

Analyzing the Legislature's Budget for FY 2017

(Revised, May 2017)

The Legislature enacted the FY 2017 budget in particularly challenging circumstances. Towards the end of the process, the goalposts moved when new projections indicated that there would be \$750 million less in tax revenue in FY 2017 than had been assumed throughout the budget process. The new projections required substantial changes by the conference committee that was negotiating the final budget. The final budget includes some cuts below the levels that had been recommended by either the House or Senate, as well as a number of strategies that provide only temporary solutions by pushing costs into future years and underfunding accounts that will eventually need to be funded.

The Legislature managed to provide modest funding increases in a few priority areas, including local aid which receives a 4.3 percent increase, Chapter 70 education aid which is increased by 2.6 percent, and a number of initiatives to address opioid addiction including \$8.3 million in increased funding for substance abuse services in the Department of Public Health.

The budget also cuts funding in a number of areas: the \$18.6 million kindergarten expansion grant program is eliminated; funding for the Department of Revenue is reduced by \$15.9 million, potentially weakening the capacity to combat tax evasion and ensure the integrity of our tax system; and the budget imposes a 13 percent cut in YouthWorks which provides funding for summer jobs.

How did the Legislature balance the budget in the face of a sudden \$750 million shortfall? The revenue decline did not all translate into budget cuts. As part of the new revenue estimates, the Legislature projects that \$206 million of the decline in revenue was capital gains taxes that would have been deposited into the rainy day fund, so that decline will lead to less money for the rainy day fund rather than for the budget. The tax cut that had been expected to be triggered by revenue growth likely won't be, saving \$79 million in FY2017. School buildings and the MBTA won't see \$62 million in sales tax receipts because of the lower sales tax projections. The state's Medicaid plan will postpone paying some bills; the state will likely need to provide mid-year funding in several accounts; and the conference committee reduced spending levels for a number of programs below the levels recommended by the House or Senate – and in some cases below both.

HOW THE LEGISLATURE CLOSED THE FY 2017 \$750 MILLION SHORTFALL (\$ millions)	
Capital gains taxes insufficient to trigger assumed Stabilization Fund deposit	206.0
Assume automatic personal income tax rate trigger will not be activated	79.0
Reduced transfer to School Building Authority SMART Fund	32.4
Reduced transfer to MBTA	29.2
Net MassHealth savings	72.9
Additional line-item reductions made by Legislature	180.5
Spending of anticipated FY 2017 end-of-year reversions	100.0
Updated revenue assumptions	50.0
TOTAL	750.0

The budget-balancing measures are outlined in the table above and described in this *Legislative Budget Monitor*. The following pages also offer an analysis of each major section of the state budget and comparisons to current and historic funding levels. It describes both where lawmakers were able to preserve or build upon programs, and where programs were cut or eliminated.

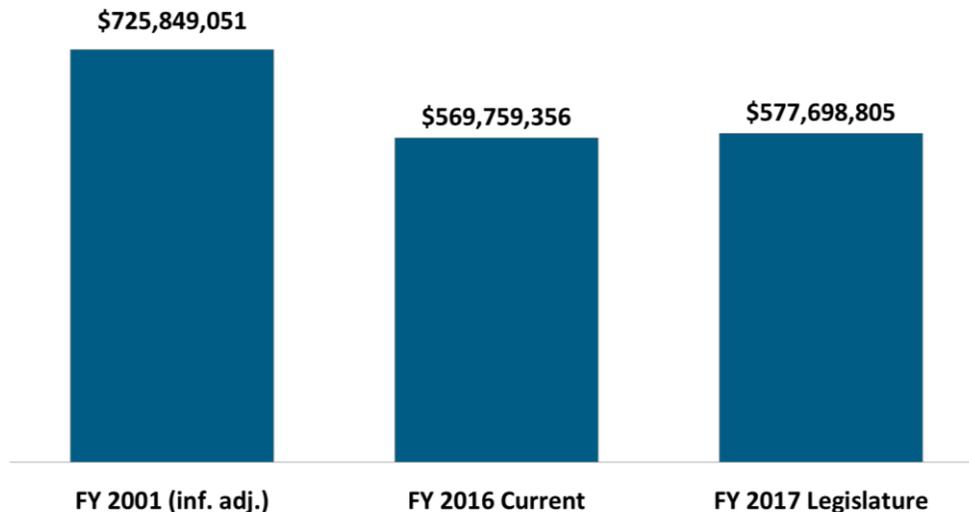
EDUCATION

Early Education & Care

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

The Legislature's budget for FY 2017 proposes \$577.7 million in funding for early education programs. Although there are significant changes and reorganizations of programs, this total amount is a small increase of \$7.9 million (1.4 percent) over current FY 2016 levels, slightly less than the projected rate of inflation. While the last two state budgets also included modest increases in support for early education, the increases are small compared to the much larger long-term cuts in this area after state tax cuts in the late 1990s and early 2000s. Over this longer horizon, the Legislature's funding for early education remains \$148.2 million (20.4 percent) below FY 2001 levels, adjusting for inflation (see chart below).

Early Education Funding Down 20 Percent Since 2001



The Legislature allocated \$229.0 million for [Supportive and TANF Child Care](#). This program provides child care subsidies for children in the care of the Department of Children and Families (DCF) and those receiving Transitional Aid to Families with Dependent Children (TAFDC). This level of state support is \$9.1 million, or 4.2 percent, above current FY 2016 levels.

The Senate proposed an additional \$4.0 million for Supportive and TANF Child Care. That funding level would have allowed an additional 750 kids in TAFDC eligible families to receive vouchers and allowed a full year of services for 600 children under DCF care who had support through this program for only a part of FY 2016. Under the Legislature’s final budget it is likely that fewer additional kids and families will receive these child care services.

The [Income Eligible Child Care](#) program provides subsidies for low- and moderate-income working families who do not qualify for other child care assistance. With insufficient funding to meet demand, the waitlist for these subsidies exceeded 24,500 children in April 2016. For the last three years, the budget provided dedicated funding to reduce the waitlist. The Legislature’s FY 2017 budget does not propose continuing specific funding to reduce the waitlist.

However, the Legislature’s budget includes \$12.5 million in additional support for salary increases for early education providers, \$7.5 million above current FY 2016 levels. Salary and benefit increases along with professional development for early educators are key mechanisms to improve the quality of services available for young children. Recent evidence suggests that recruitment and retention of an effective early education workforce presents a major challenge limiting the Commonwealth’s ability to provide high-quality early education and care for children.

Collectively, in the Legislature’s budget for FY 2017, funding for Income Eligible Child Care, efforts to reduce the waitlist, and salary increases for early educators are funded at \$274.0 million, which is \$628,000 (0.2 percent) above current FY 2016 levels (see chart below).

FUNDING FOR INCOME ELIGIBLE EARLY EDUCATION & PROVIDER RATE INCREASES

Line Item #	Name	FY 2016 Current	FY 2017 Legislature	FY 2017 Legislature - FY 2016 Current	Notes
1599-0042	Early Ed and Care Provider Rate Increase	5,000,000	12,500,000	7,500,000	
3000-4040	Income Eligible Waitlist (Birth Through Pre-School)	12,000,000	0	(12,000,000)	
3000-4060	Income Eligible Child Care (Child Care Access)	256,344,993	261,472,848	5,127,855	<i>Includes transferred funds</i>
TOTAL		273,344,993	273,972,848	627,855	

Note: Budget proposals sometimes consolidate or shift what had been several line items into one account or otherwise change how funding is allocated between line items. The columns for FY17 use data provided by budget writers to show new proposals in the old structure so that readers can better compare FY17 and FY16 funding levels.

The Legislature’s budget for FY 2017 consolidates and shifts funding from several early education and care accounts into a new [Quality Improvement](#) line item with slightly less funding than its predecessor programs. The purposes of this new organization of funding include meeting standards set in the state’s Quality Rating and Improvement System (QRIS), developing the early educator workforce, undertaking the accreditation of programs, and supporting administrative personnel overseeing quality efforts. The Department of Early Education and Care suggests this reorganization will help align the state’s goals for early education quality, concentrate funding towards common purposes, and identify gaps in resources and supports for young children.

All of the Legislature’s shifts and consolidations are represented in the table below. In our budget tools, MassBudget moves funding transferred between accounts back to their original place to allow for more accurate comparison. The Legislature’s FY 2017 budget provides \$32.6 million for quality improvement efforts through the new line item and a pre-existing program, slightly below current FY 2016 levels.

SUPPORT FOR EARLY ED QUALITY IMPROVEMENT (QI) INITIATIVES

Line Item #	Name	FY 2016 Current	FY 2017 Legislature	FY17 Legislature (in FY16 structure)	FY 17 Legislature (in FY 16 Structure) - FY 2016 Current
3000-1020	Quality Improvement	0	32,396,637	0	0
3000-1000	<i>Portion of Dept. of Early Education and Care Admin. for QI</i>	6,754,471	0	6,754,471	0
3000-3060	<i>Portion of Supportive and TANF Child Care for QI</i>	600,000	0	600,000	0
3000-4060	<i>Portion of Income Eligible Child Care (Child Care Access) for QI</i>	9,019,276	0	9,019,276	0
3000-5075	Universal Pre-Kindergarten	7,400,000	0	7,400,000	0
3000-6025	Commonwealth Preschool Partnership Initiative	500,000	200,000	200,000	(300,000)
3000-6075	Early Childhood Mental Health Consultation	750,000	0	750,000	0
3000-7050	<i>Portion of Services for Infants and Parents for QI</i>	7,872,890	0	7,872,890	0
TOTAL		32,896,637	32,596,637	32,596,637	(300,000)

Note: Budget proposals sometimes consolidate what had been several line items into one account or otherwise change how funding is allocated between line items. The columns showing the Legislature’s FY 17 budget in FY16 structure use data provided by budget writers to show new proposals in the old structure so that readers can better compare FY17 and FY 16 funding levels. Programs with some funding shifted into Quality Improvement are italicized.

Two programs are entirely consolidated into Quality Improvement:

- [Universal Pre-Kindergarten](#), which supports Pre-K quality improvements for kids between 2 years 9 months old and kindergarten age;
- [Early Childhood Mental Health Consultation](#), which focuses on early education and wraparound social services for kids facing great challenges. These services focus on prevention of school suspensions and other severe behavioral issues.

Four programs will have some funding move into Quality Improvement:

- [Early Education and Care Administration](#), which supports the statewide oversight of all Early Education services and programs, will have \$6.8 million (54.4 percent) of its funding move into the new Quality Improvement account.
- Supportive and TANF Child Care will have a negligible amount of funding (\$600,000) move into the new Quality Improvement account.
- The Income Eligible Child Care program will have \$9.0 million (3.4 percent) of its funding move into the new program.
- [Family Support and Engagement \(Services for Infants and Parents\)](#), which provides outreach to families on caring for their young children, will have \$7.9 million (36.9 percent) of its funding move.

The Legislature's FY 2017 budget creates another new line item for early education and care programs.

- **Multi-Generational Anti-Poverty Pilot Program**, which is funded at \$100,000. This pilot program will work with existing service providers, including early education and care agencies, to provide mentoring and support to parents, children and other adults within specific households. The focus of support is to increase family stability and student achievement in education.

Two other key Early Education and Care programs are level funded in the Legislature's FY 2017 budget:

- [Child Care Resource and Referral Centers \(Access Management\)](#), funded at \$6.7 million, helps families obtain care for their children through child care resources and referral agencies; and
- [Grants to Head Start](#), funded at \$9.1 million, which supplements significant federal funding to support Head Start early education and care programs.

K-12 Education

Providing a high-quality education to all children plays a central role in developing future generations in the Commonwealth, strengthening our communities and our economy over the long term. Given ongoing fiscal challenges, including a \$750 million revenue shortfall after the House and Senate had drafted their Fiscal Year (FY) 2017 budget proposals, the Legislature largely protected K-12 education from major cuts. **Chapter 70 Education Aid** is increased by \$116.1 million and many other education programs are funded at levels similar to FY 2016. The largest cut within K-12 education is the elimination of **Kindergarten Expansion Grants**. See below for additional detail.

The Legislature increased **Chapter 70 Education Aid** by \$116.1 million (2.6 percent) to \$4.63 billion for FY 2017. This increase over last year includes:

- Guaranteeing a minimum increase of \$55 per-pupil to districts that would not otherwise receive more aid. This measure directs more funding in percentage terms to predominately higher-income districts.
- Roughly \$10 million for a hold harmless provision to support districts that would be negatively affected by changes to the student poverty measure (see discussion below).

The Chapter 70 formula for FY 2017 uses the new Economically Disadvantaged measure for calculating the number of low-income students educated in a given district. The change to the Economically Disadvantaged measure is driven by recent improvements to the federal school meals program that are increasing access to school meals and reducing administrative work for districts. A side effect of the federal changes is that the Commonwealth had to alter how low-income kids are counted. For more detail on the process for counting low-income kids, how it can be improved, and the impact on the FY 2017 budget, see [Direct Certification for School Meals: Feeding Students, Counting Kids, Funding Schools](#), and [Proposed Low-Income Student Changes Would Have Varied Chapter 70 Impact](#).

The number of kids considered Economically Disadvantaged is determined by a process called direct certification. This process directly enrolls kids for free meals if they are already enrolled in other public services, such as MassHealth and SNAP/food stamps, or fit other criteria such as being in foster care. The implementation of the new poverty measure by the Department of Elementary and Secondary Education (DESE) for FY 2017 resulted in a statewide drop in low-income headcounts compared to last year. In an attempt to offset this drop, the FY 2017 budget increases low-income rates used for calculating district foundation budgets.

Even with this mitigation measure, this shift still leads some communities to receive less Chapter 70 aid than they otherwise would have received. To further address this, the Legislature includes a hold-harmless provision that guarantees districts at least the amount of aid they would have received if the FY 2017 formula had been run under the prior system for measuring poverty. This hold-harmless provision costs roughly \$10 million. The low-income rates used by this hold-harmless provision are lower than rates used by the Economically Disadvantaged measure.

Recognizing these transition challenges, the Legislature's FY 2017 budget includes an Outside Section directing DESE, the Executive Office of Administration and Finance, and the Executive Office of Health and Human Services to conduct a study on ways to improve the process of direct certification for free school meals and counting low-income students. The study may look at possible improvements to using direct certification data for counting low-income students, ways to find students missed under current methods, and improvements to data matching processes for identifying students enrolled in different state programs. The budget directs the relevant agencies to file the study with the Legislature by the end of 2016.

The largest funding impact from the FY 2017 revenue shortfall within K-12 education is the reduction of the sales tax transfer to the [School Building Authority](#) to \$834.7 million, \$32.4 million below what was previously projected by the House and Senate. However, this amount is \$30.8 million (3.8 percent) above current FY 2016 levels.

Additionally, an Outside Section of the Legislature's budget for FY 2017 adjusts the calculation of community poverty used by the School Building Authority for school construction projects. The Legislature's budget directs the School Building Authority to use low-income percentages from FY

2014, before the significant changes discussed above were made to measuring kids in poverty affecting school construction projects. A sunset provision makes this change apply only through the end of 2016.

