

BUDGET MONITOR

House Floor Action on the FY 2005 Budget

Overview

On April 30th, the House of Representatives unanimously passed their amended budget. During debate, the House adopted amendments to increase spending on home visits for at-risk newborns, homelessness services for elders, and family health services. The final House budget also includes new investments in financial assistance for homeless families and establishes the Department of Early Education and Care, which would oversee all early care programs in the Commonwealth. Although the House budget surpasses both House Ways and Means and House 1 in funding for early literacy services,

teen pregnancy prevention, and transportation services for mentally retarded individuals, its proposed FY 2005 funding levels for these programs are still below FY 2003.

This Budget Monitor will review highlights from the amendments adopted by the House of Representatives, examining how funding levels compare to the budgets proposed by House Ways and Means and by the Governor. The analysis will also compare this budget to current appropriations.

Healthcare

MassHealth Programs

MassHealth is the state program which provides healthcare coverage and services to low-income, elderly and disabled residents of the Commonwealth. This budget calls for spending levels that are \$92.5 million below those originally proposed by House Ways and Means. According to expenditures detailed in the final House FY05 budget, the following

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- ***Governor Romney's FY 2005 Budget***
- ***The FY 2005 House Ways and Means Budget***

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is slated to be spent during FY05 on MassHealth.¹

FY 2004	\$6,197,025,027
FY 2005	<u>\$6,650,030,872</u>
Increase (decrease)	\$ 452,405,845
Percentage Change	7.3%

The House adjusted the appropriation for Senior Care to \$1.67 billion. This figure appears to account for the \$94.5 million transfer to the new Senior Care Options program. The final budget adds \$2 million in funding to the Healthy Start program, bringing it to \$10.6 million. Although full funding for the item would be \$14.2 million, this total is 71 percent higher than the FY04 appropriation of \$6.2 million. The House removed authorization for MassHealth enrollment caps in the HIV, CommonHealth, and Family Assistance programs.

The final House FY05 budget follows Ways and Means by funding MassHealth Essential – the state’s health insurance program for the long-term unemployed – at \$110 million, \$50 million below full-funding, and maintains the program’s October 2004-October 2005 funding cycle. Thus, the \$110 million allocated will only be enough to enroll 25,000 individuals in MassHealth Essential, as

¹ These numbers do not include appropriations for the Uncompensated Care Pool or the nursing home assessment. While the total increase in spending called for in the HWM budget is \$545 million, \$103 million of that can be accounted for by an increase in retained revenue projected for FY05. It is also important to note that only half of any spending increase is covered by the state, as our Medicaid program receives 50 percent reimbursement from the federal government.

opposed to full enrollment of 36,000 people. In addition, this budget would not restore benefits to the 9,800 legal immigrants whose benefits were eliminated last year. This budget also rejected amendments which would have increased the appropriation for the Children’s Medical Security Plan and expanded the Insurance Partnership program by raising income eligibility limits and increasing employer subsidies.

Public Health

Between FY01 and FY04, the department’s funding fell by over \$133 million, a 26.6 percent decrease (30.9 percent in inflation-adjusted terms). The House Ways and Means budget would have level-funded the Department of Public Health; the final House FY05 budget calls for an increase in public health spending of 2 percent over FY04 levels.

FY 2004	\$373,796,136
FY 2005	<u>\$381,452,905</u>
Increase (decrease)	\$ 7,656,769
Percentage Change	2.0%

This budget calls for an increase in the Family Health Services line item of \$1.5 million over FY04, House 1 and the House Ways and Means proposal, bringing its total to \$6.3 million. Teen pregnancy prevention programs would increase by \$375,000 to \$825,000 – still \$150,000 below FY04 levels, but substantially above the \$450,000 proposed in House 1 and the House Ways and Means budgets. Funding for

the immunizations program would increase by \$1.6 million, or 8.5 percent above the \$19.1 million allocated in FY04 (House 1 and House Ways and Means would have level-funded the program).

Funding for school health nurses would increase by \$1.5 million over the House Ways and Means proposal and FY04 (the Governor would have eliminated this item). Smoking cessation and prevention programs would gain \$2 million in funding over what House Ways and Means proposed, bringing the total to \$3.75 million. Although the increase in smoking prevention funding is a positive step, its total would remain 93 percent below the \$50.5 million allocated in FY 2001.

Education: Chapter 70 and Grants

In the governor’s FY05 budget, funding for Chapter 70 Aid and the Department of Education’s grants’ programs increased by \$112.8 million, or 3.2 percent. The House Ways and Means proposal called for an increase of \$185 million, or 5.3 percent. This final House FY05 budget proposes a level of funding that is \$13.2 million more than House Ways and Means’ figure and \$198.6 million above the final FY04 allocation.

