plan but not the Senate budget. However, when adjusted for inflation, funding is still \$19.7 million less than what was appropriated in FY 2009.
- The budget allocates **State Universities** at \$232.8 million, an increase of \$28.5 million over FY 2013. The funding still falls \$24.5 million short of what was spent on state universities in FY 2001.

O T H E R H I G H E R E D U C A T I O N F U N D

	Line Item #	FY09 GAA (inflation-adj.)	FY13	FY14
Mass. State Scholarship Program	7070-0065	\$106,153,365	\$87,607,756	\$90,607,756

The FY 2014 budget provides \$90.6 million for the **State Scholarship Program**, including the **MASSGrant program**, which provides need-based financial assistance to Massachusetts undergraduates who enroll in any approved public or independent college, university, school of nursing or any other institution of higher education. This represents an increase of \$3.0 million, or 3.0 percent, compared to FY 2013. In contrast, the Governor's budget proposed doubling funding for scholarships.

Economic Development

Economic development programs are designed to promote economic growth in Massachusetts through improving the training of our workforce, stimulating new economic activity, and attracting out-of-state tourism and investment. The FY 2013 budget provides \$158.9 million for economic development programs, an increase of \$54.2 million, or 52.0 percent, over FY 2013. Most of the increase is due to increased funding for the programs described below.

- In 2011, the state passed a law expanding casino gaming in Massachusetts. Revenue from casino license applications is directed into various trust funds, one of which is dedicated to manufacturing and economic development. For 2014, the FY 2014 budget allocates \$18.8 million from this fund to create a new **Advanced Manufacturing Futures Program**. The program is designed to help local manufacturers with technical assistance, training programs and forging community and cross-sector manufacturing partnerships.
- The budget allocates \$3.0 million for a new **Innovation Institute Fund**, which supports the John Adams Innovation Institute. This institute is charged with helping the state retain and attract innovative technology companies.
- The FY 2014 budget allocates \$19.3 million to the **Local Capital Projects Program**, an entity designed to fund, with additional private dollars, local development projects in Massachusetts. Funding was not included in the FY 2013 budget.

Environment & Recreation

The state's environment and recreation budget includes funding for environmental protection, protecting wildlife and fish habitats and maintaining and staffing state parks, pools, and beaches.

The Legislature's Fiscal Year (FY) 2014 budget provides \$188.3 million for Environment and Recreation programs in FY 2014. This amount is \$12.0 million more than the FY 2013 current budget. Even with this increase the FY 2014 budget is still about 35 percent

less than funding provided to these programs in FY 2001 in inflation-adjusted dollars. As with many programs funded through the budget, the income tax cuts adopted in the late 1990s and early 2000s combined with the Great Recession have forced deep cuts in environment and recreation programs which have not been fully restored (details [here](#)). Please see MassBudget's Budget Browser for a full listing of Environment and Recreation programs funded in the Legislature's FY 2014 budget under the subcategories: [Environment](#), [Fish and Game](#) and [Parks and Recreation](#).

Some of the more notable highlights in the Legislature's FY 2014 budget for Environment and Recreation programs include:

- \$2.5 million for a new **compliance and permitting retained revenue** account. The Department of Environmental Protection (DEP) will fund this account by increasing compliance and permitting fees so that it can hire adequate staff to address compliance and permitting issues in a timely manner. With this new account, funding for compliance and permitting activities at DEP in FY 2014 will be \$5.0 million which is \$2.5 million above the FY 2013 current budget.
- The FY 2014 budget does not include language, proposed by the Governor and approved by the Senate, to expand the **bottle bill** to include 5 cent refundable deposits on non-carbonated beverages not covered under the current law, like water, tea, sports and coffee drinks. The Governor's budget estimated the expansion would raise \$24 million of which \$4 million would be used to increase funding for **recycling and redemption centers** in FY 2014. The Legislature's FY 2014 budget level funds redemption centers at \$375,000.
- \$2.3 million more for **state parks** above the FY 2013 level to \$42.5 million. A supplemental budget recently passed by the Legislature and awaiting the Governor's signature provides an additional \$350,000 for state parks in FY 2013. With the onset of the Great Recession coupled with the adoption of tax cuts, as noted above, funding for state parks has fallen significantly. Some of these cuts have been offset by increases in the amount of revenue that the Department of Conservation and Recreation (DCR) can keep from the fees and fines it collects at its state parks and recreation facilities. Increases in the amount of revenue that DCR can retain will allow it to hire more employees to staff and maintain state recreational facilities including parks, beaches and pools. Even after accounting for the increase in retained revenue, funding for state parks has fallen by about \$17.2 million in inflation adjusted dollars since the onset of the fiscal crisis (the FY 2010 budget transferred approximately \$525,000 from parks and recreation accounts to the new IT account at EOEEA.)
- The FY 2014 Budget includes the Senate's proposal to create a **commission on coastal erosion protection**. The commission would examine the impacts of erosion on the state's coast and recommend mitigation strategies.

MassHealth & Health Reform

MassHealth and Commonwealth Care programs currently provide health coverage for about 1.6 million Massachusetts residents, including more than one in three children in the state. The state also provides health coverage for some people who are receiving unemployment insurance benefits through the Medical Security Program (MSP), which is currently funded through an off-budget trust fund. Implementation of the federal Affordable Care Act (ACA) starting in January, 2014, will lead to changes in the structure of these public health insurance programs and will bring new federal revenue to the state.

The FY 2014 budget provides \$13.33 billion for MassHealth and related health care programs, an increase of 4.8 percent over current FY 2013 funding levels that reflects the changes that will occur under the ACA and that includes funding for rate increases and other initiatives. Funding for these programs is about \$182 million lower than the amount proposed by the Governor, a difference that apparently reflects the Conference Committee's belief that cost savings beyond what the Governor proposed can be achieved in FY 2014, and that additional cash management strategies can be implemented. The lower total also reflects the Conference Committee's decision to limit funding for adult dental coverage to an amount that will cover fillings, but that falls short of the Governor's proposed full restoration of dental coverage.

C H A N G E S U N D E R T H E A C A

Under the ACA, MassHealth will expand to cover adults with incomes up to 138 percent of the federal poverty level (FPL) in a new plan called MassHealth CarePlus. Some people currently enrolled in other MassHealth coverage types, such as MassHealth Essential, will move to this new plan, as will people who are currently enrolled in the Commonwealth Care program, and some people who are currently uninsured. People with incomes from 139 to 400 percent of FPL, including some current Commonwealth Care enrollees, and certain legal immigrants with incomes from 0 to 400 percent of FPL, will be eligible to enroll in Qualified Health Plans (QHPs) sold through the state's Health Insurance Connector and subsidized through federal tax credits. People receiving unemployment benefits who are currently enrolled in the Medical Security Program (MSP) will move to the CarePlus plan or to QHPs, depending on their income level. The state will receive enhanced federal revenue—75 percent, instead of the usual 50 percent of costs in FY 2014—for the new MassHealth enrollees, and will realize savings as some people transition from state programs to federally subsidized QHPs. A portion of these savings will be used to provide supplemental wrap coverage for people moving from Commonwealth Care to QHPs, in order to maintain their coverage at existing levels, but net new revenue from the combination of increased federal revenue and savings is expected to total about \$200 million in FY 2014.