Compared to FY 2016, the largest cut to K-12 grant programs in the Legislature's FY 2017 budget is the elimination of [Kindergarten Expansion Grants](#) – down from \$18.6 million in FY 2016. This amount is below what both the House and Senate approved earlier in the budget process.

The Legislature's budget *does not* include two Senate proposals that implement [recommendations](#) made by the 2015 Foundation Budget Review Commission. This Commission outlined steps to address current funding challenges for local school districts. The group found that the foundation budget is under-funded, reducing the capacity of schools across the state to implement the types of [effective strategies](#) that could help all children succeed in school. One Senate proposal would have amended Chapter 70 law to include higher rates recommended by the Commission for special education, low-income students, English language learners, and educator health care costs. The other proposal would have directed a group of stakeholders to design a multi-year implementation schedule for the increased Chapter 70 aid that would have resulted.

The Legislature's budget includes \$80.5 million for [Charter School Reimbursements](#), in line with current FY 2016 levels, but below both proposals that were approved by the House and Senate before the downward adjustment to state revenues available for FY 2017. The current system, when fully funded, reimburses 100 percent of outgoing student funding in the first year and 25 percent of this amount for each of the subsequent five years. The formula is currently \$47.1 million (37 percent) below the amount that would be necessary to fully fund the reimbursement formula in FY 2016.

According to projections from DESE, the Legislature's budget underfunds the reimbursement formula by roughly \$54 million in FY 2017, in part because charter enrollment is projected to increase by roughly 3,100 students. For additional detail on charter school funding, recent proposals from the Governor and the Legislature to alter the reimbursement system, and the impact of recent underfunding, see [Charter School Funding, Explained](#).

The Legislature's budget for FY 2017 contains a new K-12 line item, **Assessment Consortium**, funded at \$350,000. This program will support the development of alternative assessments of student performance that includes measures beyond traditional test score data.

Several other grant programs, including some that serve students in great need, are eliminated or significantly reduced in the Legislature's budget including:

- [MCAS Low Scoring Student Support](#) is eliminated. The program, funded at \$4.3 million in FY 2016, provides support to high schoolers at risk of failing to graduate. According to the most recent estimate from DESE, students participating in this program over the course of a year increased their passing rates on state tests by 31 percentage points (see the [Department's 2014 legislative report on MCAS support](#)).
- [Alternative Education Grants](#) are eliminated. This program, funded at \$250,000 in FY 2016, helps schools establish customized educational approaches for youth who are struggling in traditional school settings.

- [English Language Acquisition](#), which provides professional development for educators of English Language Learners, is funded at \$1.7 million, 37.8 percent below current FY 2016 levels.

Conversely, the Legislature's budget contains some increases to other education grants and services:

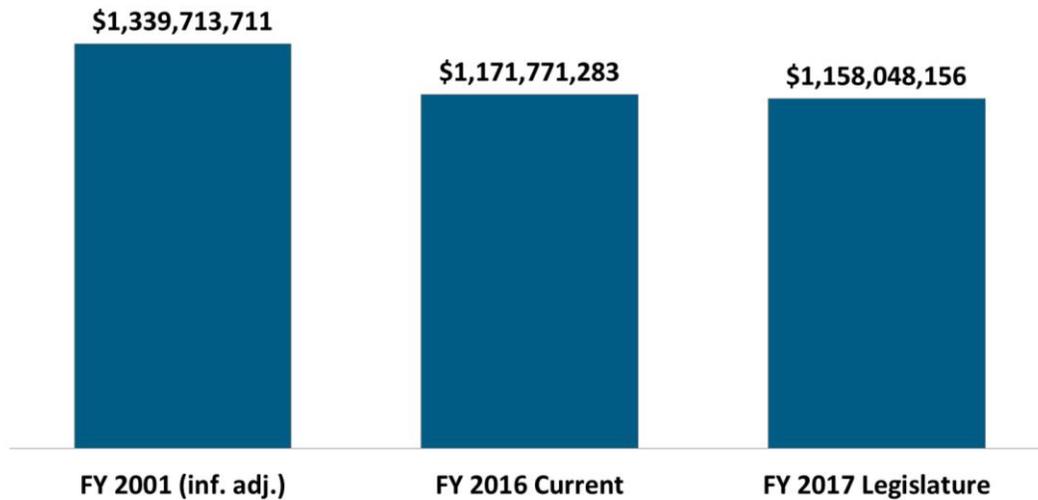
- [The Special Education Circuit Breaker](#), which provides additional state support for students with severe special needs, is funded at \$277.3 million, a \$5.6 million (2.0 percent) increase over current FY 2016 levels. However, according to a Senate estimate in May, this amount is \$4.4 million less than what would be required to fully fund these reimbursements.
- [After School and Out of School Grants](#), which support young people with after-school and summer enrichment programming, is funded at \$3.0 million, a \$645,000 (27.9 percent) increase over current FY 2016 levels. An Outside Section of the budget also extends the work of the After School and Out-Of-School Coordinating Council by two years, to 2018. This council focuses on increasing coordination, alignment, access, and quality of after school services.

Higher Education

Higher education helps the people of our state contribute to their communities and gain the skills to succeed in a knowledge-driven economy. Public higher education – which includes the University of Massachusetts, the state universities, and our community colleges – educates a majority of the high school graduates who remain in Massachusetts for college. Graduates from public higher education are also more likely to stay in Massachusetts after graduation, contributing to our state economy over the long term.

The Legislature's Fiscal Year (FY) 2017 budget for higher education is \$1.16 billion, which is \$13.7 million (1.2 percent) below current FY 2016 levels. This funding level is also 13.6 percent less than what was available in FY 2001, (after adjusting for inflation) before large tax cuts reduced the revenues available to support state services (see chart below).

Public Higher Education Funding Down 14 Percent Since 2001



Since 2001, as state support for public higher education has declined substantially, student costs have increased. Tuition and fees for Massachusetts residents at state colleges and universities have roughly doubled between FY 2001 and FY 2016, after adjusting for inflation.

The following table details appropriations to each of the three campus types. MassBudget totals make the following adjustments in order to facilitate more accurate year-to-year comparisons:

- Including collective bargaining and other campus-specific programs.** MassBudget adds collective bargaining accounts and initiatives located at particular campuses, funded through separate line items, to their respective campus totals.
- Subtracting tuition remission.** Since FY 2001, different policies have dictated when public higher education campuses must send different categories of tuition revenue they receive back to the state. When revenue must be sent to the state, it is not available for campus operations and has the same effect as reduced state funding to the campuses. To provide more accurate comparison of state support to campuses over time, MassBudget deducts tuition revenue sent back to the state from the direct appropriations to each campus type. For details on the varying policies at different campuses, see [MassBudget’s Budget Browser section for Higher Education](#). Additionally, a provision from last year’s budget takes effect in FY 2017, allowing the University of Massachusetts to stop sending tuition revenue from in-state students that it had been required to send in prior years.

HIGHER EDUCATION FUNDING TO THE THREE CAMPUS TYPES

Campus Type	FY 2016 Current	FY 2017 Legislature	FY 2017 Legislature - FY 2016 Current
Community Colleges	270,647,317	273,163,001	2,515,684
State Universities	241,389,094	244,247,713	2,858,619
UMass	522,269,415	515,192,447	(7,076,968)
Total, all campuses	1,034,305,826	1,032,603,161	(1,702,665)

The Legislature funds **University of Massachusetts (UMass)** line items at \$515.2 million, which is \$7.1 million (1.4 percent) below current FY 2016 levels. This reduction in state support to UMass makes it all but certain that tuition and fees will continue to rise significantly at UMass, as occurred in FY 2016 when the UMass system received slightly more funding than the prior year.

The Legislature funds **State University** line items at \$244.2 million, which is \$2.9 million (1.2 percent) above current FY 2016 levels. The FY 2017 budget funds **Community College** line items at \$273.2 million, which is \$2.5 million (0.9 percent) above current FY 2016 levels.

The Legislature's budget for FY 2017 includes funding for three new line items:

- **UMass Center at Springfield**, funded at \$500,000, will support a center for the study of racial justice and urban affairs, operated by UMass Amherst.
- **UMass Medical School Research**, funded at \$250,000. This program will promote the commercialization of medical research and the recruitment of world-class medical researchers to UMass.
- **Northern Essex Community College Expansion**, funded at \$1.0 million.

The main **State Scholarship Program** is funded at \$95.6 million in the Legislature's FY 2017 budget, in line with FY 2016 levels.

Several higher education grants and programs are significantly reduced in the Legislature's FY 2017 budget:

- **National Guard Tuition and Fee Waivers** are funded at \$4.5 million, a 69.5 percent reduction from current FY 2016 levels.
- **State University Incentive Grants** are funded at \$2.5 million, a 55.4 percent reduction from current FY 2016 levels. In prior years this funding supported implementation of [the Vision Project](#), a Department of Higher Education strategic plan. This plan aims to increase quality, reduce achievement gaps, and improve the connection between higher education and workforce development. It is possible that public campuses could divert funding from other programs to support some of these initiatives.

- The [High Demand Scholarships](#) are funded at \$500,000, 50.0 percent less than current FY 2016 levels. These scholarships support students pursuing degrees which are in high demand in the Massachusetts labor market, such as engineering, teaching, and health care.
- The **Department of Higher Education** is funded at \$3.0 million, a 31.6 percent reduction from current FY 2016 levels. Cuts to the administration of higher education may impact the student experience on campus and the provision of student aid and support.

However, several higher education line items receive greater funding than last year, including:

- The **UMass Satellite Campus in Haverhill**, funded at \$2.5 million, through a trust first created in FY 2014, but which did not receive any support in FY 2016.
- **Foster Care Fee Waivers** are funded at \$4.5 million by the Legislature, a \$256,000 (6.0 percent) increase over FY 2016.

ENVIRONMENT & RECREATION

The state budget funds programs that keep our air, land and water clean, maintain fish and wildlife habitats and staff parks, beaches, pools and other recreation facilities. The Legislature’s final budget for Fiscal Year (FY) 2017 provides \$200.3 million for environment and recreation programs. This amount is \$12.5 million less than the \$212.8 million state expects to spend in FY 2016. Since the state adopted over \$3 billion in tax cuts in the late 1990s and early 2000s, funding for environment and recreation programs has fallen by 33 percent in inflation-adjusted dollars.

The Legislature’s FY 2017 budget cuts funding for **state parks and recreation facilities** below FY 2016 levels. As noted in the table below, state parks receive funding from two accounts. The Legislature’s budget provides \$41.5 million for the primary account that funds state parks, a cut of \$5.1 million below FY 2016. State parks also receive funding from an account that allows the Department of Conservation and Recreation (DCR) to retain the revenue it collects from parking and entry fees at state recreation facilities. The Legislature’s budget increases the amount of revenue that DCR can retain to \$17.7 million. While this amount is \$1.7 million above the FY 2016 current budget, it is \$1.5 million below the \$19.2 million that the House and Senate recommended in their final budgets for FY 2017. Even with this slight increase in retained revenue, total funding for state parks in the Legislature’s budget is \$3.4 million below the FY 2016 current budget. This lower funding level is likely related to DCR employees electing for an early retirement package offered in FY 2016. Because many of these staff will not be replaced, DCR may have difficulty carrying out its duties including fully staffing and maintaining recreation facilities around the state.

FUNDING FOR STATE PARKS AND RECREATION

Line Item #	Line Item Name	FY 2016 Current	FY 2017 Legislature	Difference: FY17 Legis. - FY16 Current
2810-0100	State Parks and Recreation	46,613,985	41,473,430	(5,140,555)
2810-2042	Dep't of Conservation & Rec. Retained Revenue	16,000,000	17,700,000	1,700,000
	Total	62,613,985	59,173,430	(3,440,555)

The Legislature's budget provides less funding than the amount proposed by the Senate to prepare for and adapt to **climate change**. The Legislature's budget includes \$150,000 for climate change adaptation and preparedness, which is \$150,000 less than the FY 2016 current budget. The Legislature's budget does not provide funding for a state climatologist. The Senate proposed providing \$150,000 for this position. The FY 2016 budget allotted \$200,000 for this position but the funding was zeroed out when the Governor made emergency budget cuts earlier this year.

The Legislature's budget also does not fund a program included in the House budget that would have provided the Department of Environmental Protection with \$535,000 to help municipalities provide **safe drinking water** to their residents.

For funding levels for all environment and recreation programs, please see the Environment and Recreation category of MassBudget's *Budget Browser* [HERE](#).

HEALTH CARE

MassHealth (Medicaid) and Health Reform

The Fiscal Year (FY) 2017 legislative budget relies on a number of strategies to reduce costs, including some payment and rate freezes, limiting access to payments from the Health Safety Net, and channeling MassHealth members to lower-cost managed health care. The FY 2017 Legislature's budget holds spending below even the levels proposed by the Governor, House, or Senate by deferring some FY 2017 health care payments to FY 2018 and by potentially underfunding some programs. The budget also relies on the assumption that program restructuring and changes in the delivery system will have the effect of holding down MassHealth caseloads, thereby further limiting spending growth.

MassHealth Program and Administration

Funding for the MassHealth program and MassHealth administration totals \$15.44 billion. This is approximately \$129.9 million below the amount originally proposed by the Governor, and \$123.4 million below the Senate's proposal. Part of this reduction is due to what is known as "cash management." The Administration will be deferring a portion of this year's payments into the next budget year. The Administration is deferring \$45.0 million in what is known as **risk corridor payments**. This is a complicated component of the federal Affordable Care Act (ACA or "Obamacare") that helps protect health insurers from some of the uncertainties of the early years of implementation of the ACA and health care re-structuring. This deferral reduces payments to managed care organizations by \$37.0 million, and to payments for MassHealth members covered by the ACA expansions by \$8.0 million. (The savings to the state will be less than \$45.0 million for these deferrals, as the state will receive less in federal reimbursement due to lower spending. The net savings impact of this "cash management" is approximately \$19.7 million.)

There are other funding reductions compared to the previous budget proposals in FY 2017 in the Legislature's budget, some of which result in totals below anticipated costs. The **Fee-for-Service** line item, for example, receives \$2.38 billion, \$49.6 million below the Senate's amount, and \$48.0 million below the Governor's proposal. These reductions may require approximately \$50 million in supplemental budget appropriations during the course of FY 2017, simply to meet costs.

The Legislature budgets **managed care** payments at \$69.0 million less than the amount proposed by the Senate and \$78.0 million less than proposed by the House and Governor. In addition to the \$37.0 million in deferred payments discussed above, \$20.0 million of this reduction is due to a recoupment of excess managed care capitation payments for behavioral health in FY 2016. The Legislature's managed care funding also does not include a specific amount for grants that help create the infrastructure and capacity to promote delivery system reform, but does include language that would allow for these grants. The Senate's budget had included \$10.0 million for these grants for community health centers and hospitals, while the House budget had included \$20.0 million. The managed care line item does include a \$1.0 million increase for rates for **behavioral health and substance abuse** providers. This was a proposal included in the Senate budget, but not in the House.