Total Education Spending²

FY 2004	\$3,501,934,249
FY 2005	<u>\$3,700,541,674</u>
Increase (decrease)	\$ 198,607,425
Percentage Change	6%

Chapter 70 Aid

FY 2004	\$3,111,124,259
FY 2005	<u>\$3,186,162,654</u>
Increase (decrease)	\$ 75,038,395
Percentage Change	2%

Chapter 70 Aid is the unrestricted local aid that serves as the largest single source of funding for state public education revenue. Communities use this aid to supplement local revenue and Department of Education grants and reimbursements. The final House FY05 budget maintains the level of Chapter 70 funding proposed by House Ways and Means. This amount would signal an increase of \$75 million – \$5.4 million more than the governor proposed, and 2.4 percent higher than in FY04. This appropriation essentially keeps up with existing costs, and is still \$73 million less than the FY03 allocation.

Grants and Reimbursements

FY 2004	\$390,809,990
FY 2005	<u>\$514,469,020</u>
Increase (decrease)	\$123,659,030
Percentage Change	32%

² The numbers in this section do not include appropriations or debt service for the School Building Assistance program. Figures for grants and reimbursements include support for the Office of Educational Quality.

Compared to FY04, the final House budget appropriates \$123.7 million (31.6 percent) more for non-Chapter 70 K-12 education. The final House FY05 budget would reinstate \$5.7 million in funding for the school-to-work programs that both the House Ways and Means proposal and the Governor's budget had eliminated. MCAS remediation funding would increase to \$15.0 million – \$1.0 million more than House Ways and Means proposed but \$35 million less than the FY03 appropriation. The educational expenses reserve would be funded at \$5 million – neither the Governor nor House Ways and Means provided support for this item. Early literacy funding would see a slight increase of \$50,000, or 1.3 percent, while emergency food assistance would rise by \$97,000 to \$747,000, reinstating FY04 levels.

Higher Education

State spending on higher education includes operations support for the University of Massachusetts and the state and community college systems. Higher education funding also includes student financial aid and scholarship programs. The budget for higher education fell by 19 percent from FY01-FY04.

FY 2004	\$862,437,905
FY 2005	<u>\$894,534,941</u>
Increase (decrease)	\$ 32,097,036
Percentage Change	4%

In this final House FY05 budget, funding for higher education is above the amount

proposed by House Ways and Means and above the Governor's House 1 proposal. This proposal would increase funding over FY04 levels by the following amounts: 2.5 percent for state colleges; 1.5 percent for community colleges; 6.2 percent for the University of Massachusetts. The Governor provided slightly higher funding for state and community colleges, but less for UMass than the final House proposal (he would have increased their budgets by 4.6 percent, 5.2 percent, and 2.4 percent, respectively, over FY04 levels). All of these figures account for the funding of existing contractual obligations with employees.

Transitional and Cash Assistance

During budget debate, the House voted to add \$1.5 million to Transitional Assistance for Families with Dependent Children (TAFDC), but this increase does not restore overall funding for cash assistance programs to FY04 levels.

FY 2004	\$595,927,196
FY 2005	<u>\$591,474,385</u>
Increase (decrease)	(\$ 4,452,811)
Percentage Change	-1%

In addition to increasing funding for TAFDC, the House proposes to change work requirements for parents with children older than 2 years of age. Under current law, all eligible parents with children older than the age of 2 are required to work 20 hours per week, although parents with children between 2 and 5 years of age can meet the work

requirement through education or training programs. The budgets proposed by the Governor and House Ways and Means would require parents with children between 2 and 5 years of age to work 24 hours per week; parents with school-aged children would be required to work 34 hours per week. The House amendment would maintain the 20 hour per week work requirement for parents with children between 2 and 5 years of age. However, the House budget makes a distinction between parents with children between 5 and 9 years of age and those with children older than 9, requiring the former group to work 24 hours per week and the latter group to work 30 hours per week. Under the House proposal, parents of school age children would be required work fewer hours than was proposed by the Governor and House Ways and Means. The amendment to TAFDC would also allow all parents to meet their work requirement through education and training activities.