Line Item #	FY09 GAA (inflation-adj.)	FY13	FY14

ACA Expansion Populations	4000-0940	\$0	\$0	\$448,000,379
Commonwealth Care Trust Tax Transfer		\$191,277,715	\$120,000,000	\$151,267,760
Commonwealth Care Trust Fund	1595-5819	\$1,224,595,010	\$740,272,286	\$340,078,633

The FY 2014 budget reflects these changes in the following ways:

- The budget provides \$448.0 million in a new **ACA Expansion Populations** line item (4000-0940) that will fund the incremental costs of providing coverage to current MassHealth members who move to the new CarePlus plan and to people who are newly eligible, under federal rules, for the program. The net new costs will be covered by new federal revenue coming to the state. Also included in the new line item is funding to standardize MassHealth benefits for pregnant women and for the extension of MassHealth eligibility to a small group of disabled adults. The Conference Committee did not follow the Governor in funding for the extension of coverage terminations to the end of the month, a proposal intended to reduce lapses in MassHealth coverage.
- The **Commonwealth Care** program is funded through the **Commonwealth Care Trust Fund**, which receives an annual transfer from the General Fund, as well as a direct deposit of tobacco tax revenue. Funding from these two sources in the FY 2014 budget totals \$491.3 million, and reflects additional tobacco tax revenue that will be directed to the Fund due to an increase in the tobacco tax that is contained in a separate transportation funding bill currently before the Governor. The CCTF is also expected to receive \$94.0 million from an employer assessment that previously funded the MSP program (see below). The lower overall level of funding directed to the Commonwealth Care program reflects the fact that the current program will end midway through the fiscal year; after that the CCTF will be used to fund wrap coverage for people with incomes up to 300 percent of FPL who are enrolled in QHPs.
- The FY 2013 budget contains language repurposing the employer assessment that current funds the off-budget **Medical Security Program**, which provides health coverage for people receiving unemployment insurance benefits, after that program ends in December, 2013. The assessment will be renamed and \$94 million in revenue from it will be deposited directly into the Commonwealth Care Trust Fund to supplement the two transfers shown in the chart above.

RESTORATION OF ADULT DENTAL COVERAGE

The budget contains \$17.2 for partial restoration of dental benefits for adults, an amount that would provide coverage for fillings for all teeth (front teeth were covered in the FY 2013 budget). In contrast, the Governor's budget proposed \$68.8 million for a full

restoration of dental coverage, which was cut in 2010.

PROVIDER RATE INCREASES

The FY 2014 budget provides funding for a variety of rate increases for hospitals and other providers, including:

- Earmarks of \$14.8 million for supplemental rate payments to hospitals that serve high-risk pediatric patients. Similar rate payments were authorized in the FY 2013 budget, but were reduced when mid-year budget cuts were implemented last December, and so a portion of this funding represents a restoration of, rather than a new increase in, funding.
- An earmark of \$23.0 million for Infrastructure and Capacity Building grants for hospitals and community health centers.
- Earmarks of \$13.7 million and \$12.3 million to pay for five percent rate increases for in-patient and out-patient services, respectively, for safety net hospitals.
- Restoration of funding for supplemental rates paid to nursing homes to a level slightly higher than the amount initially approved in FY 2013, before mid-year budget cuts reduced funding for rates. Of the total, \$2.8 million is earmarked for incentive payments for joint employee-management initiatives to improve quality of care at nursing homes.
- In addition to the above funding, the budget also contains language (in the Managed Care line item) requiring MassHealth to work with an actuary to develop capitation rates for managed care organizations that reflect increases in MassHealth rates for hospitals; if such rates are not put into effect in FY 2014, then capitation rates would go up automatically. Also included is language earmarking \$1.0 million for in-patient behavioral health providers within the capitated rate for the primary care clinician mental health and substance abuse plan.

SAVINGS & OTHER REDUCTIONS COMPARED TO THE GOVERNOR'S BUDGET

The FY 2014 budget provides lower levels of funding than the Governor proposed for several MassHealth line items. The difference, which amounts to almost \$128 million, appears to reflect a different set of assumptions about enrollment and cost growth, potential savings, and cash management strategies than those employed by the Governor, rather than changes in policy that would affect coverage. Most of the difference lies in two line items: the Senior Care line item, which receives \$57.5 million less than the Governor's proposed appropriation, and the Managed Care line item, which is \$52.5 million below the Governor's proposal. In the case of the Senior Care line item, \$7.5 million of the difference reflects an expectation of savings from expansion of an Academic Detailing program to improve prescribing practices among MassHealth providers and from a reduction in rates paid

for beds that are held open during a patient's temporary absence from a nursing home. In the case of the Managed Care line item, about \$14 million of the difference is due to updated assumptions about utilization. The rest of the difference reflects the planned use of cash management strategies, such as paying for some FY 2014 with surplus FY 2013 funds.

MASSHEALTH OPERATIONS

The budget includes funding of \$2.1 million for a MassHealth Operations line item, which was created in FY 2013 to address backlogs in processing MassHealth applications, an amount that is below the \$3.4 million proposed by the Governor, but about \$750,000 higher than the funding level proposed by the House.

Public Health

The FY 2014 budget includes \$546.2 million in funding for public health programs, including funding for a youth violence program that is located in the Office of Health and Human Services, but that is similar to two other programs within the Department of Public Health. This total reflects an adjustment to account for a shift on budget of \$14.0 million in spending for pharmacy services provided to, and reimbursed by, the Department of Corrections that had previously occurred off budget. The FY 2014 funding level represents an increase of \$25.2 million, or 4.8 percent, compared to FY 2013, and is close to the overall funding level proposed by the Governor (although the distribution of funding among line items is somewhat different). However, overall funding for public health programs remains about 22 percent below its FY 2001 level, and about 16 percent below its pre-recession FY 2009 level.

Items of note include:

- **Health Safety**

	Line Item #	FY09 GAA (inflation-adj.)	FY13	FY14
Environmental Health Services	4510-0600	\$4,529,846	\$3,386,819	\$4,516,414
Division of Health Care Quality and Improvement	4510-0710	\$9,662,224	\$6,341,939	\$7,826,326
Board of Registration in Pharmacy	4510-0722	\$593,155	\$182,623	\$1,300,527

The FY 2014 budget contains substantial increases for a variety of activities that protect the public health through regulation and inspection. The budget provides \$4.5 million—a \$1.1 million increase compared to FY 2013—for **Environmental Health Services** programs, which include inspection of food manufacturers and indoor air quality assessments at elementary and middle schools and funding of \$7.8 million, an increase of \$1.5 million, for the **Division of Health Care Quality and Improvement** that will help restore the agency's ability to inspect facilities and respond to consumer complaints. The budget also includes a substantial new investment of \$1.1 million for the **Board of Registration in Pharmacy**, bringing total funding to \$1.3 million in FY 2014. The new funds are intended to support increased inspections of compounding pharmacies and increased training of inspectors.

- **Youth Violence**

The budget includes a total of \$9.1 million in funding for three youth violence prevention programs. Two of these programs receive the same level of funding as in FY 2013; a third (Youth-at-Risk Matching grants, 4000-1507) is funded at \$3.6 million in FY 2014, an increase of \$900,000. See the Youth Empowerment section for more discussion of these and related programs.