The budget also includes a provision directing the Administration to study the costs of full **adult dental coverage**, but does not currently change those benefits. The study would look at the fiscal impact on the cost of care of changing MassHealth's dental coverage.

Although not explicit in budget language, the Legislature's budget anticipates reducing coverage for certain "**optional**" **benefits** available to members in MassHealth's Primary Care Clinician (PCC) plan. These benefits would continue to be available to members in managed care plans. This restriction is being put into place to encourage members to make the shift to this less-expensive (and better-coordinated) type of care. This proposal was initially presented in the Governor's budget and would go into effect in October 2017. As in both the House and Senate budget proposals, the Legislature's budget specifies that the "optional" chiropractic benefits would be maintained through FY 2017 even for members in the PCC plan.

The Administration also intends to implement a **12-month lock-in policy** for MassHealth. This means that once members enroll in a particular plan, after a 90-day transition period, they would have to stay in that plan for 12 months. This policy will likely go into effect on September 1.

The Administration hopes to increase enrollment in managed care by using "passive enrollment" in the **Senior Care Options and One Care programs** – the integrated programs for members eligible for both MassHealth and Medicare. Passive enrollment means that members are enrolled in these programs by default, unless they explicitly choose to opt out. An outside section of the budget also directs a feasibility study on the inclusion of a **spouse as a possible paid caregiver** within MassHealth, potentially allowing more frail elders to remain in the community rather than having to move into nursing homes.

Nursing homes, on the other hand, receive \$347.9 million, providing a \$45.0 million increase in nursing home rates over FY 2016, as proposed by the House. This total includes \$35.5 million for a rate add-on for wages and benefits for direct care staff.

Other Health Subsidies

The Administration is in the process of reforming health care delivery, and shifting MassHealth to a system of accountable care organizations (ACOs). This is a strategy to contain health care cost growth and to provide better integrated care. In the course of moving the rest of MassHealth into ACOs, and supporting the integration of community-based providers into the ACOs, the Administration is expecting that FY 2017 will be a transition year.

In May of this year, the Legislature enacted Chapter 115 of the Acts of 2016 which put into effect provisions that had been included in the House and Senate budgets. To help providers implement delivery system changes, this law provides additional payments to health care providers by increasing an **assessment on hospitals**. These assessments would also receive federal matching reimbursements, and the revenues would be deposited in the newly-created MassHealth Delivery System Reform Trust. According to the Administration, hospitals “as a class” will not experience an increase in costs associated with this assessment, as they will receive this assessment back in enhanced Medicaid rate payments, but some individual hospitals, however, would receive back more than they contributed, and some would receive back less. Because the revenues to the fund would cover a full 12-month period, but the rate payments from the fund would begin on October 1 and therefore cover only 9 months, the budget counts on \$73.5 million from the assessments being available to transfer into the General Fund to help balance the budget.

Payments to health safety net providers through a variety of trusts are funded by a combination of operating transfer appropriations, re-distributed assessments on providers, and federal reimbursement. The FY 2017 budget includes a \$9.3 million decrease to the **Delivery System Transformation Initiative** compared to prior budget proposals, for a total of \$196.3 million. Originally, hospitals receiving payments from this trust would have received a 10 percent increase in FY 2017 compared to FY 2016 payments, but the Legislature reduced that increase to 5 percent.

The Legislature’s FY 2017 budget makes a \$15.0 million appropriation into the **Health Safety Net** (via funds from the Commonwealth Care Trust Fund) to support the costs associated with providing care to uninsured or underinsured individuals. In previous years that transfer has been \$30.0 million. In FY 2017, coverage by the Health Safety Net becomes more restrictive, limiting state-funded reimbursements for health care providers who provide care to these individuals. Health care providers that do not have a “third party” source of reimbursement for the care that they provide must either absorb those costs or turn to the individual receiving the care for payment. The Health Safety Net reimburses acute care hospitals and community health centers for the costs of care provided to people who are uninsured or underinsured, and until recently provided full reimbursement for care provided to people with incomes up to 200 percent of the federal poverty level. People with incomes between 200 and 400 percent of the poverty level were billed for a portion of the costs of their care. Even with Massachusetts’ nation-leading health coverage rates, there are still residents of the Commonwealth who do not have adequate health insurance, and for whom even emergency health costs can lead to significant medical debt. The new changes lower the eligibility threshold for partial coverage by the Health Safety Net from 400 percent to 300 percent of the federal poverty level, and impose a deductible starting at 150 percent of the poverty level. In part, the Administration hopes that these changes would encourage more residents to reduce reliance on emergency health care and obtain health insurance. The new rules also reduce retroactive coverage from the current six months to ten days from the date of service.

ConnectorCare (the “State Wrap”) is the subsidized program for people previously covered by the Commonwealth Care Program who are not eligible for MassHealth coverage and have incomes at or below 300 percent of the federal poverty level. ConnectorCare plans have relatively low monthly premiums and out-of-pocket costs. This program is administered by the Health Connector, and is funded through the Commonwealth Care Trust Fund rather than by line-item appropriations in the budget. A portion of the state’s tobacco tax revenue is directed into the fund to help pay for this program. There is also funding from tax assessments on individuals who do not choose to purchase health insurance and similarly from an assessment on employers. Because of the availability of federal

revenue to pay for some of the health care costs previously borne by the state, as in FY 2016, the FY 2017 budget allows for transferring up to \$110.0 million from this trust into the General Fund to help balance the budget. In FY 2016, the expected transfer is \$81.8 million, and in FY 2017 it likely will total \$71.8 million.

The budget also includes funding for other supplemental payments to health safety net providers, funding for other subsidized health programs, and other administrative and operational supports (see table.)

FUNDING FOR MASSHEALTH AND HEALTH REFORM

	FY 2017 Governor	FY 2017 House	FY 2017 Senate	FY 2017 Legislature
MassHealth (Medicaid)				
MassHealth Programs	15,412,989,192	15,437,389,192	15,405,589,192	15,286,553,833
MassHealth Administration	157,877,901	160,356,979	158,757,901	154,401,087
Subtotal	15,570,867,093	15,597,746,171	15,564,347,094	15,440,954,920
Supplemental Payments to Providers				
Medical Assistance Trust	462,000,000	462,000,000	462,000,000	462,000,000
Delivery System Transformation Initiative	205,597,334	205,597,334	205,597,334	196,252,001
Subtotal	667,597,334	667,597,334	667,597,334	658,252,001
Other Health Subsidies				
Commonwealth Care Trust	47,203,947	62,203,947	62,203,947	62,203,947
Prescription Advantage	18,521,922	18,521,922	18,521,922	18,521,922
Subtotal	65,725,869	80,725,869	80,725,869	80,725,869
Other Administration and Operations				
Center for Health Info. & APCD	28,453,693	28,410,511	28,453,696	28,131,406
Information Technology	117,665,406	117,664,941	116,965,407	116,776,778
Health Information Trust	12,853,272	12,853,272	12,853,272	8,853,272
Other Health Finance	9,542,285	9,542,285	9,542,285	9,542,285
Subtotal	168,514,656	168,471,009	167,814,660	163,303,741
TOTAL	16,472,704,952	16,514,540,383	16,480,484,957	16,343,236,531

Mental Health

Funding for mental health services in the Fiscal Year (FY) 2017 legislative budget total \$761.1 million, essentially level with the Senate's funding, and slightly above the funding level proposed by the House. This budget represents an increase over FY 2016 funding, with a notable increase in funding for residential behavioral health treatment which is an important component of the Legislature's and Administration's commitment to treating substance abuse and addiction.

Funding for **adult mental health** services together total \$439.2 million (see table). This is a \$3.2 million increase. These services include \$4.0 million to support community-based placements for adults discharged from continuing care, and services for homeless adults who need mental health services.

FUNDING FOR ADULT MENTAL HEALTH

Line Item #	Line Item Name	FY 2016 Current	FY 2017 Legislature	Difference: FY17 Legis. - FY16 Current
5046-0000	Adult Mental Health and Support Services	377,312,663	379,754,252	2,441,589
5046-0006	For People Discharged from Continuing Care	4,000,000	4,000,000	0
5046-2000	Statewide Homelessness Support Services	21,134,979	22,038,690	903,711
5046-4000	CHOICE Program Retained Revenue	125,000	125,000	0
5047-0001	Emergency Services and Mental Health Care	24,258,428	24,101,834	(156,594)
5055-0000	Forensic Services Program for Mentally Ill Persons	9,183,472	9,147,474	(35,998)
TOTAL		436,014,542	439,167,250	3,152,708

The Legislature's budget also includes a total of \$205.9 million for **facilities and inpatient care**. This total is \$9.3 million above FY 2016 current funding. This increase (4.7 percent) provides expanded support for residential behavioral health treatment. This funding would cover the costs of 45 substance use treatment beds at Taunton State Hospital, added in part to ensure that women would not need to be civilly-committed to MCI-Framingham for substance abuse treatment.

The Legislature's budget includes \$88.7 million for [child and adolescent mental health](#) services that is essentially level with the funding proposals from the House and Senate. The appropriation language includes an earmark of \$3.6 million for the Mass. Child Psychiatry Access Program (MCPAP). MCPAP is an innovative program that improves access to treatment for children with behavioral health needs and their families, by providing quick and ready access to psychiatric consultation for primary care providers across Massachusetts. The language also notes that \$500,000 of that total would help expand the program statewide in order to provide consultation for primary care providers who are seeing women with signs of postpartum depression. The budget includes a provision (Section 36) that would put into statute language for this program.

Public Health

The Legislature's Fiscal Year (FY) 2017 budget includes a total of \$604.0 million for public health. However, the FY 2017 budget shifts approximately \$24 million for services to support people at risk of domestic violence from the Dept. of Children and Families into the Department of Public Health. Excluding this funding shift, the public health budget is just below FY 2016 current levels. Throughout this year's budget debate, there has been attention directed at, and funding directed to, services to address the state's continuing opioid addiction epidemic. Combined, funding for **substance abuse services** totals \$139.2 million, which is \$8.3 million more than in FY 2016 (see table).

FUNDING FOR SUBSTANCE ABUSE SERVICES

Line Item #	Line Item Name	FY 2016 Current	FY 2017 Legislature	Difference: FY17 Legis. - FY16 Current
1595-4510	Substance Abuse Services Fund	5,000,000	1,000,000	(4,000,000)
4512-0200	Bureau of Substance Abuse Services	113,439,903	125,692,987	12,253,084
4512-0201	Substance Abuse Step-Down Recovery Services	4,800,000	4,908,180	108,180
4512-0202	Secure Treatment Facilities for Opiate Addiction	2,000,000	2,000,000	0
4512-0203	Substance Abuse Family Intervention and Care Pilot	1,500,000	1,500,000	0
4512-0204	Nasal Narcan Pilot Expansion	1,000,000	1,000,000	0
4512-0211	Recovery High Schools	3,100,000	3,100,000	0
4590-0930	Municipal Naloxone Bulk Purchase Program	100,000	0	(100,000)
TOTAL		130,939,903	139,201,167	8,261,264

The FY 2017 budget includes little other new investment. **Maternal and child health programs** have been cut by 2.7 percent from FY 2016 current totals. The budget includes \$12.5 million for the state supplement for the [WIC \(Women, Infants, and Children\) Program](#), the same amount as in FY 2016. WIC provides access to healthy food and nutrition counseling during pregnancy and in the early years of life. The budget also anticipates a \$2.0 million decrease in funding from manufacturer’s rebates for that program.

The [early intervention program](#) is also essentially level-funded at \$28.6 million. Early intervention services are available to infants and toddlers who are at high risk for developmental delay or who already exhibit developmental delay. The budget also includes language directing a cross-agency initiative between the Department of Public Health, and various other agencies to issue a state-assigned student identifier for children participating in early intervention (funded at \$100,000 within the Department of Elementary and Secondary Education) to track and improve program outcomes.

The [Postpartum Depression Pilot Program](#), which funds community health workers at a handful of health centers who work with women who have been identified with postpartum depression, receives \$200,000 in the Legislature’s budget. This is the same amount as in FY 2016.

The state’s anti-smoking efforts, funded in DPH through [Smoking Prevention and Cessation](#), are funded at \$3.9 million, the same as in FY 2016. At one time, Massachusetts led the nation with its successful public health campaign to reduce smoking. In FY 2001, for example, before the state cut taxes dramatically, the state budgeted close to \$90 million (when adjusted for inflation) to support anti-smoking efforts. Since then, these efforts were at first cut significantly, and then have dwindled year by year. The FY 2017 funding is not even enough to keep up with inflation compared to last year. The department’s oral health programs receive an increase (\$183,000) compared to FY 2016 totals, due to a slight increase to [Dental Health Services](#), for a total of \$2.2 million. The [SEAL](#) sealant and fluoridation program receives level funding of \$891,000.

Although it might seem that funding to prevent sexual assault and domestic violence receives a dramatic boost in the budget, this funding is in fact simply a shift of dollars previously provided to the Department of Children and Families (see table below and Child Welfare section of this *Budget Monitor*). With the shift of funding to better consolidate and coordinate domestic violence prevention and services, these services in fact are essentially level-funded with FY 2016. In addition, funding for the [Sexual Assault Nurse Examiner](#) program in the Legislature’s budget is \$273,000 higher than FY 2016 levels at \$4.6 million, and funding is flat at \$150,000 for the [Healthy Relationships](#) grant program.

FUNDING FOR DOMESTIC VIOLENCE PREVENTION AND SERVICES

Line Item #	Line Item Name	FY 2016 Current	FY 2017 Legislature	Difference: FY17 Legis. - FY16 Current
4513-1130	Domestic Violence and Sexual Assault Prev.	6,482,068	30,907,153	24,425,085
4800-1400	Services for People at Risk of Domestic Violence	26,148,905	0	(26,148,905)
	Estimated amount added for DCF social workers		1,983,820	1,983,820
TOTAL		32,630,973	32,890,973	260,000

There are several programs in the Legislature’s budget that together are designed to provide community-based activities and supports for young people to keep them engaged and ultimately reduce violence (see table). Together, these programs are funded at \$753,000 less than in FY 2016. For example, the [Safe and Successful Youth Initiative](#) targets high risk young men in communities across

the Commonwealth and provides a public health approach to reducing gun-related violence. This program receives \$6.6 million in the Legislature's budget, an increase over FY 2016.