Child Care Services

The House proposes to increase funding for the Office of Child Care Services by \$1.45 million. The House also establishes the Department of Early Education and Care with initial funding of \$90,000. This agency, which would exist as an agency within the Department of Education, would oversee all public and private early education and care programs in the Commonwealth.³

³ Because the Department of Education and Early Care is proposed as an agency within the



FY 2004	\$365,783,476
FY 2005	<u>\$367,233,518</u>
Increase (decrease)	\$ 1,450,042
Percentage Change	0.4%

Compared to House Ways and Means, the House also increases funding for home visits for at-risk newborns as well as field operations and licensing for the Office of Child Care Service to \$12.2 million and \$6.9 million respectively. The amounts appropriated provide level-funding. The Governor proposed to cut funding for home visits for at-risk newborns in half (a \$6.1 million cut) and provided a slight increase of \$245,999 to field operations and licensing.

Elder Affairs

House amendments increase funding for elder affairs to \$195.4 million, which is \$1.1 million higher than the \$194.4 million appropriated by House Ways and Means. The Governor’s budget essentially level-funded elder affairs at \$191.2 million.

FY 2004	\$191,182,677
FY 2005	<u>\$194,406,671</u>
Increase (decrease)	\$ 4,223,994
Percentage Change	2%

The House voted to increase funding for elder protective services by \$1.0 million. These services provide investigation and intervention on behalf of elders being

Department of Education, its funding is not represented in this table.

neglected, abused, or financially exploited. The House also provides \$50,000 for the Elder Residential Assessment Placement Program (ERAPP), which was eliminated in the FY04 budget and was not included in the budget proposed by the Governor and House Ways and Means. The amount the House appropriates for ERAPP is well below both the FY03 funding level of \$250,000 and its FY01 full-funding level of \$425,000.

Other Human Services

The final House budget provides \$507.1 million for other health and human services. Budget amendments adopted by the house increase funding for homelessness services, programs for teens, and disability agencies within the Executive Office of Health and Human Services.

FY 2004	\$476,664,379
FY 2005	<u>\$507,117,273</u>
Increase (decrease)	\$ 30,452,894
Percentage Change	6%

House amendments increased appropriations to homelessness services for veterans and other individuals. Both House 1 and House Ways and Means level-funded veteran homeless services at \$3.4 million. The House budget would increase funding to \$3.9 million and maintain the two separate accounts that were consolidated in House 1 and House Ways and Means. Funding for homeless shelters for individuals, which the Governor level-funded at \$30.0

million and House Ways and Means cut by \$2.0 million, is funded at \$29.7 million in the final House budget. The Targeted Cities Initiative, which was reinstated in the House Ways and Means budget at \$1.1 million dollars, is funded at \$1.7 million in the final House budget. This program was last funded at \$455,000 in FY03, and the House provides at slight increase over its funding amount of \$1.4 million in FY02. The Governor did not fund this program in his budget.

The House budget increases funding for Teen Parent Programs administered through the Department of Transitional Assistance. The House funds these programs at \$5.6 million, while House Ways and Means included \$5.1 million. Both of these amounts are below the FY04 appropriation of \$6.1 million. The Governor’s budget proposed to consolidate Teen Parent Programs with two other accounts. A net reduction of \$5 million would result from this consolidation.

The House budget appropriates a total of \$116.9 million toward administrative costs for the Department of Transitional Assistance (DTA), which is \$500,000 more than the amount proposed by House Ways and Means but smaller than FY04 and House 1 appropriations of \$117.6 million and \$118.5 million respectively.

The House budget increases appropriations for various disability agencies:

- The House budget would increase overall funding for the Massachusetts



Rehabilitation Commission to \$36.2 million. Although House 1 essentially level-funded the MRC at \$35.9 million, House Ways and Means proposed to cut funding to \$35.3 million.

- Massachusetts Commission for the Blind’s Turning 22 Program is funded slightly higher than its FY04 total of \$8.1 million, which is the same amount appropriated under House 1 and \$82,000 more than the amount proposed by House Ways and Means. The House budget eliminated fees for ID cards and certificates of blindness, which were instituted in FY04; this action will remove \$114,000 from the MCB’s budget, but amendments adopted to fund Turning 22 and community service programs would provide resources that offset this loss.
- Funding for administrative costs for the Massachusetts Commission for the Deaf and Hard of Hearing is \$5.2 million, which is \$290,000 more the FY04 appropriation and the roughly same amount proposed by the Governor. House Ways and Means proposed to level-fund this account at \$4.9 million.
- The budget for the Department of Mental Health would total \$587.1 million under the House budget, a \$1.0 million increase compared to House Ways and Means. Although the total funding level is essentially the same as was proposed by the Governor, the House budget is \$5.7 million below the FY04 budget.
- The House budget appropriates \$1.05 billion to the Department of Mental Retardation. This amount is slightly

higher than the House Ways and Means and House 1 budgets (\$1.05 billion and 1.04 billion respectively), and provides \$37.1 million more than current appropriations. The House increases funding for transportation, day/work programs, and administrative costs compared to both the House Ways and Means and Governor’s budgets. Although funding for the Boulet Settlement is increased—\$2.0 million more than the House Ways and Means and \$10.5 million more than current expenditures—it is \$10.0 million below the Governor’s appropriation of \$70.0 million.⁴ Furthermore, the \$2.0 million increase in funding is offset by a decrease of the same amount for respite services.