- **Early Intervention**

The FY 2014 budget provides \$27.2 million for **Early Intervention** services, an amount that is similar to the Senate's proposed funding level, and about \$1.0 million higher than the Governor's and House budget proposals. The final budget also includes language that directs the use of any surplus funds for program operating costs, including salary increases for early intervention specialists.

- **Pediatric Palliative Care**

The FY 2014 budget provides \$1.5 million for the Pediatric Palliative Care program, which provides supportive services to children with life-limiting illnesses and their families—more than double the FY 2013 funding level. The higher funding level will allow some children and families who are currently on a wait list for services to receive them.

- **Family Health Services & Teen Pregnancy Prevention**

	Line Item #	FY09 GAA (inflation-adj.)	FY13	FY14
Family Planning (Family Health Services)	4513-1000	\$8,349,799	\$4,666,697	\$4,921,059
Teenage Pregnancy Prevention Program	4530-9000	\$4,444,007	\$2,378,411	\$2,532,662

The FY 2014 budget provides \$4.9 million for the **Family Health Services** program, which funds family planning services for adolescents and adults, and increase of about 5 percent compared to FY 2013. The budget also includes \$2.5 million for **Teen Pregnancy Prevention** services, an increase of about 6 percent over current FY 2013 spending. The increases represent a modest step towards restoring funding for the programs, which have been cut substantially over the past decade.

- **School-Based Health Programs**

The budget includes \$12.3 million for School-Based Health programs, including **School-Based Health Centers**, somewhat lower than the \$12.9 appropriation proposed by the Senate, but higher than amounts proposed by the Governor's and House budget, both of which contained slight cuts funding for these programs. Funding for school health programs has shifted among line items over the past decade; after taking these shifts into account and adjusting for inflation, total funding for school health has declined by more than two-thirds during this period (see detail in the MassBudget [Children's Budget](#)).

- **Postpartum Depression**

The FY 2014 budget contains a new line item with \$200,000 in funding for a **Postpartum Depression Pilot Program** at community health centers. The program will provide a part-time Community Health Worker at four health centers to assist women who receive a positive screen for postpartum depression in receiving mental health and other support services.

- **Academic Detailing**

The budget includes an appropriation of \$500,000 for an **Academic Detailing** program designed to promote cost-efficient drug prescribing practices among providers who serve high numbers of MassHealth members (the budget also assumes savings to the MassHealth program of \$3.0 million from this initiative). The FY 2013 budget initially provided \$500,000, but

funding was eliminated in mid-year budget cuts last December.

Human Services

Human Services programs and services form a crucial part of the Commonwealth's "safety net" for the state's most vulnerable residents. The services help provide families and individuals with access to food, provide support for individuals with disabilities, care for our children and youth in foster care, and offer many other services that provide stability and support to the residents of Massachusetts.

The Fiscal Year 2014 budget provides \$3.63 billion for Human Services, \$117.1 million (3 percent) more than FY 2013. In FY 2014, implementation of Chapter 257 which standardizes rates paid to contracted human and social service providers, will cost approximately \$110 million. Before Chapter 257, many individual providers negotiated rates separately. Chapter 257 standardizes rates according to the services delivered by providers to make the system more efficient and fair.

The FY 2014 budget includes an additional \$11.5 million one-time rate reserve payment for human service workers from potential FY 2013 surplus dollars.

CHILDREN, YOUTH & FAMILIES

Programs and services administered by the Department of Children and Families (DCF), the primary child welfare agency in Massachusetts protecting children from abuse and neglect receive \$779.0 million in the FY 2014 budget, \$25.3 million more than FY 2013. Services administered by the Department of Youth Services (DYS), which provides programing and detention services for children and youth detained by law enforcement, receive \$160.4 million, \$5.9 million more than FY 2013. Chapter 257 costs for the two are scheduled to be around \$44 million accounting for more than the \$31.0 combined increase.

Group Care Services, which funds DCF contracted congregate care programs, including residential and group care placements as well as intensive community-based services for some children, receives \$206.5 million, an increase of \$13.4 million over FY 2013. Chapter 257 implementation requires an increase of over \$30 million.

Other programs with funding levels that don't cover Chapter 257 rate increases include:

- **Residential Services for Detained Population**—funded at \$21.6 million, approximately \$400,000 below Chapter 257 needs

- **Residential Services for Committed Population**—funded at \$106.6 million, \$3.5 million below Chapter 257 needs
- **Services for Children and Families**—funded at \$249.4 million, \$1.8 million below Chapter 257 needs

The FY 2014 budget provides funding for **DCF regional administration** which was eliminated in the House budget. This line item, funded at \$6.0 million, level with FY 2013 funds contracts for "lead agencies" across the state that have specific oversight and service coordination responsibilities within the social service system.

The **Department of Children and Families** (DCF) administration receives \$68.8 million, a \$1.9 million increase over FY 2013, essentially level funding after accounting for inflation. Funding for DCF remains 19 percent below pre-recession levels. Language requiring DCF to maintain a timely fair hearing system is included in the budget. DCF is not meeting current requirements with wait times for fair hearings and subsequent decisions being much longer than what is stipulated in regulations. The budget requires DCF to implement new regulations reducing these wait times by September 13, 2013 and will have to submit quarterly reports to the legislature showing how long clients had to wait for fair hearings, appeals and decisions. The FY 2014 budget does not provide \$152,000 which was included in the FY 2013 budget to hire staff specifically dedicated to this issue.

The **Department of Youth Services** administration receives \$4.1 million, an increase of \$183,000 compared to FY 2013. However, funding remains 34 percent below pre-recession levels.

Family Access Centers receive \$850,000 in the FY 2014 budget. Centers make it easier for children and families to access many public services including Transitional Aid to Families with Dependent Children (TAFDC), Supplemental Nutrition Assistance Program (SNAP), Women, Infants, and Children's Program (WIC), Fuel Assistance, and MassHealth.

The FY 2014 budget introduces a commission studying the criminal justice system. The commission would look at sentencing guidelines, probation, pretrial diversion and other parts of both the adult and juvenile systems. Annual reports would be due on March 31.

The Massachusetts Unaccompanied Homeless Youth Commission receives \$150,000 to continue its work determining the needs of homeless young adults under the age of 25.

DISABILITY SERVICES

Disability services receives \$1.52 billion, an increase of \$81.6 million (6 percent) compared to FY 2013. Chapter 257 costs are scheduled to cost approximately \$59 million. The bulk of the increase in this goes to **Community Residential Services for the**

Developmentally Disabled which receives \$841.7 million, a \$58.6 million increase over FY 2013. Approximately \$43 million is needed for Chapter 257 costs.

Community Day and Work Programs for the Developmentally Disabled receives \$150.0 million, an increase of \$16.5 million compared to FY 2013. Over \$15 million of the increase is needed for Chapter 257 cost increases.

The **Autism Division** receives \$5.6 million, a \$1.0 million (22 percent) increase over FY 2013.

Other line items in this category receive small increases, but remain well below pre-recession levels.