FUNDING FOR YOUTH VIOLENCE PREVENTION AND YOUTH ENGAGEMENT

Line Item #	Line Item Name	FY 2016 Current	FY 2017 Legislature	Difference: FY17 Legis. - FY16 Current
4000-0005	Safe and Successful Youth Initiative	6,030,000	6,560,000	530,000
4000-0008	Crossroads		25,000	25,000
4590-1506	Violence Prevention Grants	1,334,449	1,337,124	2,675
4590-1507	Youth At-Risk Matching Grants	3,950,000	2,639,000	(1,311,000)
TOTAL		11,314,449	10,561,124	(753,325)

State Employee Health Insurance

The Legislature's Fiscal Year (FY) 2017 budget includes \$1.59 billion for state employee health insurance. Although the budget maintains the current structure of employee contributions to health insurance, the Legislature's funding for state employee health benefit premiums is \$6.1 million below the amounts proposed by both the House and the Senate. A portion of this reduction (\$4.3 million) comes from a lower spending projection from the state's **Group Insurance Commission (GIC)**.

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

STATE EMPLOYEE HEALTH INSURANCE FUNDING WITH MUNICIPAL PASS-THROUGH ADJUSTMENT

Line Item #	Line Item Name	FY 2016 Current with MassBudget Adjustment	FY 2017 Legislature	MassBudget Adjustment	FY 2017 Legislature with MassBudget Adjustment
1108-5200	Group Insurance Prem.	1,051,480,303	1,637,028,930	(562,990,948)	1,074,037,982
1108-5400	Retired Muni. Teachers	0	51,376,567	(51,376,567)	0
TOTAL		1,051,480,303	1,688,405,497	(614,367,515)	1,074,037,982

State Retiree Benefits

The state has adopted a schedule to move towards full funding of health and other non-pension post-employment benefits ("OPEB") for retirees. The Commonwealth funds the current and future costs of OPEB through a variety of transfers to the State Retiree Benefits Trust. The Legislature's budget includes \$440 million in an operating transfer directed to the State Retiree Benefits Trust. In order to fully fund the cost of future retirees' benefits, in FY 2012 the state decided to dedicate an increasing share of its annual Master Tobacco Settlement award to the State Retiree Benefits Trust. The intent was to use 40 percent of the Settlement award by FY 2016 and 50 percent of the award in FY 2017. Using a newly-upgraded Tobacco Settlement award amount, the FY 2017 total at 50 percent of the settlement would be approximately \$128.8 million to support these OPEB liabilities.

However, instead of transferring \$128.8 million, the Legislature's budget appropriates \$25.8 million (10 percent of the Settlement award) into the State Retiree Benefits Trust to fund OPEB. Language in the budget states that this funding would come either from unexpended debt payments or from the Master Tobacco Settlement money deposited into the General Fund. This total is \$103.0 million less than the amount indicated for FY 2017 in the statute. The Legislature accounts for this \$103.0 million in reduced spending as savings, in order to help balance the FY 2017 budget. This is also \$51.5 million more in savings than accounted for by the OPEB transfers (30 percent of the Master Settlement) proposed in the budgets presented by the Governor, House, and Senate.

HUMAN SERVICES

Child Welfare

The Legislature's Fiscal Year (FY) 2016 budget for child welfare includes a total of \$940.9 million for child welfare and protection. However, the FY 2017 budget shifts approximately \$24 million for services to support people at risk of domestic violence out of the Department of Children and Families (DCF) into the Department of Public Health, in order to better coordinate and consolidate those services (see discussion below.) Excluding this funding shift, the child welfare budget is 4.0 percent above FY 2016 current levels.

DCF has a dual mission: to protect children and to strengthen families, and funding for DCF is split between these two main functions. Funding for the [case workers](#) who work directly with vulnerable families and children totals \$223.5 million, the same as recommended by the House and Senate. This is a \$19.6 million increase over FY 2016 funding, or 9.6 percent. In part due to highly-publicized cases involving children and families involved with DCF, there has been broad attention to the challenges faced by DCF staff who work directly with at-risk families. Although the case workers' union contract aims to limit caseloads to 15 cases each, the FY 2017 budget is not sufficient to reach that goal. Overall caseload ratios tend to be closer to 18:1. Funding to [train](#) these new workers is cut by \$1.0 million from FY 2016, for a total of \$2.5 million.

The vast majority of children connected to DCF are not in foster care, but rather live with their families with supports and services provided by, or coordinated with, DCF. Estimates from March 2015 suggest that close to 9 of every 10 children involved with DCF either live at home with their families or are in foster care but awaiting return to their homes. The Legislature's budget includes \$46.9 million for [family support services](#), a \$1.4 million increase over FY 2016 levels. This increase will help provide the services families might need to help them stay together safely and prevent child neglect.

Reflecting dramatic recent increases in the removal of children to out-of-home placements, but also reflecting the relative scarcity of foster families, the Legislature's budget targets additional funding to [congregate residential care](#). The budget includes \$265.1 million for group residential foster care, a \$5.9 million increase over FY 2016 totals. This amount incorporates a previously-planned rate increase, as well as additional funds to cover anticipated growth in the number of children sent to live in group foster care. Although fewer children live in group foster homes than with families, that service model is significantly more expensive than family foster care. Funding for [family-based foster care and adoption](#) is \$283.7 million, essentially level with FY 2016 funding.

The FY 2017 budget shifts funding for support services for families at risk of domestic violence to the Department of Public Health DPH, in order to consolidate domestic violence prevention and support (see table). DCF will also expand expertise among the case workers in domestic violence prevention. Accounting for these shifts, funding for domestic violence prevention and services is essentially level in the FY 2017 budget.

FUNDING FOR DOMESTIC VIOLENCE PREVENTION AND SERVICES

Line Item #	Line Item Name	FY 2016 Current	FY 2017 Legislature	Difference: FY17 Legis. - FY16 Current
4513-1130	Domestic Violence and Sexual Assault Prev.	6,482,068	30,907,153	24,425,085
4800-1400	Services for People at Risk of Domestic Violence	26,148,905	0	(26,148,905)
	Estimated amount added for DCF social workers		1,983,820	1,983,820
TOTAL		32,630,973	32,890,973	260,000

The FY 2017 budget includes funding at DCF for **Family Resource (Access) Centers**, and also includes funding for centers within the Executive Office of Health and Human Services (see table.) The centers provide resources and information for families about public benefits and state and local services. Located throughout the Commonwealth, the centers are particularly targeted to gaining community services for a “Child Requiring Assistance” working with the juvenile courts. Together, they receive \$10.5 million in the Legislature’s budget, a slight increase over FY 2016 funding.

FUNDING FOR FAMILY RESOURCE CENTERS

Line Item #	Line Item Name	FY 2016 Current	FY 2017 Legislature	Difference: FY17 Legis. - FY16 Current
4000-0051	Family Resource Centers	2,500,000	500,000	(2,000,000)
4800-0200	DCF Family Resource Centers	7,398,054	9,978,898	2,580,844
TOTAL		9,898,054	10,478,898	580,844

Disability Services

The state budget funds services for individuals with disabilities that support overall well-being, inclusion, and meaningful participation in our local communities. Overall, the Legislature’s FY 2017 budget provides \$1.89 billion for disability services, a 2.4 percent increase from current FY 2016 levels.

The bulk of this increase – \$25.8 million – is for Community Residential Supports for the Developmentally Disabled, a 2.4 percent increase from current FY 2016 levels. This program supports adults in various residential settings to live as comfortably and independently as possible.

The Legislature increases funding for the **Community Day and Work Programs for the Developmentally Disabled** by \$8.3 million (4.5 percent) from current FY 2016 spending levels. This program provides funding for a wide variety of group and individual supports to help adults to find work and build skills for future work.

However, the Legislature level funds and eliminates most other workforce development programs for people with disabilities. For these programs, level funding may be tantamount to a cut because available resources do not keep pace with inflation.

- [Community Based Employment](#) remains at the current FY 2016 \$3.0 million funding level. This program moves individuals with disabilities from sheltered work to integrated work settings.
- [Commonwealth Corporation Transitions to Work](#), which is an employment-training program for unemployed young adults with disabilities that received \$150,000 in FY 2016, is eliminated.
- **Community Transportation Services for the Developmentally Disabled** is level-funded at current FY 2016 levels of \$21.7 million. These services offer transportation to and from work for individuals with disabilities.
- **Employment Assistance**, which provides vocational evaluation and employment services for severely disabled adults, remains at the current FY 2016 \$2.2 million funding level.

The Legislature's budget also provides other programs for individuals with disabilities with level funding. These include:

- **Autism Omnibus Services**, which provides services to individuals with autism spectrum disorders;
- [Turning 22 Services for the Developmentally Disabled](#), which provides services to young adults with disabilities during the transition year in which they turn 22 and age out of special education programs into adult services;
- [Respite Family Supports for the Developmentally Disabled](#), which provides families with disabled children support with specialized caregiving or other flexible community-based resources.

For discussion on **Chapter 257 rate increases** for human and social services providers, see "Other Human Services" in the Budget Monitor.

Elder Services

The Legislature's Fiscal Year (FY) 2017 budget funds Elder Services at \$267.0 million, which is \$2.3 million (0.9 percent) above current FY 2016 spending levels. This amount will likely be a reduction in the real value of spending because the increase does not keep up with projected levels of inflation.

The majority of funding for Elder Services programming goes to support **elder home care services** which allow elders to age in place instead of living in a nursing home. In aggregate, the Legislature's FY 2017 budget for elder home care services is \$206.9 million. This is a decrease of \$3.5 million (or 1.7 percent) when compared to FY 2016 current spending levels, which may affect service delivery. The Legislature also includes a \$1.1 million pilot program, which would raise the current income eligibility ceiling for home care services by 15 percent.

The program that receives the most significant increase over current FY 2016 spending is **Elder Protective Services**, which investigates elder abuse and neglect. The Legislature funds Elder Protective

Services at \$28.0 million for FY 2017, which is \$4.9 million (or 21.3 percent) over current FY 2016 spending levels.

Grants to Council on Aging, which provide funding to Council on Aging centers that offer services to and advocate for elders around the Commonwealth, receives \$1.2 million more in FY 2017 than in FY 2016.

Lastly, the Legislature establishes a 20-person, permanent **commission on older lesbian, gay, bisexual, and transgender (LGBT) adults** to study the health, housing, financial, psychological, and long-term care needs of this group and to recommend improvements to ensure equal access to benefits and services.

Juvenile Justice

The Legislature provides \$177.0 million for juvenile justice services administered by the Department of Youth Services for Fiscal Year (FY) 2017. This is essentially level with current FY 2016 spending.

The Legislature did allocate an additional \$500,000 for a **Detention Diversion Advocacy Program**. The program would aim to prevent young people entering the court system from advancing further into the juvenile justice system. The program would be coordinated by a private non-profit that specializes in child welfare and juvenile justice programming. Meanwhile, funding was reduced by roughly \$539,000 compared to FY 2016 levels for secure facilities that house detained young people.

Lastly, monthly **probation fees**, which range from \$45 to \$60 per month, will be waived for any young person placed on probation while under the age of 18.

Transitional Assistance

The Legislature's Fiscal Year (FY) 2017 budget funds transitional assistance programs and services at \$661.0 million, which is \$32.9 million (4.7 percent) below FY 2016 current spending levels.

A large portion of this decrease is [Transitional Assistance for Families with Dependent Children \(TAFDC\)](#), which is reduced by \$29.5 million (13.4 percent) below current FY 2016 spending levels. The decrease assumes a reduction in caseloads, which one would expect with an improving economy that enables more people to secure employment and improve their circumstances rather than seek this assistance. However, current caseload reduction may partially result from new administrative changes that make it harder for clients to maintain their benefits.

The Legislature increases the **clothing allowance** from \$200 to \$250 per eligible child receiving TAFDC. The clothing allowance is for a one-time payment made in September to help low-income families pay for back-to-school clothing. The **rent allowance** remains at \$40 per month.

The Legislature reduces the following transitional assistance programs:

- [Employment Services Program \(ESP\)](#) funded at \$12.7 million, \$278,000 (2.1 percent) below current FY 2016 spending levels. ESP is the primary education and job-training program for TAFDC clients.

- [Pathways to Self-Sufficiency](#) funded at \$1.0 million, \$2.0 million (66.7 percent) below current FY 2016 spending levels. This funding supports job placement and training for TAFDC clients who, because of the 2014 welfare reforms, will no longer be exempt from the work requirement. The 2014 welfare reform mandated alignment of state disability standards with federal Supplemental Security Income (SSI) disability standards.
- **Caseworker Salaries and Benefits** funded at \$70.8 million is reduced by \$3.5 million (4.8 percent). This funding reduction may be based on the expected decrease in caseloads and Department of Transitional Assistance employees who retired under the early retirement incentive program included in FY 2016.

Additionally, **Transportation for Supplemental Nutrition Assistance Program (SNAP) Participants**, introduced in the Governor's FY 2017 budget proposal, is not funded. Currently, SNAP has a work requirement for "able-bodied" persons without dependents. These are adults between the ages of 18 and 49, not receiving SSI benefits or otherwise disabled, not living with minor children, and not pregnant. The program would have likely supported these SNAP recipients who are participating in the work program.

However, the Legislature's FY 2017 budget increases funding to [Domestic Violence Specialists](#), which provides services to victims of domestic violence who are on public assistance, by \$323,000 (30.8 percent). In addition, the Legislature increases [Emergency Aid to the Elderly, Disabled, and Children](#) by \$3.0 million (3.9 percent).

Other Human Services

The Legislature's Fiscal Year (FY) 2017 budget includes \$204.6 million for other human services. This funding includes allocations for veterans' services, food banks, and some cross-agency initiatives. This amount is \$10.6 million less than FY 2016 current funding, a 4.9 percent decrease. However, \$6.5 million of this decrease is due to simply the scheduling of rate increases held in a reserve account for a variety of health and human services providers that we include in this subcategory of this *Budget Monitor* (see discussion below.) Excluding this reserve account, most of the programs included in this total have either been level-funded or reduced only slightly.

The Legislature funds the [Emergency Food Assistance Program](#) at \$17.7 million, \$505,000 above the FY 2016 current total, or 2.9 percent. This funding supports the statewide network of food banks that provide food to families struggling to make ends meet.

The Legislature's budget includes \$148.0 million for **veterans' services**, a \$2.6 million (1.7 percent) decrease from FY 2016 totals. This reduction is mostly due to a \$2.9 million cut to the soldiers' homes, offset slightly by some increases to assistance for homeless veterans.

[Family Resource \(Access\) Centers](#) receive funding within the Executive Office of Health and Human Services and the Department of Children and Families (see table.) The centers provide resources and information for families about public benefits and state and local services. Together, they receive \$10.5 million in the Legislature's budget, a slight increase over FY 2016 funding levels.

FUNDING FOR FAMILY RESOURCE CENTERS

Line Item #	Line Item Name	FY 2016 Current	FY 2017 Legislature	Difference: FY17 Legis. - FY16 Current
4000-0051	Family Resource Centers	2,500,000	500,000	(2,000,000)
4800-0200	DCF Family Resource Centers	7,398,054	9,978,898	2,580,844
TOTAL		9,898,054	10,478,898	580,844

Included in this total for “other human services” is \$36.2 million for legally required **Chapter 257 rate increases**. Chapter 257 standardizes rates paid to various types of providers in order to make the system more efficient and fair. The amount included in the Chapter 257 reserve account funds the planned rate increases for providers across many human and social service programs. For more information on the rate standardization and the timing of the implementation across state agencies, see the state’s [Chapter 257 update](#). After the state provides the increases initially funded by this reserve account agency by agency, those amounts are then incorporated into the line items that fund those service providers. The increased funding for the service providers would then be included in the totals in other sections of this *Budget Monitor*.