Environmental Affairs

The House level-funds the Executive Office of Environmental Affairs at \$183.2 million. This amount partially restores some of the reductions proposed by House Ways and Means.

FY 2004	\$183,319,839
FY 2005	<u>\$182,972,244</u>
Increase (decrease)	(\$ 347,595)
Percentage Change	-0.2%

The House follows the Governor in providing level-funding for the implementation of the Safe Drinking

⁴ Pursuant to the Boulet Settlement, the Department of Mental Retardation is mandated to provide services to individuals on the waitlist for residential placements.

Water Act at \$1.5 million; House Ways and Means proposed to cut funding by roughly \$95,000.

The House partially restored funding for several accounts within the Department of Conservation and Recreation. The amount appropriated by the House is more than that of House Ways and Means, but below current appropriations (\$47.8 million) and the Governor’s proposal (\$47.7 million). The House voted to increase overall funding for DCR’s operations and seasonal hires to \$45.8 million, a \$1.8 million increase compared to House Ways and Means’ appropriations of \$44.0 million.

Transportation

The House budget proposes \$98.5 million for transportation. While this is \$1.0 million higher than the amount proposed by House Ways and Means, it is smaller than the House 1 total of \$128.2 million and the current level of \$139.9 million.⁵

FY 2004	\$139,892,844
FY 2005	<u>\$ 98,454,228</u>
Increase (decrease)	(\$41,438,616)
Percentage Change	-30%

The House is aligned with the House Ways and Means Committee’s refusal to merge the Highway department with the Turnpike Authority as was proposed by

⁵ The House 1 total for transportation does not include the \$274.9 million that the Governor proposed to bring on budget as a result of the Turnpike Merger.

the Governor. The full House, however, increased spending for the Massachusetts Aeronautics Commission and to assist regional transit authorities.

Housing

The House voted to increase funding for the Department of Housing and Community Development to \$76.2 million. The House appropriates: \$2.7 million more than House Ways and Means proposed, \$6.2 million more than House 1, and \$9.5 million more than FY04 appropriations.

FY 2004	\$66,660,641
FY 2005	<u>\$76,183,151</u>
Increase (decrease)	\$ 9,522,510
Percentage Change	14%

The Department of Housing and Community Development’s administrative account would increase by \$560,000 compared to the budget proposed by House Ways and Means.

New housing investments in the House budget include roughly \$700,000 for various community-based organizations. The House also appropriates \$2.0 million for Rental Assistance for Families in Transition (RAFT). This program would provide up to \$3,000 for homeless families as well as those at risk of homelessness to help pay for utilities, security deposits, rent, or moving expenses. This investment of \$2.0 million corresponds to a cut of the same amount to the Emergency Assistance

program, which provides shelter assistance to families.

House appropriation is below the \$115.3 million in current funding and the Governor's proposed level-funding amount.

Other Amendments

- ***Economic Development:*** The House budget appropriates \$114.6 million toward economic development, a \$3.3 million increase compared to House Ways and Means. Nonprofits that promote tourism are the primary beneficiaries of the increases in appropriations. Although the Governor did not provide funding for grants to nonprofits, House Ways and Means allocated \$2.0 million. The House voted to increase the appropriation to \$3.8 million.
- ***Public Safety:*** Overall, the amount the House appropriates to public safety is rather similar to the House Ways and Means and House 1 budgets, with appropriations totaling roughly \$1.3 billion. Although the House's overall total is \$5.0 million less than FY04, the House budget increases spending for county jails and operating the parole board. Funding for the Division of Inspections is \$185,000 higher than the House Ways and Means total of \$3.8 million, but lower than House 1 and FY04 totals of \$4.6 million and \$4.4 million respectively.
- ***Department of Revenue:*** The House voted to fund DOR's operations at \$109.5 million, a \$2.0 million increase compared to House Ways and Means, which would have implemented a \$7.8 million cut. The