D E V E L O P M E N T A L L Y D I S A B L E D

	Line Item #	FY09 GAA (inflation-adj.)	FY13	FY14
Turning 22 - Dept. of Developmental Services	5920-5000	\$8,437,461	\$6,000,000	\$6,500,000
Respite Family Supports for the Developmentally Disabled	5920-3000	\$61,466,608	\$49,504,298	\$52,364,298

M A S S A C H U S E T T S R E H A B I L I T A T I O N

	Line Item #	FY09 GAA (inflation-adj.)	FY13	FY14
Employment Assistance for Adults with a Severe Disability	4120-3000	\$9,381,412	\$2,058,907	\$2,175,164

ELDER SERVICES

The FY 2014 budget funds Elder Services at \$235.4 million, \$12.6 million (6 percent) more than FY 2013 spending.

- **Elder Enhanced Home Care Services** receives \$52.9 million, a \$5.5 million increase over FY 2013.
- **Elder Home Care Purchased Services** receives \$98.8 million, a \$972,000 increase over FY 2013.

These two programs allow seniors to remain at home instead of living in a nursing home. The legislature projects that the combined increase will be enough to eliminate the need for wait lists in FY 2014.

Elder Protective Services receives \$22.0 million, a \$4.8 million increase over FY 2013. The entire increase is needed for Chapter 257 increases. This service investigates elder abuse and neglect, and provides money management supports to prevent financial exploitation.

The FY 2014 budget includes three commissions studying services that affect seniors:

- **Elder Economic Security Commission** will make recommendations that will help older residents remain in their communities.
- **LGBT Aging Commission** will study the long term needs of LGBT adults making recommendations to improve services. The commission will also look at how state policies affect equality of access and other care issues affecting LGBT adults.
- **Elder Protective Services Commission**, first introduced in the FY 2013 budget aims to increase awareness of elder abuse.

TRANSITIONAL ASSISTANCE

There is ongoing debate in the legislature regarding changes to the administration of public assistance in Massachusetts. That debate is currently happening largely outside of the FY 2014 budget process.

The latest FY 2013 supplemental budget (H 3539), which has yet to be signed into law by the Governor, makes significant changes to welfare administration by requiring photo identification on all Electronic Benefit Transfer (EBT) cards in the next 12 months. The supplemental budget bill also establishes a task force to study the feasibility of developing a common eligibility standard for all agencies administering public assistance.

Other changes to public assistance are introduced in Senate bill (S.1806) which is currently being examined by the House Ways & Means Committee. The House budget proposal in April contained more significant changes than are in the Senate bill so ongoing debate between the two branches is likely.

As noted, the FY 2014 budget does not make significant changes in the administration of public assistance in Massachusetts. It provides \$776.0 million for Transitional Assistance programs, level with FY 2013, but over \$231 million (23 percent) less than FY 2001 inflation adjusted funding.

Transitional Aid to Families with Dependent Children (TAFDC) receives \$302.0 million, \$13.4 million below FY 2013 and \$45.2 million (13 percent) below FY 2001 funding. For entitlement programs like transitional assistance, funding levels are significantly affected by anticipated caseload levels. However, the cash grant available for families has not changed in over a decade and because of inflation is worth almost 25 percent less than in FY 2001. Families, already struggling, have a harder time each year buying necessities with the grant provided under the TAFDC program.

The \$40 rent allowance and the \$150 children's clothing allowances are included and the FY 2014 budget also includes a stipulation that the department must notify the legislature 75 days prior to any changes in eligibility or benefit levels for all families, including the standards affecting families and persons with disabilities.

Department of Transitional Assistance Administration receives an increase of \$8.2 million (15 percent) over FY 2013. Part of the increase will fund management of the vendor payment system for recipients who have been determined to be chronically late with rent or utility payments.

The increase also funds new investigators and supports the Bureau of Program Integrity which is introduced in the FY 2014 budget and receives an additional \$350,000 in line item 0910-0220. The Bureau would monitor the quality, efficiency and integrity of programs administered by the Executive Office of Health and Human Services (EOHHS). Its aim would be to prevent, detect and correct fraud, waste and abuse in public assistance programs. The Bureau would also review the management and operational structure at DTA to make sure the organizational structure is designed in the most effective way to ensure those who receive benefits should be receiving them. The Inspector General will appoint a director for a term of 4 years.

The **Employment Services Program** receives \$7.7 million, \$575,000 over FY 2013. Even with the increase, funding for this program is 77 percent below FY 2001 levels. This program provides TAFDC recipients with education, occupational skills and the employment support services needed to acquire and retain jobs, moving them out of poverty.

E M P L O Y M E N T S E R V I C E S P R O G R A M

Line Item #	FY09 GAA	FY13	FY14
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	Line Item #	(inflation-adj.)	FY13	FY14
Employment Services Program	4401-1000	\$30,375,597	\$7,109,035	\$7,683,922

Transportation

The FY 2014 budget for transportation assumes final passage of a long-term transportation funding bill that recently passed the Legislature and awaits action from the Governor. For more detail on the related House and Senate bills please see MassBudget's recent Budget Brief [Comparing Revenue Proposals for Transportation, Education, and Other Investments](#).

The Legislature's plan is quite similar to the Governor's FY 2014 proposal for transportation, with both plans increasing transportation support by roughly \$250 million over FY 2013 levels. Legislative proposals fund this spending through increased taxes, but the Governor raises more new revenue, primarily through an increase in the state income tax, enabling greater increases to transportation in future years. Over the long-term, lower funding levels reflected by legislative plans would likely lead to fewer infrastructure investment projects such as bridge renovations, road resurfacing projects, highway interchange rehabilitations, and rail line extensions.

Specifically, the FY 2014 budget provides:

- \$1.07 billion for the **Massachusetts Bay Transportation Authority (MBTA)**, an increase of \$127.7 million over FY 2013. This funding comes from two budgeted sources: \$799.3 million from an automatic pre-budget transfer from sales tax revenue and \$275.2 million from the Commonwealth Transportation Trust Fund.
- \$287.6 million for the **Massachusetts Transportation Trust Fund (MTTF)**, an increase of \$125.9 million over FY 2013. The MTTF helps fund Massachusetts Department of Transportation (MassDOT) functions, which include supporting the Regional Transit Authorities; maintaining and improving state roads, highways, and bridges; maintaining and improving airports and rail and transit lines; administering the Registry of Motor Vehicles (RMV); and covering specific transportation-related debt service costs.
- \$18.5 million for **Regional Transit Authorities (RTAs)**, level funding from FY 2013. Additionally, line item language dedicates at least \$80.0 million of MTTF funding (described above) to go towards **forward funding** of the RTAs. Currently, the state reimburses RTAs at the end of the year, rather than providing that support in advance, forcing them to borrow money to cover the coming year's budget. This FY 2014 budget reflects a large one-year increase to forward-fund the RTAs so that

they would no longer have to borrow this money to fund operations.

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. The FY 2014 budget projects that 43.7 percent of this \$2.00 billion account would cover transportation-related debt.