The Legislature’s budget did not include funding for an initiative to develop a **Common Application Portal**. Proposed by the Senate, this was an ambitious effort to develop a shared application for a wide range of public benefits, including MassHealth, child care subsidies within the Department of Early Education and Care, and SNAP (formerly known as “food stamps”) benefits. There are continuing efforts across these agencies to develop such an application so that individuals would be able to apply simultaneously for these particular programs. Applying for public benefits can be complicated and confusing, and a shared application for a variety of benefits would simplify and streamline this process for applicants, and would also improve administrative efficiency for the agencies.

INFRASTRUCTURE, HOUSING & ECONOMIC DEVELOPMENT

Transportation

Much state funding for transportation takes place through dedicated revenue sources and a separate capital budget process. In the Legislature’s FY 2017 budget, funds allocated through formula funding increased slightly, while other programs generally remained at current FY 2016 levels, where their value is likely to decrease as the result of inflation.

The state’s 15 **Regional Transit Authorities** receive \$82.0 million in the Legislature’s budget, the same as the current FY 2016 amount. Similarly, the on-budget appropriation to the **Massachusetts Bay Transportation Authority (MBTA)** remains at \$187.0 million, the FY 2016 level.

The MBTA will also receive \$997.9 million in sales tax revenue transferred to the **MBTA State and Local Contribution Trust Fund**, an increase of \$12.7 million (1.3 percent) over FY 2016. As part of the broader downward adjustment in expected tax revenues, this amount is \$29.2 million below the projections in the FY 2017 Senate budget proposal, which was essentially the same as the House projection.

The Legislative budget also projects that funding for the **Merit Rating Board**, which maintains driving records and reports them to insurance companies, will remain more or less unchanged at \$9.7 million.

This contribution is borne by companies doing motor vehicle insurance business with the Commonwealth.

The **Massachusetts Transportation Trust Fund (MTTF)** receives \$329.1 million in the Legislature’s FY 2017 budget. This appropriation is a transfer from the Commonwealth Transportation Trust Fund (CTF), and is \$1.9 million less than current FY 2016 levels. Current FY 2016 spending at the MTTF is itself lower than it otherwise would have been as a result of 412 employees with salaries totaling \$28.8 million accepting early retirement incentives. It is not clear whether reduced staffing from early retirement incentives will downgrade the capacity of the Department of Transportation. Insofar as retirements are part of an efficiency-enhancing reorganization or a process to voluntarily replace long-standing employees with less expensive, but equally qualified workers, then agency capacity need not be compromised. But the law caps replacements overall at 20 percent of the cost of those retiring. Lack of personnel, such as skilled oversight of transportation contractors, has sometimes been very costly to the Commonwealth. Among the retiring employees are contract specialists, auditors, inspectors, accountants, and compliance officers, as well as engineers, mechanics, and inspectors of construction and safety. Employees at the MBTA have not yet been eligible for early retirement incentives.

Outside sections of the Legislature’s budget also:

- Cap MBTA fare hikes at no more than 7 percent over two years and clarifies that this policy extends to monthly passes.
- Create a feasibility study for high-speed rail between Springfield and Boston.
- Create a Water Transportation Advisory Council for ferry service in the Commonwealth.
- Make E-Z Pass transponders available at full-service Registry of Motor Vehicles (RMV) locations.

FUNDING FOR TRANSPORTATION

Line Item #	Line Item Name	FY 2016 Current	FY 2017 Legislature	Difference: FY17 Legis. - FY16 Current
1595-6368	Massachusetts Transportation Trust Fund	330,968,038	329,085,302	(1,882,736)
1595-6369	Mass. Bay Transportation Authority	187,000,000	187,000,000	0
1595-6370	Regional Transit Authorities	82,000,000	82,000,000	0
1595-6379	Merit Rating Board	9,553,119	9,695,430	142,311
T0100340	MBTA State and Local Contribution Trust Tax Transfer	985,200,000	997,900,000	12,700,000

Housing

The state budget funds affordable housing assistance and shelter for low-income homeless families and individuals. The Legislature’s final budget for Fiscal Year (FY) 2017 provides \$432.7 million for affordable housing programs, which is \$56.0 million less than the \$488.8 million the state expects to spend in FY 2016.

The Legislature's FY 2017 budget is lower than FY 2016 current spending largely because it provides \$155.5 million to the [Emergency Assistance \(EA\)](#) family shelter program, which is \$40.5 million less than the FY 2016 current budget. It is likely that the Legislature will have to provide supplemental funding for this program during FY 2017 because the cost of providing shelter for those who are homeless and eligible for shelter will likely exceed the amount appropriated in the Legislature's budget.

The Legislature's final budget does not include a provision that would have eased eligibility restrictions for the EA shelter program. In recent years, the state has limited low-income, homeless families' access to EA shelters. (A full discussion of EA eligibility rules is available in MassBudget's Children's Budget [HERE](#).) Because of these restrictions, some homeless families have had to live in places not meant for human habitation, like a park, a car, or a hospital emergency room, before they would be eligible for shelter. The Senate included language in its budget that required the Department of Housing and Community Development (DHCD) to provide EA shelter to families who would otherwise have to sleep in such places. DHCD is setting up procedures to prevent families, who are applying for EA shelter, from having to live in unsafe places before they can move into shelter.

The Legislature's budget provides \$85.3 million for the [Massachusetts Rental Voucher Program](#) (MRVP), which is \$5.6 million below the amount appropriated in the FY 2016 current budget. Over the past several years, the state increased funding for this program to allow DHCD to create new vouchers, some of which low-income homeless families use to move out of shelter and into permanent housing. The Legislature's budget does not include a recommendation, made in both the final House and Senate budgets, to transfer over \$14 million in unspent funds from FY 2016 in to FY 2017. This amount would have allowed DHCD to create 350-400 new vouchers according to House and Senate estimates.

The Legislature's final budget provides small increases for a few programs housing programs including:

- \$47.5 million for **shelter and services to homeless individuals**, including \$2.0 million for the Home and Healthy for Good program that helps individuals who have been chronically homeless. Total funding for these two programs is \$860,000 more than the FY 2016 budget.
- \$65.0 million for subsidies for [public housing authorities](#), which is a \$500,000 increase above FY 2016.
- \$13.0 million for [Residential Assistance for Families in Transition \(RAFT\)](#), which is \$500,000 above FY 2016 levels.

For funding levels for all housing programs, please see the Housing subcategory of MassBudget's *Budget Browser* [HERE](#).

The House and Senate included a number of new initiatives in their respective budget proposals. Of those, the Legislature's Budget:

- Includes a Senate proposal directing the **Interagency Council on Housing and Homelessness** to create a memorandum of understanding with the Secretaries of Housing and Economic Development, Health and Human Services, Education, and Labor and Workforce Development

directing the four secretariats to work together to coordinate services for low-income households that are facing economic instability and homelessness.

- Does not include a Senate initiative to expand the **state's housing courts** from five to six.
- Does not include a House proposal to create a commission to look into how the state could help to provide **economic mobility and financial stability** for families and individuals with very low incomes. The commission would look at data on strategies that improve housing stability and increase economic self-sufficiency.

Economic Development

In Massachusetts, we support workforce and business development programs in order to boost the skills of working people and stimulate economic growth. The Legislature's Fiscal Year (FY) 2017 budget funds economic development at \$144.6 million, \$8.4 million (5.5 percent) below current FY 2016 levels.

The Legislature's FY 2017 budget reduces spending to the following workforce development accounts:

- [One-Stop Career Centers](#) receive \$4.0 million, which is \$500,491 (11.1 percent) below current FY 2016 spending levels. These centers help job seekers, particularly those receiving unemployment insurance, improve their skills and navigate the job search process.
- [Workforce Competitiveness Trust Fund](#) (WCTF) receives \$1.0 million, which is \$1.2 million (54.8 percent) below current FY 2016 spending levels. This fund receives periodic deposits at the discretion of the Legislature. The most recent deposits were in 2016 for \$2.2 million and in 2013 for \$5.2 million, in inflation-adjusted dollars. Specific objectives of WCTF include supporting the unemployed to find suitable employment and improving employment opportunities for low-income individuals and low-wage workers.
- [YouthWorks](#) receives \$10.2 million, which is \$1.5 million (12.8 percent) below current FY 2016 spending levels. YouthWorks pays for the salaries of low-income and at-risk youth living in targeted communities for summer and some year-round jobs.

However, the Legislature added \$320,000 (9.2 percent) over current FY 2016 spending levels to the **Mass. Service Alliance**, which serves as the state commission on service and volunteerism.

The Legislature's budget also adds two small, new workforce development programs. First, the [Re-entry Demonstration Workforce Development Program](#), proposed in the Governor's budget, receives \$250,000. This program provides workforce development and supportive services to individuals transitioning from a correctional facility. Second, the [Digital Health Internship Incentive Fund](#), first proposed in the Senate's budget, receives \$100,000. This would create a new trust fund to prepare college and graduate students for careers in digital health fields such as e-health, cyber and IT security, and integrated photonics.

Finally, the **Mass. Office of Travel and Tourism** (MOTT) receives \$13.0 million, which is \$773,000 below current FY 2016 spending levels. Roughly, two-thirds of MOTT funding would support various

local tourism projects throughout the Commonwealth. The remaining \$4.0 million comes from a change in the funding tourism formula. The Legislature's budget seeks to transfer \$10.0 million in room occupancy tax revenue (from hotel room taxes) to the [Massachusetts Tourism Trust Fund](#), an entity the Legislature previously created and that will go into effect later this year. The Legislature's budget amends the current statute by directing the \$10.0 million to the fund and adjusting the distribution of funding to 40 percent (\$4.0 million) to MOTT and 60 percent (\$6.0 million) to the Regional Tourism Councils. As shown below, the Legislature's budget for tourism is roughly \$782,000 below current FY 2016 levels.

For the net differences in funding between FY 2016 current spending and FY 2017 Legislature's budget, see table below.

TOURISM FUNDING

Line Item #	Name	FY 2016 Current	FY 2017 Legislature On Budget	FY 2017 Legislature Off Budget	FY 2017 Legislature Totals	Difference: FY 2017 Leg. minus FY 2016 Current
7008-0900	Mass. Office of Travel & Tourism	13,752,924	8,979,666	4,000,000	12,979,666	(773,258)
7008-1000	Local Tourist Councils Financial Assist.	6,000,000	0	6,000,000	6,000,000	0
7008-1300	Mass. International Trade Council	123,375	114,900	0	114,900	(8,475)
TOTAL		19,876,299	9,094,566	10,000,000	19,094,566	(781,733)

*Budget proposals sometimes shift the allocation of funding among line items. The chart above presents those proposals in the FY 2016 funding structure to make comparisons easier.

LAW & PUBLIC SAFETY

Overall, funding levels provided by the Legislature for Fiscal Year (FY) 2017 Law & Public Safety (L&PS) programs total \$2.65 billion. This total is \$55.4 million (2.1 percent) below current FY 2016 funding levels. Elements of the Legislature's budget, however, present challenges in making apples-to-apples comparisons with FY 2016 funding levels. In particular, the Legislature's budget includes a \$26.4 million reduction relative to current FY 2016 funding levels for **Private Counsel Compensation (PCC)**, an account that typically is replenished mid-year through supplemental appropriations. As provision of legal defense for indigent defendants is constitutionally required, this account *ultimately has to be* funded. It therefore is very likely - given the apparent underfunding in the Legislature's budget - that this account will receive significant mid-year supplemental funding. Best budgeting practices would encourage including the full, anticipated cost for all programs as part of the annual budget, rather than assuming supplemental appropriations will be provided mid-year.

LAW & PUBLIC SAFETY

Subcategory	FY 2016 Current	FY 2017 Legislature	Difference: Legislature minus Current	Percent Change
Courts & Legal Assistance	723,928,768	703,206,224	(20,722,544)	-2.9%
Law Enforcement	382,639,892	392,242,653	9,602,761	2.5%
Prisons, Probation & Parole	1,374,832,348	1,327,591,526	(47,240,822)	-3.4%
Prosecutors	161,233,756	164,771,136	3,537,380	2.2%
Other Law & Public Safety	60,553,259	59,950,092	(603,167)	-1.0%
TOTAL	2,703,188,023	2,647,761,631	(55,426,392)	-2.1%

The overall decline in FY 2017 L&PS funding also includes a substantial reduction in total funding for sheriffs' accounts compared to current FY 2016 levels. Like the PCC account, the sheriffs often receive mid-year supplemental funding and it is likely they too will need and receive this supplemental funding in FY 2017. Should this prove true, the current appearance of a significant "funding drop" from FY 2016 to FY 2017 would not be an accurate picture of ultimate funding levels. Relative to current FY 2016 funding levels, the Legislature underfunds total sheriffs' accounts by some \$48.1 million.

In outside sections, the Legislature adopted provisions that will bring Massachusetts identification cards and licenses into compliance with requirements of the federal [REAL ID Act of 2005](#), overseen by the U.S. Department of Homeland Security. A primary element of the REAL ID program is the requirement that states verify documentation regarding the lawful residency – either U.S. citizenship or immigration status – of applicants prior to issuing REAL ID compliant licenses and identification cards. Under the Legislature's proposal, Massachusetts will continue to be able to issue *state-only* licenses and identification cards (i.e., licenses and ID cards that are not REAL ID compliant). Current law, however, requires that applicants for Massachusetts licenses and IDs provide a Social Security number or proof of immigration status. (Currently, Massachusetts does not issue driver's licenses to undocumented residents.)

Under the Legislature's plan, Massachusetts will be permitted to issue REAL ID compliant licenses to non-U.S. citizens if they will be residing lawfully in Massachusetts for more than 12 months, though the expiration date of the license/ID must match the individual's documented departure date (and cannot exceed 60 months, in any case). If no documentation of departure date is provided, the expiration date of the REAL ID compliant license/ID will be no later than 12 months from the date of issuance.

As of October 2015, REAL ID compliant identification – or any one of a number of other official documents, including military IDs and passports – is required to enter many federal facilities. Starting in January of 2018, any of a similar set of IDs will be required for domestic air travel (though almost all states have received an extension to 2020 for compliance on this aspect of the REAL ID program). State-only IDs (i.e., licenses and ID cards that are not REAL ID compliant) will not allow holders to enter many federal facilities or fly domestically.

Also in an outside section, the Legislature includes a provision that will allow the [Committee for Public Counsel Services](#) to waive the cap on billable hours for private counsel working in the children and family law program, if there is limited availability of qualified counsel in that area of practice or if the use of private counsel is deemed most cost effective.