SPENDING BY PROGRAM AREA

PROGRAM	FY04 - Current	House 1	HWM	House	House vs. HWM	House vs. FY04	% Chg House vs. FY04
Debt Service	1,609,915,318	1,785,535,468	1,753,766,468	1,753,766,468	0	143,851,150	9%
Pensions ¹	849,625,766	1,234,226,766	1,217,436,000	1,217,436,000	0	367,810,234	43%
MassHealth/Medicaid ²	6,427,625,027	6,860,407,167	6,972,530,872	6,880,030,872	-92,500,000	452,405,845	7%
Cash Asst.	595,927,196	584,007,566	589,974,385	591,474,385	1,500,000	-4,452,811	-1%
Group Insurance	811,131,373	839,159,672	830,745,587	830,745,587	0	19,614,214	2%
K-12 Educ (non Ch 70)	390,809,990	434,031,829	501,108,280	514,469,020	13,360,740	123,659,030	32%
School Building Debt Asst ³	405,150,327	251,019,076	418,019,076	418,019,076	0	12,868,749	3%
Local Education Aid (Ch. 70)	3,111,124,259	3,180,748,022	3,186,162,654	3,186,162,654	0	75,038,395	2%
Unrestricted Local Aid	390,267,936	390,267,936	392,267,936	392,267,936	0	2,000,000	1%
Lottery Aid	661,378,162	661,378,162	661,378,162	661,378,162	0	0	0%
Higher Education ⁴	862,437,905	893,434,007	885,745,078	894,534,961	8,789,883	32,097,056	4%
Child Care Services	365,783,476	357,999,293	366,902,518	367,233,518	331,000	1,450,042	0%
Public Health (DPH)	373,796,136	373,881,129	373,539,744	381,402,905	7,863,161	7,606,769	2%
Social Services (DSS)	685,571,761	702,397,410	700,043,189	700,043,189	0	14,471,428	2%
Mental Health (DMH)	592,826,152	587,653,558	586,123,295	587,123,295	1,000,000	-5,702,857	-1%
Mental Retardation (DMR)	1,014,330,235	1,044,318,458	1,047,734,604	1,051,473,604	3,739,000	37,143,369	4%
Elder Affairs	191,182,677	191,250,572	194,356,671	195,406,671	1,050,000	4,223,994	2%
Senior Pharmacy Program	96,372,765	96,372,765	110,000,000	110,000,000	0	13,627,235	14%
Other Health & Human Serv	476,664,379	497,884,299	501,121,318	507,117,273	5,995,955	30,452,894	6%
Environmental Affairs	183,319,839	190,617,196	176,708,991	182,972,244	6,263,253	-347,595	0%
Transportation ⁵	139,892,844	128,180,676	97,420,972	98,454,228	1,033,256	-41,438,616	-30%
Housing & Community Dev.	66,660,641	69,951,248	73,482,151	76,183,151	2,701,000	9,522,510	14%
Judiciary	596,510,619	585,552,589	580,731,500	580,925,500	194,000	-15,585,119	-3%
Exec. Office of Public Safety	1,263,636,855	1,251,139,203	1,256,050,953	1,258,595,175	2,544,222	-5,041,680	0%
Economic Dev	106,003,767	112,441,198	111,294,551	115,103,983	3,809,432	9,100,216	9%
District Attorneys	76,857,589	76,777,126	75,923,470	76,073,470	150,000	-784,119	-1%
Attorney General	33,478,910	36,091,482	35,643,451	35,933,616	290,165	2,454,706	7%
Libraries	25,500,525	25,158,714	26,670,644	27,020,644	350,000	1,520,119	6%
Other administrative	699,681,290	701,996,567	664,302,837	680,454,882	16,152,045	-19,226,408	-3%
Total	23,103,463,719	24,107,879,154	24,387,185,357	24,371,802,469	-15,382,888	1,268,338,750	5%

Notes:

- (1) Off-budget pension funding in FY04 is \$832.3 million; the House 1 and House Ways and Means budgets propose \$1.216 billion.
- (2) The FY04 Medicaid total includes \$160.0 million in additional retained revenue as well as \$230.0 million for the Uncompensated Care Pool. The House 1 and House Ways and Means MassHealth/Medicaid numbers include funding for the Uncompensated Care Pool. The Governor proposed to transfer \$9.24 million from Medicaid to Elder Affairs. These figures do not include this transfer to facilitate year to year comparisons.
- (3) House Ways and Means reduces available revenue by \$418 million to cover the costs of School Building Assistance.
- (4) The higher education total includes \$30.6 million tuition revenue retained by the campuses.
- (5) Transportation figures for House 1 do not include the \$274.9 million that would be brought on budget as a result of the proposed Turnpike merger.