Housing

The state budget provides housing assistance, including shelter for homeless families, to low- and moderate-income people in Massachusetts. The Legislature's Fiscal Year (FY) 2014 budget provides \$357.9 million for housing programs and continues the changes made in FY 2013 that limit low-income homeless families' access to shelter. This budget is about \$50 million less than the FY 2013 current budget due largely to cuts in funding for the Emergency Assistance (EA) shelter and HomeBASE programs. The budget does expand funding for several housing programs most notably a \$15.5 million increase for the Massachusetts Rental Voucher Program (MRVP). For a full listing of housing programs funded in the Legislature's FY 2014 budget, please see MassBudget's [Budget Browser](#)

The state budget has primarily supported low-income homeless families through the **EA** shelter and HomeBASE short-term housing assistance programs. For a detailed discussion, please see MassBudget's "[Shelter, Housing, and Homeless Policy in Massachusetts](#)." The FY 2014 Budget provides \$96.8 million for EA. In FY 2013 EA has received \$135.6 million with an additional \$1.2 million in supplemental funding that is awaiting the Governor's signature. If this increase is approved, EA's budget of \$136.8 million in FY 2013 will be \$40.1 million more than the Legislature's FY 2014 budget for this program.

	Line Item #	FY09 GAA	FY13	FY14
Emergency Assistance - Family Shelters & Services	7004-0101	\$95,578,190	\$118,992,354	\$90,406,700
Emergency Assistance - Hotels & Motels	7004-0103	\$0	\$16,636,800	\$6,347,538

The Legislature's final budget of \$60.0 million for **HomeBASE**, which provides short-term, housing supports for families who are eligible for EA, is \$30.0 million less than the current FY 2013 budget. The budget provides significantly less funding than FY 2013 because over 5,000 families will run out of rental subsidies provided through HomeBASE during FY 2014. When HomeBASE was created in FY 2012, it provided 3 years of rental subsidies for families eligible for EA. Soon after the program opened, demand

exceeded funding and the Department of Housing and Community Development (DHCD) closed the multi-year program to new families and only provided one year of rental assistance to new families. It also lowered the amount of assistance provided to the 2,000 original families from three to two years. In an effort to prevent these families from becoming homeless once their subsidies end, the FY 2014 budget provides these families with access to long-term housing supports including MRVP, as well as to short-term assistance through the Rental Assistance for Families in Transition (RAFT) program. Families whose rental assistance ends could also enter EA shelters if they are eligible for the program.

	Line Item #	FY09 GAA (inflation-adj.)	FY13	FY14
HomeBASE	7004-0108	\$0	\$88,674,371	\$58,963,556

While cutting funding for shelter and HomeBASE, the final budget increases funding above the FY 2013 current budget for a number of affordable housing programs including:

- \$15.5 million more for **MRVP**, which provides vouchers to low-income renters, for a total of \$57.5 million. The Legislature estimates that this additional funding will create 1,000 new vouchers in FY 2014 to help families' secure permanent housing. The funding will also allow the DHCD to fully-fund over 1,000 new vouchers it created in FY 2013.

	Line Item #	FY09 GAA (inflation-adj.)	FY13	FY14
Mass. Rental Voucher Program	7004-9024	\$36,212,271	\$42,000,000	\$57,500,000

- \$1.2 million more for **RAFT** to \$10.0 million. The budget sets aside \$500,000 of this increase to provide up to 7 days of temporary accommodations for low-income families who are not eligible for EA and are at risk of becoming homeless. This provision is intended to prevent these families from living in places not meant for human habitation such as a car or public

park while they look for permanent housing. The budget directs DHCD to immediately refer families, who are likely to become homeless within 24 hours, to the organizations that provide these temporary accommodations.

	Line Item #	FY09 GAA (inflation-adj.)	FY13	FY14
Residential Assistance for Families in Transition (RAFT)	7004-9316	\$6,026,758	\$8,760,000	\$10,000,000

- \$1.3 million more in funding to \$3.1 million to help homeowners and renters keep their current housing through the **housing services and counseling** and **tenancy preservation** programs.

	Line Item #	FY09 GAA (inflation-adj.)	FY13	FY14
Housing Services and Counseling	7004-3036	\$2,379,939	\$1,445,996	\$2,641,992
Tenancy Preservation Program	7004-3045	\$547,887	\$350,000	\$500,000

- \$300,000 more for programs that help **homeless individuals** including **Home and Healthy for Good** to \$42.0 million. A supplemental budget that passed the Legislature and is awaiting the Governor's signature would provide an additional \$147,000 in FY 2013 for the homeless individuals account. Should that additional funding be approved, the FY 2014 increase in funding above FY 2013 would be about \$150,000.

	Line Item #	FY09 GAA (inflation-adj.)	FY13	FY14
Homeless Individuals Assistance	7004-0102	\$39,756,536	\$40,350,335	\$40,450,335

Home and Healthy for Good	7004-0104	\$1,314,929	\$1,400,000	\$1,600,000
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The Legislature's final budget slightly cuts funding for public **housing authorities** to \$64.4 million. These authorities manage over 45,000 state-supported units for low-income renters. The budget does not include the Governor's proposal to consolidate the state's 240 housing authorities into 6 regional authorities (The Governor's January 11, 2013 press release announcing the public housing consolidation is available [here](#).)

	Line Item #	FY09 GAA (inflation-adj.)	FY13	FY14
Subsidies to Public Housing Authorities	7004-9005	\$72,868,984	\$64,450,000	\$64,400,000

The Legislature's final budget also creates a **Housing and Preservation Stability Trust Fund** to expand affordable housing resources for low income and homeless families and individuals. This trust fund was first proposed in the Governor's FY 2014 budget. The Legislature's final budget provides \$10 million in funds from the FY 2013 surplus should one exist at the end of the fiscal year. It also allows surpluses from the EA, HomeBASE, MRVP and RAFT programs to go into this fund rather than having them revert to the General Fund at the end of the fiscal year.

Local Aid

The FY 2014 budget provides **Unrestricted General Government Aid (UGGA)** with a small increase roughly in line with inflation, the first increase of any kind in five years. 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 districts get from Chapter 70 aid).

Specifically, the FY 2014 budget funds UGGA at \$920.2 million, \$21.3 million above current FY 2013 levels. The Governor's budget included a greater increase for UGGA, proposing \$930.0 million in funding for FY 2014.

UGGA was [cut dramatically between FY 2001 and FY 2013](#)—about \$780 million, or 46 percent, adjusted for inflation. The modest

increase for FY 2014, therefore, will only reverse a small portion of cuts accumulated over these years.

The FY 2014 budget distributes the first \$899 million of its UGGA appropriation to cities and towns as a base funding amount equal to the amounts they received every year since FY 2011. The budget then distributes its \$21.3 million increase proportionally off of this base, increasing each community's aid by 2.4 percent across-the-board. Because a portion of the \$899 million base includes historically problematic Additional Assistance allocations, this approach of proportional increases misses an opportunity to begin distributing future local aid increases in a more equitable way. 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](#).

The FY 2013 budget includes \$1.2 million in local aid payments to cities and towns from the Massachusetts Gaming (casino gambling) Commission. These payments would be in addition to UGGA payments, although the specific distribution method is not laid out in the budget.

	Line Item #	FY09 GAA (inflation-adj.)	FY13	FY14
MGC Payments to Cities/Towns for Local Share	1050-0140	\$0	\$0	\$1,150,000

Additionally, the FY 2013 budget provides \$13.1 million for the **Municipal Regionalization and Efficiencies Grant Program**, above both the House and Senate proposals of \$2.8 million and \$10.3 million respectively. The conference committee was able to go with a higher total funding level than both individual proposals by including different provisions from each.