The tables below show funding levels for L&PS line items (by subcategory) that receive either an increase or a decrease in the Legislature's budget relative to current FY 2016 funding levels.

COURTS & LEGAL ASSISTANCE LINE ITEMS WITH FUNDING DIFFERENCES

Line Item #	Name	FY 2016 Current	FY 2017 Legislature	Difference: Legislature minus Current	Notes
0320-0003	Supreme Judicial Court	8,675,395	8,762,149	86,754	
0320-0010	Suffolk County Supreme Judicial Court C	1,552,213	1,567,735	15,522	
0321-0001	Commission on Judicial Conduct	749,080	756,571	7,491	
0321-0100	Board of Bar Examiners	1,358,923	1,372,512	13,589	
0321-1500	Committee for Public Counsel Services	28,720,375	28,591,182	(129,193)	
0321-1504	CPCS Attorney Salaries	28,198,603	30,305,462	2,106,859	
0321-1510	Private Counsel Compensation	125,306,090	98,906,090	(26,400,000)	
0321-1520	Indigent Persons Fees and Court Costs	18,551,982	14,951,982	(3,600,000)	
0321-1600	Massachusetts Legal Assistance Corporal	17,000,000	18,000,000	1,000,000	
0321-2000	Mental Health Legal Advisors Committee	1,095,928	1,106,887	10,959	
0321-2100	Prisoners' Legal Services	1,374,683	1,472,466	97,783	
0321-2205	Suffolk County Social Law Library	1,781,200	1,831,200	50,000	
0322-0100	Appeals Court	12,977,984	13,107,764	129,780	
0330-0101	Trial Court Justices' Salaries	61,998,582	62,618,568	619,986	
0330-0300	Administrative Staff	235,637,941	239,872,058	4,234,117	
0330-0599	Recidivism Reduction Pilot Program	2,488,090	1,675,746	(812,344)	
0330-0612	Mental Health and Substance Abuse Mo	300,000	0	(300,000)	
0331-0100	Superior Court	31,500,830	31,815,838	315,008	
0332-0100	District Court	65,202,267	66,054,290	852,023	
0333-0002	Probate and Family Court	28,958,672	29,248,259	289,587	
0334-0001	Land Court	3,881,275	3,920,088	38,813	
0335-0001	Boston Municipal Court	13,442,337	13,576,760	134,423	
0337-0002	Juvenile Court	18,704,229	18,992,783	288,554	
0339-1005	Indigent Fees Retained Revenue	0	200,000	200,000	
0339-2100	Jury Commissioner	2,774,615	2,802,361	27,746	

LAW ENFORCEMENT LINE ITEMS WITH FUNDING DIFFERENCES

Line Item #	Name	FY 2016 Current	FY 2017 Legislature	Difference: Legislature minus Current	Notes
1599-0054	Hinton Laboratory Reserve	1,235,079	0	(1,235,079)	
8000-0105	Office of the Chief Medical Examiner	9,750,000	9,673,380	(76,620)	
8000-0106	State Police Crime Laboratory	237,246	0	(237,246)	
8000-0110	Criminal Justice Information Services	1,897,250	1,600,261	(296,989)	
8000-0122	Chief Medical Examiner Fee Retained Rev	3,268,762	3,068,761	(200,001)	
8000-0125	Sex Offender Registry Board	4,034,959	4,138,153	103,194	
8000-1020	Body Camera Pilot Programs	250,000	0	(250,000)	
8000-1700	Public Safety Information Technology Cos	22,140,022	20,791,844	(1,348,178)	
8100-0111	Gang Prevention Grant Program	7,000,000	6,000,000	(1,000,000)	
8100-0515	New State Police Class	5,850,000	0	(5,850,000)	
8100-1001	Department of State Police	265,234,501	284,896,142	19,661,641	
8100-1004	State Police Crime Laboratory	19,463,046	20,140,180	677,134	
8200-0200	Municipal Police Training Committee	5,132,844	4,787,750	(345,094)	

PRISONS, PROBATION & PAROLE LINE ITEMS WITH FUNDING DIFFERENCES

Line Item #	Name	FY 2016 Current	FY 2017 Legislature	Difference: Legislature minus Current	Notes
0339-1001	Commissioner of Probation	134,312,500	136,155,625	1,843,125	
0339-1003	Office of Community Corrections	20,923,598	21,132,834	209,236	
1599-4444	Collective Bargaining Agreement Costs	8,714,745	0	(8,714,745)	
1599-8910	Sheriffs Reserve	39,749,199	0	(39,749,199)	
8900-0001	Department of Correction Facility Operati	573,344,758	568,707,345	(4,637,413)	
8900-0010	Prison Industries and Farm Services Progr	3,523,898	4,255,192	731,294	
8900-0011	Prison Industries Retained Revenue	3,600,000	6,600,000	3,000,000	
8910-0102	Hampden Sheriff's Department	71,966,757	71,726,757	(240,000)	
8910-0108	Franklin Sheriff's Department	14,682,242	15,112,242	430,000	
8910-0110	Hampshire Sheriff's Department	13,655,901	13,842,853	186,952	
8910-0445	Dispatch Center Retained Revenue	300,000	400,000	100,000	
8910-0446	Pittsfield Schools Retained Revenue	254,376	325,000	70,624	
8910-1000	Prison Industries Retained Revenue	3,076,824	2,981,268	(95,556)	
8910-1101	Middlesex Sheriff Mental Health Stab Uni	896,387	887,144	(9,243)	
8910-1112	Hampshire Regional Lockup Retained Rev	200,000	167,352	(32,648)	
8950-0001	Parole Board	16,000,000	15,666,751	(333,249)	

PROSECUTORS LINE ITEMS WITH FUNDING DIFFERENCES

Line Item #	Name	FY 2016 Current	FY 2017 Legislature	Difference: Legislature minus Current	Notes
0340-0100	Suffolk District Attorney	17,801,069	18,916,992	1,115,923	
0340-0198	Suffolk District Attorney State Police Ovr	450,328	368,475	(81,853)	
0340-0200	Northern (Middlesex) District Attorney	15,186,334	16,248,754	1,062,420	
0340-0300	Eastern (Essex) District Attorney	9,335,709	9,931,887	596,178	
0340-0400	Middle (Worcester) District Attorney	10,205,623	10,885,878	680,255	
0340-0500	Hampden District Attorney	8,887,290	9,501,819	614,529	
0340-0600	Northwestern District Attorney	5,779,908	6,098,538	318,630	
0340-0700	Norfolk District Attorney	9,102,619	9,591,791	489,172	
0340-0800	Plymouth District Attorney	7,901,549	8,841,265	939,716	
0340-0802	Plymouth District Attorney Moving Cost:	2,409,170	0	(2,409,170)	
0340-0900	Bristol District Attorney	8,219,367	8,777,329	557,962	
0340-0998	Bristol DA State Police Overtime	398,810	344,961	(53,849)	
0340-1000	Cape and Islands District Attorney	4,034,922	4,218,362	183,440	
0340-1100	Berkshire District Attorney	4,031,927	4,184,794	152,867	
0340-2100	District Attorneys Association	1,941,692	1,941,693	1	
0340-2117	District Attorney Retention	750,000	500,000	(250,000)	
0340-6653	ADA Salary Reserve	3,000,000	500,000	(2,500,000)	
0810-0000	Office of the Attorney General Administr	23,044,018	23,011,578	(32,440)	
0810-0013	False Claims Recovery Retained Revenue	2,500,000	3,000,000	500,000	
0810-0021	Medicaid Fraud Control Unit	4,050,000	4,212,000	162,000	
0810-1205	Combating Opioid Addiction		1,000,000	1,000,000	
0810-1206	Civil Penalties Retained Revenue		500,000	500,000	
8100-1005	UMASS Drug Lab	420,000	411,600	(8,400)	

OTHER LAW & PUBLIC SAFETY LINE ITEMS WITH FUNDING DIFFERENCES

Line Item #	Name	FY 2016 Current	FY 2017 Legislature	Difference: Legislature minus Current	Notes
8000-0600	Executive Office of Public Safety	3,374,406	4,650,207	1,275,801	
8000-0650	Illegal Tobacco Task Force	1,000,000	1,000,090	90	
8000-1001	Boston Regional Intelligence Center	792,669	1,000,000	207,331	
8000-1002	Reduction of Gun Violence Study	150,000	0	(150,000)	
8311-1000	Department of Public Safety and Inspecti	4,202,186	4,462,652	260,466	
8315-1020	Department of Public Safety Inspection a	10,674,878	9,491,889	(1,182,989)	
8315-1021	Elevator Inspector Civil Fines RR	150,000	155,150	5,150	
8315-1022	Boiler Inspection	1,282,151	1,479,130	196,979	
8315-1024	Licensure for Pipefitters	600,000	569,750	(30,250)	
8324-0000	Department of Fire Services Administratic	24,115,065	24,308,381	193,316	
8700-0001	Military Division	10,347,171	9,912,787	(434,384)	
8700-1140	Armory Rental Fee Retained Revenue	1,400,000	600,000	(800,000)	
8800-0001	Massachusetts Emergency Management /	1,673,331	1,514,472	(158,859)	
8800-0100	Nuclear Safety Preparedness Program	482,901	497,084	14,183	

LOCAL AID

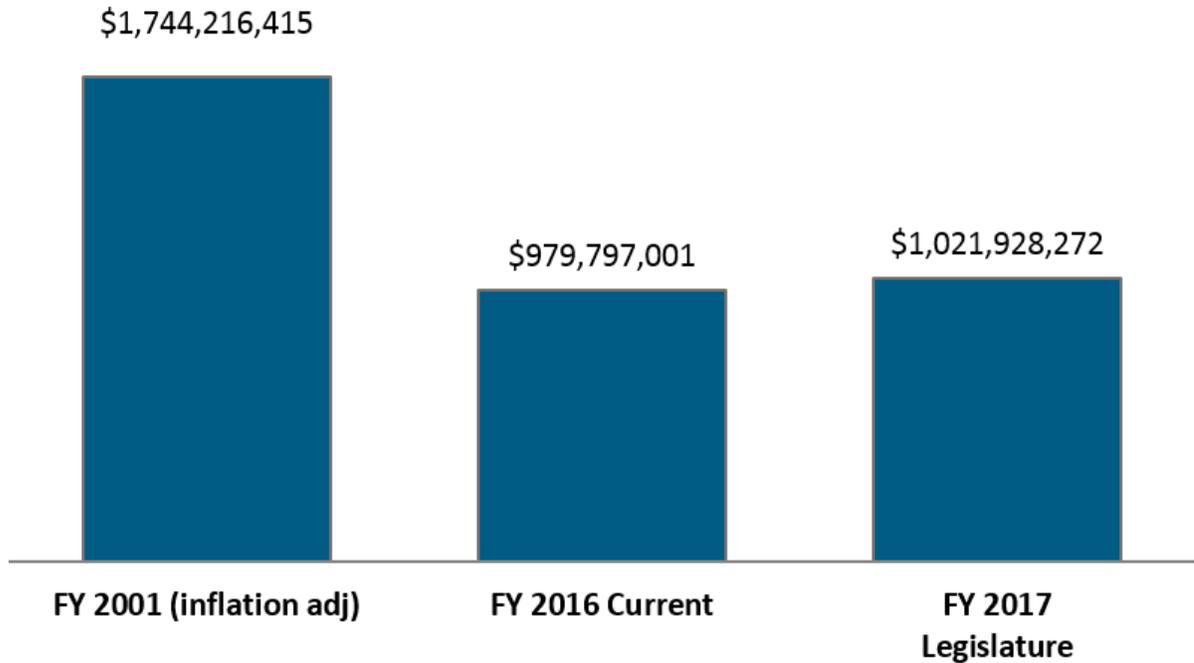
General Local Aid

The Legislature's Fiscal Year (FY) 2017 budget includes \$1.02 billion for **Unrestricted General Government Local Aid**, a \$42.1 million increase (4.3 percent) over current FY 2016 levels. This is the same amount proposed by the Governor, the House, and the Senate for FY 2017.

General local aid helps cities and towns fund vital local services such as police and fire protection, parks, and public works. For more information on general local aid, please see MassBudget's [Demystifying General Local Aid in Massachusetts](#).

The Commonwealth's capacity to fund general local aid has been hindered by a series of significant state-level tax cuts during the late 1990s and 2000s combined with the Great Recession. While over the past several years, general local aid funding has increased in step with or slightly above the rate of inflation, it still remains 41.4 percent below the FY 2001 amount, after adjusting for inflation.

General Local Aid has been cut over 41% since 2001



Other Local Aid

For FY 2017, the Legislature provides \$11.4 million for the **Municipal Regionalization and Efficiencies Incentive Reserve**, a compromise between House and Senate that generally combined both chambers’ proposals. The amount is about \$532,000 more than current FY 2016 levels. More specifically, the program provides:

- \$3.4 million for a competitive **public safety grants** program for populous communities with low per-capita police funding.
- \$2.8 million for continuing a **District Local Technical Assistance Fund** administered by the Division of Local Services within the Department of Revenue.
- \$2.3 million for a set of locally targeted projects, such as public safety, bridges, school improvements, and technology upgrades.
- \$2.0 million to fund a competitive grants program for **regionalizing services or planning**.
- \$1.0 million for the **Community Compact** incentive program to support best local practices.

Pensions

The Legislature’s FY 2017 budget makes the Commonwealth’s scheduled \$2.169 billion payment to the Pensions Reserves Investment Trust (PRIT) Fund, along with an additional contribution to cover the added costs associated with the Commonwealth’s recent early retirement program.

The early retirement program – in which almost 2,500 employees chose to participate – brings more retirees into the system sooner than previously anticipated. To offset the additional pension costs associated with the early retirement program, the annual contributions to the PRIT will need to increase by \$29 million going forward. Taking this added cost into account, the total FY 2017 contribution to the PRIT is \$2.198 billion. (The Legislature’s budget also establishes a process for providing retired state employees and teachers with a 3 percent cost of living adjustment on the first \$13,000 of their pension benefits.)

The specific amounts to be contributed annually by the Commonwealth to the PRIT are stipulated in Massachusetts General Law, with a five-year schedule included therein, currently running from FY 2012 through FY 2017. The schedule of annual pension contributions is updated every three years by the Secretary of Administration and Finance, drawing on the most recent actuarial valuation report. The Secretary of Administration and Finance will update the schedule again in early 2017.

Assets held and managed within the PRIT are designated to fund the anticipated retirement costs of current state employees, as well as the current and future retirement costs of now-retired former employees. The funds in the PRIT come from three sources: required pension contributions made by employees, the Commonwealth’s contributions toward employee pensions, and the investment returns generated from the PRIT (to learn more about the Massachusetts state pension system, see MassBudget’s report “[Demystifying the State Pension System](#)”).

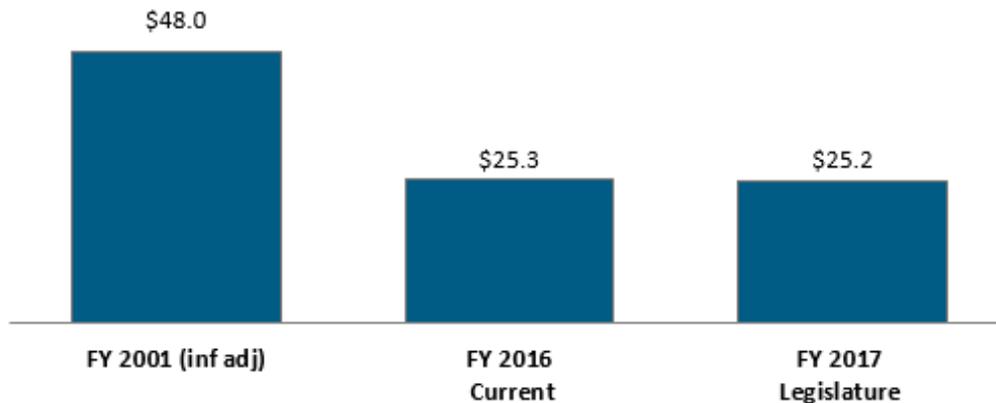
OTHER

Libraries

Overall, the Legislature’s Fiscal Year (FY) 2017 budget provides \$25.2 million to fund libraries, a drop of \$124,000 (0.5 percent) from current FY 2016 levels. When the effects of inflation are taken into account, this relatively small percentage drop in nominal funding levels presents a larger challenge for library administrators.

More notable than the difference between the Legislature’s FY 2017 funding levels and current FY 2016 funding levels, however, is the very steep drop in annual state support for libraries since FY 2001. Where libraries received \$48.0 million in FY 2001 (adjusted for inflation), in FY 2016 they currently are receiving \$25.3 million, a decline in annual funding of \$22.6 million or 47.2 percent.

Library funding has been cut dramatically since FY 2001 (\$ millions)



REVENUE AND BUDGET BALANCE

Perhaps the largest challenge this year for legislative budget writers was the realization, very late in the budget process, that the revenues available to support Fiscal Year (FY) 2017 spending were likely to fall well below the Consensus Revenue Estimate (CRE) of \$26.86 billion (the amount upon which earlier FY 2017 budget proposals had been based). The Legislature's FY 2017 budget assumes tax revenues of \$26.11 billion, a drop of \$750.0 million.

Notably, the FY 2017 CRE was based on an optimistic projection of baseline growth from FY 2016. (For more details, see MassBudget [Preview of the FY 2017 Budget](#).) The baseline FY 2017 CRE (\$27.181 billion, instead of \$26.860 billion) requires 5.1 percent growth above the revenue estimate upon which the FY 2016 GAA was based (\$25.611 billion, including impacts of tax initiatives). The actual FY 2017 CRE (\$26.860 billion) itself requires a less aggressive – but still strong – actual revenue growth rate of 4.9 percent from the FY 2016 GA revenue estimate (\$25.611 billion). (“Baseline” estimates seek to remove from consideration changes in tax law and other non-economic confounding factors affecting anticipated revenue collections, thus allowing for a clearer view of expected revenue growth due to the underlying fundamentals of the state economy.) The FY 2016 estimates (both the original and the revised estimate) themselves now appear to have been overly optimistic – current projections are that FY 2016 collection totals will fall \$350 million to \$450 million below the revised FY 2016 estimate of \$25.751 billion.

To close this large gap in the FY 2017 budget (\$750 million) during eleventh-hour negotiations, House and Senate conferees employed a variety of budget balancing strategies. The table below lists the new revenue-related budget balancing strategies and is followed by brief bullet points describing each strategy (for more detailed discussions of these and other strategies used in the Legislature's FY 2017 budget, see the Tax Revenues, Non-Tax Revenues, and Other Budget-Balancing Strategies sections, below):

HOW THE LEGISLATURE CLOSED THE FY 2017 \$750 MILLION SHORTFALL (\$ millions)	
Capital gains taxes insufficient to trigger assumed Stabilization Fund deposit	206.0
Assume automatic personal income tax rate trigger will not be activated	79.0
Reduced transfer to School Building Authority SMART Fund	32.4
Reduced transfer to MBTA	29.2
Net MassHealth savings	72.9
Additional line-item reductions made by Legislature	180.5
Spending of anticipated FY 2017 end-of-year reversions	100.0
Updated revenue assumptions	50.0
TOTAL	750.0

- Elimination of an anticipated \$206.0 million deposit to the state’s Stabilization (“Rainy Day”) Fund. With lowered expectations for FY 2017 capital gains tax collections, the Legislature assumes that a previously projected, automatic deposit of “excess” capital gains revenue into the Stabilization Fund will no longer take place (see below for a more detailed discussion).
- A \$79.0 million savings from assuming that lower-than-expected FY 2016 revenue growth will prevent an automatic reduction in the state’s personal income tax rate (from the current 5.10 percent to 5.05 percent).
- A \$61.6 million savings (\$32.4 million + \$29.2 million) from reduced transfers from the General Fund to the School Building Authority’s SMART Fund and to the MBTA. (These transfers occur as a matter of law, with the specific transfer amounts determined as a share of total annual sales tax revenues. With lowered projections for sales tax revenues in FY 2017, transfers to these two accounts likewise would decline, producing the “savings” listed in the table, above.)
- A \$72.9 million assumed net MassHealth savings, due to a combination of funding reductions, and payment deferrals, as offset by reduced federal reimbursement (see MassHealth and Health Reform section of this *Budget Monitor*.) For the line items that the Legislature has underfunded, it may be necessary to provide supplemental funding over the course of the year.
- Approximately \$180.5 million in additional line item reductions incorporated into the Legislature’s budget, as compared to prior budget proposals.
- Spending \$100.0 million in assumed end-of-year “reversions” (money appropriated to specific accounts but that budget writers are assuming will go unspent and thus will be available to supplement other accounts late in the fiscal year.
- Approximately \$50.0 million in new non-tax revenues identified by the Legislature.

Overview of Revenue and Temporary Budget Solutions

Earlier FY 2017 budget proposals from the Governor, House, and Senate all were based on the original FY 2017 CRE (\$26.860 billion), and yet all still used significant one-time and temporary revenue sources to bring their proposals into balance. The Legislature’s budget adopts all of these earlier budget balancing strategies (increasing its reliance on some), while also bringing still other strategies into play in order to address the new \$750.0 million revenue hole.

The Legislature’s FY 2017 budget draws on a total of \$623.7 million in one-time and temporary sources in order to achieve balance – in other words, sources that will not be replenished with new revenues beyond FY 2017 (see table, below). Such temporary revenue sources are useful for balancing the budget only in the current fiscal year, and their use most often adds to the challenge of balancing the budget in future years. (To read more about the projected FY 2017 budget gap as understood when budget writers were headed into this year’s budget season, see [MassBudget's FY 2017 Budget Preview.](#))

Among the “other temporary budget-balancing solutions” is the underfunding of several accounts that likely will require significant supplemental, mid-year funding. This too is problematic. Best budgeting practices would include fully funding these accounts as part of the initial budget, rather than assuming that additional funding will be provided mid-year.

FY 2017 REVENUE PROPOSALS (\$ millions)	FY 2017 Governor		FY 2017 House		FY 2017 Senate		FY 2017 Legislature	
	Ongoing	Temporary	Ongoing	Temporary	Ongoing	Temporary	Ongoing	Temporary
TAX REVENUES								
Portion of capital gains revenue diverted from Stabilization Fund		150.0		150.0		150.0		150.0
Large tax settlements	115.0		125.0		125.0		125.0	
Cap on the Life Sciences tax credit		5.0		5.0		5.0		5.0
Retention of Tourism Fund Revenue		44.0		44.0		34.0		44.0
SUBTOTAL	115.0	199.0	125.0	199.0	125.0	189.0	125.0	199.0
NON-TAX REVENUES								
Court house sale		30.0		30.0		30.0		30.0
Transfer from the Delivery System Reform Trust		73.5		73.5		73.5		73.5
Transfers from human services trust funds		12.7		12.7		12.7		12.7
Transfer from Commonwealth Care Trust	86.8		71.8		71.8		71.8	
Civil liberties litigation revenue		0.0				0.0		20.0
SUBTOTAL	86.8	116.2	71.8	116.2	71.8	116.2	71.8	136.2
OTHER MAJOR TEMPORARY BUDGET-BALANCING STRATEGIES								
Underfunding of Emergency Assistance		4.2		41.0		40.6		40.5
Underfunding of Private Counsel Compensation		1.4		26.4		26.4		26.4
Underfunding of Sheriffs' accounts		12.0		26.0		23.5		48.1
Underfunding of MassHealth								25.0
Not funding the full required deposit to the State Retiree Benefits Trust		48.3		48.3		48.3		103.0
Using debt reversions to fund the State Retiree Benefits Trust		72.5		72.5		72.5		25.8
Using reversions to fund the Mass. Rental Voucher Program				14.7		14.7		
Postponing MassHealth payments until FY 2018 (net of revenue loss)								19.7
SUBTOTAL	0.0	138.4	0.0	228.9	0.0	226.0	0.0	288.5
TOTAL	201.8	453.6	196.8	544.1	196.8	531.2	196.8	623.7

Tax Revenue

The starting point for every state budget is the Consensus Revenue Estimate (CRE). The Fiscal Year 2017 CRE figure agreed to by the Administration, the House, and the Senate was \$26.86 billion. As described above, however, with FY 2016 collections falling short and projections for FY 2017 collections likewise downgraded, the Legislature’s FY 2017 budget assumes \$750.0 million less in revenue than originally anticipated. House and Senate budget conferees thus built the FY 2017 budget around a tax revenue total of \$26.11 billion.

The various strategies, old and new, used to close the gap between anticipated tax revenue collections and budgetary spending are discussed below.

Strategies Affecting One-Time Tax Revenues

Diverting Capital Gains Taxes from the Stabilization Fund to the General Fund

Capital gains income tax collections that exceed an annually adjusted threshold (\$1.128 billion for FY 2017) are designated by law for deposit into the Stabilization Fund rather than being made available for budgetary appropriation. The Legislature's FY 2017 budget adjusts that threshold upward, requiring instead deposit to the Stabilization Fund only of capital gains income taxes that exceed \$1.278 billion (rather than above the \$1.128 billion threshold). With this change, the Legislature makes available an additional \$150.0 million to support the FY 2017 operating budget (an approach also taken in the Governor's, the House's, and the Senate's budgets). In effect, this is similar to making a draw of \$150.0 million on the Stabilization Fund to help balance the FY 2017 budget.

Notably, because capital gains income tax revenue had been expected to total \$1.484 billion in FY 2017, all three earlier budget proposals (Governor, House and Senate) planned to make a \$206 million deposit into the Stabilization Fund (\$1.484 billion - \$1.278 billion = \$206 million). The Legislature's FY 2017 budget instead assumes the Commonwealth will collect less in capital gains income taxes – \$1.278 billion rather than \$1.484 billion. (Declining capital gains revenue is an important element driving the estimated \$750.0 million shortfall in FY 2017.) As a result, having set the deposit threshold at \$1.278 billion, the Legislature assumes that no deposit will be made to the Stabilization Fund. In effect, this offsets \$206.0 million of the projected FY 2017 revenue shortfall by assuming an otherwise expected \$206.0 million deposit to the Stabilization Fund won't be made.

Large Settlements & Judgments Exceeding \$10 Million Each

The FY 2015 budget amended the General Laws to allow much of the revenue derived annually from large tax-related and non-tax-related settlements and judgments to be used for budget appropriations rather than be deposited into the state's Stabilization Fund, as had been done in years prior. Under the new law, each year, the annual average for these types of collections over the prior five years is calculated and set as a threshold. Collections below the threshold are available for budgetary appropriations, but once total collections exceed the threshold, all additional such revenues are deposited into the Stabilization Fund.

In the five years from FY 2011 through FY 2015, annual collections from these excesses ranged considerably, from a low of \$133 million in FY 2013 to more than \$436 million in FY 2014. The five year average has hovered around \$250 million, thus directing significant resources to the Stabilization Fund during years when collections exceeded this threshold. For FY 2015, the threshold was calculated at \$263 million and for FY 2017 it likely will be a similar amount. Such collections in FY 2015 totaled \$226 million. In no recent year have collections from this source been below \$130 million. The Legislature's FY 2017 budget relies, conservatively, on \$125.0 million from this source. This amount matches the current projection from the Executive Office of Administration and Finance for FY 2017 revenues available from this source.

Notably, these revenues are the direct result of the efforts of Department of Revenue staff who identify non-compliance and other issues that, in some cases, ultimately lead to large settlements. Funding cuts

that affect the Department of Revenue's ability to hire and retain staff could reduce the amount of revenue available from this – and other – sources in future years (see related discussion, below).

Life Sciences Cap

The Legislature's FY 2017 budget limits the amount of funding to be transferred from the state's General Fund to the Massachusetts Life Sciences Fund. This limit on the funding available for distribution through the Massachusetts Life Sciences Credit program is expected to save \$5.0 million in FY 2017. This fund supports the cost of a corporate tax credit program that is intended to incentivize companies involved in "life sciences research and development, commercialization and manufacturing" to create and retain full-time permanent jobs within the Commonwealth. Companies must apply for and be awarded these credits, but credits are available only to the extent that funds are available.

Strategies Affecting Ongoing Tax Revenues

Automatic Personal Income Tax Rate Reduction

A number of assumptions had been "baked into" the original FY 2017 CRE (\$26.860 billion), including the revenue losses associated with several different tax cuts. These tax cuts included the automatic reduction in the tax rate on personal income that occurred January 1st, 2016 (from 5.15 percent to 5.10 percent), as well as the assumption that *another* automatic rate reduction would occur half way through the 2017 fiscal year (dropping the rate from 5.10 percent to 5.05 percent). Given that these automatic rate cuts only occur when certain conditions are met (including sustained revenue growth in the quarters preceding each New Year) and that FY 2016 revenue growth has been weaker than expected, it now appears likely that there will not be a further rate cut come January 1st, 2017. (For a more detailed discussion see MassBudget's [Automatic Income Tax Rate Cuts: FAQ.](#))

House and Senate conferees assumed that this further rate cut will not occur, which if true, will prevent the (until recently) expected loss of some \$79.0 million in tax revenue during FY 2017. The Legislature's FY 2017 Budget uses this \$79.0 million to close a portion of the \$750.0 million revenue hole. (The original FY 2017 CRE also took into account the recent increase in the value of the state's Earned Income Tax Credit, as well as other smaller tax changes. The impact of these changes on FY 2017 collections will not be affected by downward revisions in projected FY 2016 and FY 2017 revenues.)

Funding Cuts to the Department of Revenue

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

The Legislature's FY 2017 budget funds DOR's tax activities at \$105.4 million, which is \$15.9 million (or 13.1 percent) less than the FY 2016 current budget amount of \$121.3 million. Notably, current FY 2016 funding levels already have been reduced by \$1.5 million from the levels approved in the FY 2016 GAA

due to mid-year emergency 9C cuts implemented by the Governor. Relative to FY 2016 GAA funding levels, the Legislature’s appropriations are still more severe (a 14.1 percent reduction).