	Line Item #	FY09 GAA (inflation-adj.)	FY13	FY14
Municipal Regionalization and Efficiencies Incentive Reserve	1599-0026	\$0	\$6,890,000	\$13,050,000

Libraries

The state budget supports libraries by providing direct aid to local libraries, supporting the regional library network that includes

the interlibrary loan program and the Library of the Commonwealth (see below), and funding the two talking book programs for the visually impaired located in Worcester and Watertown. As with many programs funded through the budget, income tax cuts adopted in the late 1990s and early 2000s combined with the Great Recession have forced deep cuts that have not been restored (details [here](#)). Since the adoption of the FY 2001 budget, state support for libraries has fallen by over 50 percent in inflation-adjusted dollars. For a full list of programs funded in the state's Library budget please see MassBudget's [Budget Browser](#).

The FY 2014 budget provides \$22.2 million in state aid to libraries, which is \$427,000 more than the FY 2013 current budget.

The FY 2014 budget expands funding for a few library programs. The most notable increase is an additional \$348,000 for the regional library network which provides funding to the Boston Public Library (BPL), as the Library for the Commonwealth. The FY 2014 budget provides an increase in state aid for research services provided by the Library for the Commonwealth from a rate of 35.9 cents per resident of the Commonwealth to 38.3 cents.

	Line Item #	FY09 GAA (inflation-adj.)	FY13	FY14
Regional Public Libraries Local Aid	7000-9401	\$18,810,138	\$9,231,475	\$9,579,475

Youth Empowerment

Youth Empowerment programs operated by a variety of agencies provide state supports and services for children and young adults designed to foster their engagement in the community, to provide training or employment, or to prevent violence or other antisocial behavior. Evidence has shown that Massachusetts is facing a crisis with disaffected youth, at risk for both criminal behavior and unemployment. For more information see MassBudget's report on Youth and Work in Massachusetts [here](#).

The FY 2014 budget provides \$32.4 million in funding for Youth Empowerment programs an increase in funding of \$7.5 million over FY 2013 levels. This increase is almost identical to the Senate budget proposal and \$11.9 million higher than the House proposal. The chart below shows how the FY 2014 budget compares both to FY 2013 and FY 2009 budgets.

Line Item #	FY09 GAA (inflation-adj.)	FY13	FY14
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Safe and Successful Youth Initiative	4000-0005	\$0	\$4,000,000	\$4,000,000
Youth Violence Prevention Grants	4590-1506	\$3,835,210	\$1,501,178	\$1,501,178
Youth-At-Risk Matching Grants	4590-1507	\$6,404,801	\$2,700,000	\$3,600,000
Transitional Employment Program (Roca)	4800-0016	\$2,191,548	\$2,000,000	\$2,000,000
YouthWorks	7002-0012	\$8,875,771	\$3,000,000	\$9,000,000
Gateway Cities Career Academies	7009-6402	\$0	\$500,000	\$500,000
School-to-Career Connecting Activities	7027-0019	\$4,525,204	\$2,870,000	\$2,750,000
Youth-Build Grants	7061-9626	\$3,035,842	\$2,000,000	\$2,000,000
Gang Prevention Grant Program (Shannon Grants)	8100-0111	\$14,245,065	\$6,250,000	\$7,000,000

Funding for Youth Empowerment Programs includes the following highlights:

- **Youth Works (Summer Jobs Program for At-Risk Youth).** The budget increases funding for Youth Works from \$3.0 million to \$9.0 million in FY 2014. A supplemental budget released alongside the FY 2014 budget increases this program's FY 2013 appropriation by \$10.0 million, to \$13.0 million, the same level as in FY 2012.

Because this program runs over the summer, across Massachusetts's fiscal years, the Legislature often allows funding allocated in one fiscal year to actually be spent in the next, therefore funding levels for Youth Works tends to vary year to year. [Children's Budget Link](#)

- **School to Career Connecting Activities.** The FY 2014 budget funds this program at \$2.8 million in FY 2014, about \$100,000 less than FY 2013. [Children's Budget Link](#)
- **The Safe and Successful Youth Initiative** would be funded at \$4.0 million, whereas the House eliminated the program. This is funded at about the same level as in FY 2013. [Children's Budget Link](#)
- **Gang Prevention Grant Program (Shannon Grants).** The FY 2014 budget allocates \$7.0 million in FY 2014, an increase of \$750,000 from FY 2013. [Children's Budget Link](#)
- **Youth-Build Grants** would be funded at \$2.0 million dollars, essentially level funded from FY 2013. [Children's Budget Link](#)

Revenue

Approved now by both the House and Senate, the Legislature's FY 2014 budget is built off of the consensus revenue estimate of \$22.334 billion in tax revenue agreed to back in January by the Governor and both chambers. The Legislature supplements this total with a variety of additional revenue sources. Together, the FY 2014 budget draws on a mix of tax and non-tax revenue, pre-existing and new taxes, and revenues coming from ongoing and one-time sources.

Less than a week ago, the Legislature passed a transportation-related tax package that, if signed by the Governor, would provide and estimated \$440 million in new tax revenue in FY 2014. The FY 2014 budget incorporates the revenue from this package. A number of other, smaller tax changes also are contained in the Legislature's FY 2014 budget, together generating about another \$150 million in additional tax revenue. Among other things, these changes delay implementation of one corporate tax break as well as attempt to enhance collections by the Department of Revenue. These changes are covered in greater detail below.

Non-tax revenues also play a significant role in balancing the FY 2014 budget. Apart from substantial federal and departmental revenues, the FY 2014 budget relies on a withdrawal from the state's Stabilization ("Rainy Day") Fund, revenue from state "gaming" (i.e., casino and gambling-related) licenses, and lottery and tobacco-settlement revenues. Non-tax revenues are discussed in greater detail below.

Notably, overall, the Legislature's FY 2014 budget (in combination with the Legislature's recently-passed tax package) would not raise the level of new revenue proposed by the Governor in his FY 2014 budget. Hence, the Legislature's FY 2014 budget does not include the kinds of investments in education proposed by the Governor. (For a detailed description of the various revenue proposals, see [our Budget Brief](#).)

In the sections below, we examine in closer detail the tax and non-tax revenue proposals included in the FY 2014 budget.

FY 2014 TAX REVENUE INITIATIVES	FY 2014 Governor	FY 2014 House	FY 2014 Senate	FY 2014 Budget
ONGOING TAX REVENUES				
PERSONAL INCOME TAX				
Increase rate from 5.25% to 6.25%	1,163,000,000			
Double value of personal exemption	(437,000,000)			
Eliminate more than 40 tax breaks	332,000,000			
SALES AND EXCISE TAX				
Decrease rate from 6.25% to 4.5%	(591,000,000)			
Eliminate exemptions for candy and soda	22,000,000			
Increase cigarette tax by \$1.00/pack; qualize tax rates for cigars & smokeless tobacco with cigarettes	70,000,000	152,250,000	144,200,000	144,200,000
Eliminate exemption for custom modifications of software and related services	65,000,000	150,000,000	150,000,000	150,000,000
Raise motor fuels tax by \$0.03/gallon		95,000,000	95,400,000	95,400,000
Index motor fuels tax to inflation	13,000,000			
Eliminate hotel tax exemption for corporate executive apartment rentals	2,600,000			
CORPORATE TAX				
Eliminate FAS 109 deduction	45,900,000			
Delay FAS 109 deduction				
Clarify market sourcing rules for corporate excise sales factor	21,000,000	21,000,000	21,000,000	21,000,000
Reclassify utility businesses	29,000,000	29,000,000	29,000,000	29,000,000
Reclassify certain securities investment businesses	21,000,000			
OTHER TAX INITIATIVES				
Implement enhanced tax reporting (liquor wholesalers, franchisees, electronic reporting, pass-through entities, etc.)	27,000,000	36,300,000	35,000,000	35,000,000
Implement Amazon.com sales tax agreement	26,200,000	32,600,000	36,700,000	36,700,000
Tax settlement revenue			35,000,000	
Total Ongoing Tax Revenues	809,700,000	516,150,000	546,300,000	511,300,000
TEMPORARY TAX REVENUES				
CORPORATE TAX				
Delay FAS 109 deduction		45,900,000	45,900,000	45,900,000
OTHER TAX INITIATIVES				
Tax settlement revenue				35,000,000
Total Temporary Tax Revenues	0	45,900,000	45,900,000	80,900,000
TOTAL TAX REVENUE INITIATIVES	809,700,000	562,050,000	592,200,000	592,200,000