FUNDING FOR DEPARTMENT OF REVENUE

Line Item #	Line Item Name	FY 2016 Current	FY 2017 Legislature (in FY 2016 structure)	Difference: FY17 Legis. - FY16 Current
1201-0100	Dept. of Revenue	93,323,535	77,436,443	(15,887,092)
1201-0130	Add'l Auditors Retained Revenue	27,938,953	27,938,953	(0)
TOTAL		121,262,488	105,375,396	(15,887,092)

*Budget proposals sometimes shift the allocation of funding among line items. The chart above presents those proposals in the FY 2016 funding structure to make comparisons easier.

A substantial portion of the proposed cut reflects anticipated personnel reductions, as more than 220 DOR employees took part in the Commonwealth’s early retirement program. The combined salaries of these retiring DOR employees totals \$19.0 million. While DOR will fill a portion of the vacated positions, a significant share of the positions will remain unfilled. Large staff reductions can have implications for DOR’s ability to identify and collect all the taxes owed to the Commonwealth, such as those that lead to large tax settlements. As described in the Large Settlements & Judgments section (above), the Commonwealth relies on such large settlements both to fund annual operating expenses and to build reserves in our Stabilization Fund.

Auditors and collectors recover far more in unpaid taxes than they earn in salaries and benefits. During debate on the FY 2014 budget, a legislative proposal recommended a \$3.6 million cut in DOR’s budget, which the Department estimated would cause the layoff of 60 full time positions, resulting in the loss of almost \$50 million in revenue.

The Legislature’s reduction in FY 2017 funding levels for DOR could result in the loss of tens of millions of dollars in revenue – or more – in FY 2017 and beyond. Moreover, if vacated positions are not filled in future years (which will require reversing some or all of the recent cuts), there is a danger that the cuts not only could reduce permanently the Commonwealth’s *ability* to collect unpaid taxes that are legally owed to the state, but also that such cuts could engender greater levels of tax *evasion*. If sophisticated, well-financed individual and corporate taxpayers come to view DOR’s audit and collection capacities as permanently degraded, some of these taxpayers could see this as an opportunity to reduce their tax payments through increased levels of tax evasion or other forms of non-compliance.

Non-Tax Revenue

The Legislature’s Fiscal Year (FY) 2017 budget relies on many of the same non-tax revenues as the House and Senate proposals did, however, there are some significant new strategies for balancing the budget.

There are three main types of non-tax revenue that support the state budget: 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 what are known as “transfer” revenues, which include lottery receipts, revenues from the newly-licensed gambling facilities, and funds that the state draws from an assortment of non-budgeted

trusts.

A portion of the state's tobacco tax revenue is deposited directly into the Commonwealth Care Trust Fund (CCTF) to help pay for health care. As in FY 2016, there is language in the budget that allows up to \$110.0 million of this revenue to be transferred into the General Fund to help balance the budget. However, the amount actually transferred in FY 2017 is likely to be closer to \$71.8 million.

There are several non-tax revenue proposals that come from temporary initiatives and help to balance the budget. These include:

- The Administration plans on selling the Sullivan Court House in East Cambridge in FY 2017; this would bring in approximately \$30 million in one-time revenue.
- The budget counts on \$73.5 million coming to the General Fund from the health care provider assessments generated in the Delivery System Reform Initiative (see MassHealth and Health Reform section of this *Budget Monitor*.)
- The budget transfers \$12.7 million remaining in several human services trust funds to the General Fund to help balance the budget. These "trust sweeps" are uses of surplus funds that are available only on a one-time basis.
- In late June, the Attorney General announced that a major settlement with Volkswagen over emissions fraud would bring in substantial funds to the states. The current estimate for Massachusetts for FY 2017 is \$20.0 million, as restitution for the violation of state consumer protection laws.

Other Budget-Balancing Strategies

In addition to the tax and non-tax revenues used to support the Legislature's budget, the conferees also employed a number of other strategies to bring the budget into balance (see "Other Major Budget-Balancing Strategies" in table above). These include underfunding several accounts that typically are provided with supplemental funding during the course of the fiscal year, as well as using funds appropriated for FY 2016 purposes to fund FY 2017 expenses.

- Relative to current FY 2016 funding levels, The Legislature directs \$40.5 million less to the **Emergency Assistance** program, which provides shelter and assistance to low-income families that are homeless or at risk of becoming homeless. As with the services provided through Private Counsel Compensation account, Massachusetts law requires that any family that meets certain eligibility criteria be provided with emergency assistance support. As such, lawmakers must provide supplemental funding to this account as needed. It is highly likely that such supplemental funding will be required in FY 2017.
- The Legislature's budget provides \$26.4 million less for the **Private Counsel Compensation** line-item than currently is provided to this account in FY 2016. The Commonwealth hires private lawyers to represent some indigent defendants, though in recent years lawmakers have attempted to provide a larger share of indigent defense through the use of public defenders (employees of the state). Because the Constitution requires the Commonwealth to provide an adequate legal defense for qualifying indigent defendants – and therefore lawmakers are not at liberty simply to cap private counsel indigent defense funding --

it is very likely that this account will receive significant supplemental funding in FY 2017.

- The Legislature’s budget provides significantly less funding to **sheriffs’ accounts** in FY 2017. Often, sheriffs are provided with significant mid-year supplemental funding to cover expenses such as over-time pay, inmate medical expenses, salary increases and more. Assuming sheriffs will require total funding similar to current FY 2016 levels, the legislature underfunds Sheriffs’ Departments by about \$48.1 million.
- The Legislature’s budget underfunds MassHealth accounts by about \$50 million, particularly in the Fee-for-Service and Children’s Behavioral Health Initiative line items. The net budget impact of this underfunding is approximately \$25.0 million.
- The FY 2017 budget underfunds the required contribution for “other post-employment benefits” (“OPEB”) for state retirees by \$103.0 million, and allows for using \$25.8 million from expected surplus debt appropriations to cover the costs of this contribution (see State Employee Health Insurance section of this *Budget Monitor*).
- The Legislature pushes some FY 2017 MassHealth costs into FY 2018, generating a savings of \$19.7 million for FY 2017. While this strategy relieves some of the pressure on the FY 2017 budget, this is simply a postponement of spending and will add to the MassHealth budget for FY 2018. (It is worth noting that the MassHealth line items have been reduced by \$45.0 million, but because of reduced federal reimbursement, the budget impact of the cut is only \$19.7 million.)

Other Revenue-Related Elements

Apart from measures that would affect specific one-time or ongoing tax revenues, or that would produce temporary savings to help balance the Legislature’s FY 2017 budget, the Legislature also adopted other provisions related to revenues, including the following:

- The Legislature’s FY 2017 budget includes a provision that will increase funding for low-income tax clinics throughout the state. The Legislature’s budget allows the Commissioner of Revenue to offer grant funding to qualified **low-income taxpayer clinics** to expand their work with low-income taxpayers, helping these taxpayers to file tax returns and help them with any disputes they may have with the Department of Revenue. Increased and improved tax filings among low-income households likely will increase access to a number of federal and state tax credits, such as the Earned Income Tax Credit, Child Tax Credit and others. The Legislature provides \$100,000 to support this initiative.

The Legislature establishes a **commission to study online fantasy gaming** and “daily fantasy sports,” including how best to regulate this new industry and what the potential effects might be on the Commonwealth’s revenue stream.

TOTAL BUDGET BY CATEGORY AND SUBCATEGORY

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

BUDGET BY CATEGORY AND SUBCATEGORY (\$ millions)	FY 2001 Final Adjusted for Inflation to FY17	FY 2016 Current	FY 2017 House	FY 2017 Senate	FY 2017 Legislature
Education	7,346.8	7,689.0	7,850.1	7,885.6	7,803.1
Early Education & Care	725.8	569.8	580.9	582.4	577.7
Higher Education	1,339.7	1,171.8	1,162.0	1,184.7	1,158.0
K-12: Chapter 70 Aid	4,148.1	4,515.0	4,617.7	4,628.0	4,628.0
K-12: Non-Chapter 70 Aid	682.3	628.5	622.5	623.3	604.6
K-12: School Building	450.8	803.9	867.1	867.1	834.7
Environment & Recreation	300.8	212.8	201.0	201.4	200.3
Environment	134.0	94.0	86.3	84.5	85.3
Fish & Game	24.3	28.4	28.0	28.3	28.1
Parks & Recreation	142.5	90.4	86.7	88.6	86.9
Health Care	10,011.2	19,224.2	19,510.1	19,469.7	19,295.4
MassHealth (Medicaid) & Health Reform	7,570.5	16,290.5	16,514.5	16,480.5	16,343.2
Mental Health	826.3	748.2	760.1	761.4	761.1
Public Health	725.5	580.4	585.4	582.9	604.0
State Employee Health Insurance	888.9	1,605.0	1,650.1	1,644.9	1,587.0
Human Services	3,737.3	4,125.9	4,176.7	4,190.0	4,141.4
Child Welfare	799.3	928.0	955.7	964.7	940.9
Disability Services	1,345.3	1,847.2	1,892.1	1,892.5	1,891.1
Elder Services	260.6	264.8	269.6	270.9	267.0
Juvenile Justice	165.2	177.1	176.5	177.1	177.0
Transitional Assistance	1,039.1	693.8	679.5	677.1	660.9
Other Human Services	127.7	215.1	203.3	207.7	204.6
Infrastructure, Housing & Economic Development	2,025.2	2,295.0	2,280.1	2,285.6	2,240.1
Commercial Regulatory Entities	59.9	58.4	57.8	60.2	57.1
Economic Development	293.3	153.0	142.3	138.9	144.6
Housing	346.2	488.8	447.2	450.0	432.7
Transportation	1,325.8	1,594.7	1,632.8	1,636.5	1,605.7
Law & Public Safety	2,590.2	2,703.2	2,673.3	2,683.0	2,647.8
Courts & Legal Assistance	784.7	723.9	705.0	711.9	703.2
Law Enforcement	378.7	382.6	397.3	397.5	392.2
Prisons, Probation & Parole	1,221.1	1,374.8	1,343.7	1,349.1	1,327.6
Prosecutors	160.2	161.2	167.9	165.9	164.8
Other Law & Public Safety	45.6	60.6	59.4	58.6	60.0
Local Aid	1,771.4	1,018.6	1,056.8	1,055.8	1,061.3
General Local Aid	1,744.2	979.8	1,021.9	1,021.9	1,021.9
Other Local Aid	27.2	38.8	34.9	33.9	39.3
Other	4,673.2	5,017.2	5,429.4	5,433.8	5,422.5
Constitutional Officers	109.1	76.8	83.8	85.3	84.0
Debt Service	2,207.6	2,630.7	2,642.5	2,642.5	2,642.5
Executive & Legislative	84.1	74.2	75.0	76.0	74.5
Libraries	48.0	25.3	26.0	25.4	25.2
Pensions	1,442.7	1,972.0	2,198.1	2,198.1	2,198.1
Other Administrative	781.7	238.2	404.1	406.4	398.2
Total Budget	32,456.0	42,285.8	43,177.6	43,204.9	42,811.8

NOTE: The FY 2016 and FY 2017 MassHealth and Health Reform totals are not comparable because of the timing of payments for certain trusts. MassBudget subtracts \$262.8 million from the FY 2016 budget in "Other Administrative" to reflect the total net savings from early retirement in FY 2016. MassBudget makes other adjustments to the totals to allow for better across-year comparisons.

- MassBudget’s totals include the “**pre-budget transfers**” of funds. Statutes require that the Legislature transfer portions of revenue prior to the appropriation process to support certain functions. Although these transfers function no differently from appropriations, the Governor and Legislature do not reflect these expenditures in their budget totals; instead, they are shown as amounts deducted or transferred from revenue prior to the budgeting process. To better reflect total state funding, MassBudget includes these pre-budget transfers in appropriation totals. In FY 2017, these add \$4.22 billion to the total: tax revenues dedicated to the MBTA and school building assistance, cigarette excises dedicated to the Commonwealth Care Trust Fund, the state contribution to the pension system, a transfer to the State Retiree Benefits Trust, and transfers to the Workforce Training Trust. The FY 2017 budget proposal includes a new pre-budget transfer to the Mass. Tourism Trust in order to fund specific tourism-related line items.
- MassBudget’s totals include annual appropriations into **non-budgeted (“off-budget”) trusts**. The transfer of funds from the General Fund or another budgeted fund into a non-budgeted trust is a form of appropriation, and should be treated as any other appropriation. Prior to FY 2011, the budget authorized these transfers in Outside Section budget language. Starting in FY 2011, a new section of the budget, **Section 2E**, systematically accounted for the transfer of funds into off-budgeted trusts. MassBudget’s totals include these operating transfers in all budget years.
- When spending that is now included in the budget was previously “off-budget,” MassBudget’s totals include the prior years’ “off-budget” spending totals in order to reflect more accurate **year-to-year comparisons**. For example, funding directed to health care providers as partial reimbursement for uncompensated care was previously funded by a transfer of federal revenue directly into the off-budget Uncompensated Care Trust Fund. This spending was brought on-budget in FY 2009, and incorporated into the state’s budgeted health care appropriations. MassBudget health care budget totals include the off-budget spending for these services in order to reflect a more accurate across-year comparison.
- MassBudget reduces **State Employee Health Insurance** totals to exclude spending on health insurance for municipal employees and retired teachers for which the state is fully-reimbursed by municipal government.
- MassBudget reduces funding for the community colleges, state universities, and University of Massachusetts campuses by the amount of tuition that these campuses remit to the state treasury each year. These adjusted totals more accurately reflect the “net” appropriations available to the campuses to support operations, and allow for more consistent comparisons across the years, since the policies about **tuition remission** have varied from year to year and from campus to campus. For example, until FY 2003, all the University of Massachusetts (UMass) campuses were required to remit to the state treasury all tuition from all students. From FY 2004 – FY 2011, UMass Amherst (only) remitted only in-state tuition, and retained tuition from out-of-state students. Starting in FY 2012, the remaining UMass campuses were also allowed to retain tuition from out-of-state students. Starting in FY 2017, UMass will retain all tuition revenue, remitting none. The MassBudget adjustments make it possible to make meaningful comparisons of appropriations to these campuses even with these policy changes.

- MassBudget’s totals include funding paid for out of **anticipated reversions**. For example, a portion of funding for health care for retired state employees has in some years come from anticipated reversions of funds.
- MassBudget’s totals reflect legislatively-approved “**prior appropriation continued**” (PAC) amounts. In most instances, MassBudget shifts the PAC amount from the year in which the funding was first appropriated into the year in which the Administration expects to spend the totals.
- Budget proposals often **include proposals to shift funding** from one line item to another. To the extent the data allow, MassBudget adjusts appropriation totals to allow for better across-year comparisons by shifting the proposed transferred amounts back into the prior year’s funding structure.