Last week, prior to passage of the FY 2014 budget, the Legislature approved a tax package that would generate new, ongoing tax revenue in FY 2014 and beyond, a substantial portion of which is dedicated to transportation funding. The FY 2014 budget assumes that \$439.6 million in additional tax revenue will be available in FY 2014 as a result of this tax package. (See [MassBudget's report comparing the transportation financing bills of the Governor, House and Senate](#)).

The FY 2014 budget incorporates this new tax revenue while also increasing funding to the principal transportation line items by a combined total of about \$254 million. This leaves about \$186 million in new revenue from the Legislature's tax package for other, non-transportation budgetary purposes (\$439.6 million - \$253.8 million = \$185.8 million).

In addition to the revenue related directly to this tax package, the FY 2014 budget generates another \$46 million by delaying for one year the FAS 109 business tax break. The FY 2014 budget also assumes \$36.7 million from increased sales tax collections. These new revenues would result from the agreement the Administration negotiated with Amazon.com to begin collecting the sales tax from its Massachusetts customers on their online purchases.

The FY 2014 budget additionally calls for \$27 million to be raised from several tax law changes that would allow the Department of Revenue (DOR) to "more accurately audit and pursue outstanding revenue obligations owed to the Commonwealth" (Most of these proposals were presented first by the Governor in a January 2013 [supplemental spending bill](#) for the FY 13 budget. The supplemental spending bill that actually was enacted, however, did not include these provisions.) The FY 2014 budget also increases funding for the primary DOR account by \$3.6 million above current FY 2013 levels (an estimated \$1.4 million more than expected maintenance-level funding) in order to hire more auditors and collectors. The new provisions and the increased DOR funding are estimated to raise a combined \$35 million in additional tax revenues.

Further, the FY 2014 budget proposes increasing funding for a separate, retained revenue account that DOR uses to pay for additional auditors. This increase would be \$1.5 million above current FY 2013 levels, providing a total of \$27.9 million in FY 2014. These additional funds will allow DOR to fully staff and implement a set of tax enhancement initiatives begun in FY 2013, including the Audit Model Office, Interagency Data Services, and the Office of Operations Research.

The FY 2014 budget also includes language establishing a commission that will study the economic impact of the illegal tobacco market in Massachusetts. It will focus on the tax revenue impacts of illegal tobacco sales and how these losses can be minimized. The Commission will report back to the Legislature not later than March 1, 2014. Depending on the commission's findings and recommendations - and how those recommendations are acted upon by the Legislature/Governor - in future years the Commonwealth might be able to reduce the amount of tax revenue lost to illegal tobacco sales and thereby improve overall

collections.

Finally, the FY 2014 budget calls for the Commissioner of Energy Resources to submit a report detailing the steps that would be required were the Commonwealth to broaden the current gas tax to include all forms of carbon-based fuels. The report would examine "any statutory, regulatory and administrative changes, arrangements and calculations that may be required." The Commissioner must submit the report to the various legislative committees by December 1, 2013.

Not part of the actual FY 2014 budget, but included in the transportation-financing tax package (the revenues from which are built into the FY 2014 budget) is a Tax Fairness Commission. This commission will "review and evaluate the equity of historical tax rates and methods in relation to the changing income and wealth of residents of the Commonwealth since 1990." The commission will report back to the Legislature by March 1, 2014 with findings and recommendations related to the equity of tax costs paid by taxpayers of differing income levels, the adequacy of tax revenues to fund investments in public infrastructure and to generate prosperity for all residents, and the best practices of other states. The commission also will examine "tax rates necessary to ensure economic competitiveness with peer competitor states; tax rates necessary to avoid destabilization of household budgets or undue hardships for citizens; and tax rates necessary to foster and encourage robust private sector investment in capital equipment and the state's workforce."

OTHER TAX REVENUE

Beyond the tax revenue sources and proposals discussed above, the FY 2014 budget draws on yet another source of tax dollars: a portion of the anticipated proceeds from one-time tax settlements. A recent state law requires that one-time tax settlements that exceed \$10 million be deposited in the state's Rainy Day Fund. It is estimated that there will be approximately \$125 million in such tax or other settlements in FY 2014. The FY 2014 budget includes new language that would direct one half of such surplus, up to a \$35 million maximum, into the General Fund and deposit the remainder into the Rainy Day Fund.

NON-TAX REVENUE

The Legislature's FY 2014 budget also relies on several sources of non-tax revenues. 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, including lottery and tobacco settlement revenues.

There were several non-tax revenue items that were under discussion during the deliberations of the budget Conference Committee. There were differences in:

- Federal revenues, largely based on differences in the proposed MassHealth budget
- Departmental revenues, including estimates in anticipated revenues from the sale of state assets
- Other revenues, including differences in language about deposits into the state's Stabilization ("Rainy Day") Fund.

FEDERAL AND DEPARTMENTAL REVENUE

The FY 2014 budget proposal counts on approximately \$8.6 billion in federal revenues. The largest share of federal revenue comes in to the state as reimbursement for state spending on MassHealth and other health programs.

The FY 2014 budget proposal relies on \$3.09 billion in departmental revenues. (MassBudget adjusts revenue totals to align with adjustments made to budget appropriation totals. These adjustments allow for more accurate across-year comparisons.)

One area of difference resolved during the Conference Committee debate was the total anticipated from the sale or lease of certain state assets or properties. The FY 2014 budget includes \$41.6 million; the House had estimated \$41.6 million from these transactions, while the Senate had anticipated \$36.6 million.

OTHER REVENUES

Other revenues included in the FY 2014 budget include transfers from trusts, funding from the state lottery, and funds from the master tobacco settlement agreement. In most instances, there were not significant differences between the House and Senate budget proposals for these items.

One difference between the House and Senate budget proposals was a House proposal to transfer a \$94.0 million "employer responsibility assessment" into the General Fund. The Senate budget instead proposed depositing these funds directly into the Commonwealth Care Trust Fund. The FY 2014 budget follows the Senate language. (For a complete discussion of these funds, see the Health Care section of this *Budget Monitor*.)

The 2014 budget includes a withdrawal of \$350 million from the state's Stabilization ("Rainy Day") Fund. Both the House and the Senate proposals included this withdrawal, as well as the withdrawal of interest earned by the balance in the Rainy Day Fund, estimated at \$11.0 million. The budget also includes the Senate's language which would result in an estimated deposit of \$90.0 million into the Rainy Day Fund from a total of \$125.0 million in projected tax settlements.

In addition, the FY 2014 budget follows the Senate's recommendation and permanently repeals the requirement that one-half of one percent of tax revenue each year (approximately \$110 million) be deposited into the Rainy Day Fund. The House had proposed suspending this requirement only for FY 2014.

The FY 2014 budget also—similarly—repeals the requirement that one-half of one percent of tax revenue be available to carry forward into the next fiscal year. The Senate had proposed this language, while the House budget had proposed only a one-year suspension of this requirement.

In the past, a "balanced budget" in Massachusetts included the required deposit of one-half of one percent of tax revenue into the Rainy Day Fund, and required that one-half of one percent of tax revenue be available to carry forward into the following year. In addition to eliminating these two requirements, the FY 2014 budget includes language that defines a "balanced budget" as an annual appropriation act "resulting in a consolidated net surplus that is not less than 0." This clarifies that "balance" no longer requires allocating money for this Rainy Day Fund deposit or for the carry-forward. (It's important to note that the required deposit into the Rainy Day Fund, discussed above, has been replaced by other statutorily required deposits of capital gains tax revenue and tax settlement revenue into the Rainy Day Fund.)

ONE-TIME OR TEMPORARY REVENUES AND SAVINGS FOR BALANCING THE BUDGET

The FY 2014 budget relies on about \$663.4 million in one-time or temporary tax and non-tax revenues, and at least \$70 million in one-time savings. These are resources that are only available for use in the current fiscal year. As such, they fill a budget gap that will need to be filled again in the next fiscal year, when these specific one-time revenues no longer will be available.

FY 2014 TEMPORARY REVENUE INITIATIVES	FY 2014 House	FY 2014 Senate	FY 2014 Budget
TEMPORARY TAX REVENUES			
CORPORATE TAX			
De lay FAS 109 de duction	45,900,000	45,900,000	45,900,000
OTHER TAX INITIATIVES			
Tax settlement revenue			35,000,000
Total Temporary Tax Revenues	45,900,000	45,900,000	80,900,000
TEMPORARY NON-TAX REVENUES			
DEPARTMENTAL REVENUES			
Sale or rent of state assets	41,600,000	36,600,000	41,600,000
Gaming licenses	83,125,000	83,100,000	83,125,000
OTHER SOURCES OF FUNDS			
Stabilization ("Rainy Day") Fund withdrawal	350,000,000	350,000,000	350,000,000
Stabilization ("Rainy Day") Fund interest transfer	5,650,000	11,000,000	11,000,000
Proceeds from various trusts	46,000,000	46,000,000	46,000,000
Use of FY 2013 reversion to fund State Retiree Benefits Trust		50,725,584	50,725,584
Total Temporary Non-Tax Revenues	526,375,000	577,425,584	582,450,584
TOTAL TEMPORARY REVENUE INITIATIVES	572,275,000	623,325,584	663,350,584

The one-time or temporary revenues include \$41.6 million in sales or rent of state assets, as well as \$83.1 million from the fees collected associated with the start-up of gaming (gambling) casinos. In addition, the FY 2014 budget relies on a total of \$361.0 million in one-time revenue from the Rainy Day Fund.

The FY 2014 budget also includes approximately \$46.0 million in revenue "swept" from unused funds in assorted trusts, as well as \$50.7 million from reversion from FY 2013 funds ("reversions" are funds that were appropriated for use in the current fiscal year, but which went unspent). These reversion funds will be directed to the State Retiree Benefits Trust to pay for retiree health care.

The FY 2014 budget counts on \$30.0 million in anticipated savings from a variety of procurement reforms across the budget. The budget also relies on approximately \$40 million in one-time savings that will come with adjusting the timing of MassHealth payments to hospitals providing care to low-income patients. There likely will be additional one-time savings associated with various cash management and other strategies within the MassHealth program, and savings associated with cash management in

early education and care, but the exact amounts are not available.

Breakdown By Category

BUDGET BY CATEGORY AND SUBCATEGORY (millions)	FY 2001 (adjusted for Inflation)	FY 2009 GAA (adjusted for inflation)	FY13 Current adjusted
Education	7,300.5	7,614.5	6,000.0
Early Education & Care	703.9	646.6	600.0
Higher Education	1,474.9	1,196.8	1,100.0
K-12: Chapter 70 Aid	4,018.7	4,327.0	3,800.0
K-12: Non-Chapter 70 Aid	665.7	674.9	600.0
K-12: School Building	437.2	769.3	700.0
Environment & Recreation	291.7	235.2	200.0
Environment	129.9	100.4	100.0
Fish & Game	23.6	23.3	20.0
Parks & Recreation	138.2	111.5	80.0
Health Care*	9,708.6	14,067.1	13,000.0
MassHealth (Medicaid) & Health Reform	7,341.7	11,384.8	11,000.0
Mental Health	801.3	751.1	700.0
Public Health	703.6	651.4	600.0
State Employee Health Insurance*	862.1	1,279.8	1,000.0
Human Services	3,624.3	3,844.7	3,000.0
Children, Youth & Families	935.4	1,095.3	1,000.0
Disability Services	1,304.6	1,479.1	1,300.0
Elder Services	252.8	261.5	250.0
Transitional Assistance	1,007.7	850.7	800.0
Other Human Services	123.8	158.1	150.0
Infrastructure, Housing & Economic Development	2,019.4	1,611.9	1,500.0
Commercial Regulatory Entities	58.1	56.4	50.0
Economic Development	291.2	189.5	180.0
Housing	329.0	303.1	300.0

Transportation	1,341.1	1,062.8	
Law & Public Safety	2,511.3	2,784.6	
Courts & Legal Assistance	760.3	717.9	
Law Enforcement	367.3	456.9	
Prisons, Probation & Parole	1,184.2	1,400.5	
Prosecutors	155.3	160.0	
Other Law & Public Safety	44.2	49.3	
Local Aid	1,717.8	1,475.7	
General Local Aid	1,691.5	1,440.7	
Other Local Aid	26.3	34.9	
Other	4,476.6	4,613.9	
Constitutional Officers	105.8	98.0	
Debt Service	2,085.5	2,274.2	
Executive & Legislative	81.5	75.8	
Libraries	46.5	37.4	
Pensions	1,399.1	1,605.3	
Other	758.1	523.3	
Total Appropriations and Transfers	31,650.1	36,247.6	35

* 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. In FY 2014, these amount to approximately \$3.38 billion added to the

budget total. They are the tax revenues dedicated to the MBTA and to school building assistance, the cigarette tax excise dedicated to the Commonwealth Care Trust, the state contribution to the pension system, and the transfers to the Workforce Training Trust and to the State Retiree Benefits Trust.

We also make three additional adjustments. In FY 2014, these amount to approximately \$538.9 million subtracted from the budget total. We add approximately \$17.7 million to make up for budget reductions made when public higher education campuses were allowed to retain a greater share of the student tuition; we subtract approximately \$542.7 million to account for budget increases that simply reflect increased funding "passing through" the Group Insurance Commission from municipalities, we adjust for the shifting in funding of the State Office Pharmacy Services (\$14 million.)

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