

BUDGET MONITOR

The FY 2007 House Ways and Means Budget

OVERVIEW

“Cautious” is probably the most accurate word to describe the budget released by the House Committee on Ways and Means on April 10th. Like the Governor’s budget, the House Ways and Means proposal uses a revenue estimate for FY 2007 that is at least \$200 million below the amount of revenue that will be available if current trends continue. Unlike the Governor’s budget, however, it does not include the fiscally risky proposal to enact a tax cut that would ultimately cost over \$600 million a year. Finally, the budget appears to appropriate about \$120 million less than the revenue that it relies on would permit. This means that the budget could remain balanced even if floor debate leads to additional spending within that constraint.

Since, however, this apparent balance is achieved by the use of \$275 million from the “Rainy Day Fund,” there are legitimate questions about whether the proposed budget is structurally balanced. To be structurally balanced, a budget must have adequate permanent revenue to support ongoing spending. For this standard to be met, ongoing revenue would have to exceed projections by at least the amount that the budget proposes to withdraw from the rainy day fund (thus allowing the withdrawn money to be paid back). As described in the revenue section of this monitor, that result is not unlikely.

It is important to remember, however, that to the degree that this budget is balanced, that balance is achieved by a continuation of many of the deep cuts made during the fiscal crisis in local aid, education, public health, environmental protection, and other core areas of state government. Because large tax cuts in the 1990s reduced the revenue available to fund basic public services, now, even as the economy begins to rebound,

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budget writers find themselves able to restore only a portion of the funding that was eliminated during the fiscal crisis.

For example, the House Ways and Means budget increases support for public higher education by \$41.6 million, which is \$22.1 million more than the Governor recommended. Yet this funding level is still 20 percent below that of FY 2001, after adjusting for inflation. Similarly, public health funding is increased by \$12.4 million which is \$5.9 million more than the Governor proposed, but 24 percent below FY 2001 when adjusted for inflation. On local aid, the HWM budget roughly matches the Governor, but, in real terms, leaves cities and towns with ten percent less aid than they received in FY 2001. Finally, in funding local education aid at \$3.886 billion the budget provides less than the Governor proposed and leaves schools with \$278.9 million or eight percent less state aid than they received in FY 2002 (after adjusting for inflation), and much more of a deficit if one adjusts for actual changes in education costs.

This *Budget Monitor* examines the recommendations contained in the House Ways and Means budget proposal, comparing funding levels to FY 2006, to the Governor's proposal, and to the period before the fiscal crisis.

LOCAL AID

The House Committee on Ways and Means recommends \$1.322 billion for unrestricted local aid in FY 2007.

FY 2006	\$1,159,746,098
FY 2007 HW&M	\$1,322,296,219
Increase (decrease)	\$ 162,550,121
Percentage Change	14.0%

Like the Governor, the House Committee on Ways and Means recommends removing the cap on lottery revenues to increase distributions to cities and towns by \$158.7 million. House Ways and Means also proposes to increase funding for the Payment in Lieu of Taxes (PILOT) program, but offers a lower amount than that of the Governor. The House Committee on Ways and Means appropriates \$20.0 million while the Governor allocated \$25.3 million. Both amounts would be higher than the \$16.1 million that is currently devoted to this program. Funding for additional assistance would remain level at \$379.8 million. Despite the overall increase in funding for unrestricted local aid, the proposed amount is, after adjusting for inflation, \$158.2 million or 11 percent below its level in FY 2001.

K-12 EDUCATION

The House Committee on Ways and Means recommends \$4.047 billion for K-12 education, a \$111.0 million increase over FY 2006.

Total K-12 Education

FY 2006	\$3,775,789,300
FY 2007 HW&M	\$3,886,754,813
Increase (decrease)	\$ 110,965,513
Percentage Change	2.9%

Note: 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.

Chapter 70 Aid

FY 2006	\$3,288,931,062
FY 2007 HW&M	\$3,380,366,181
Increase (decrease)	\$ 91,435,119
Percentage Change	2.8%

Chapter 70 aid is provided to cities and towns for public education. House Ways and Means would provide \$3.380 billion in FY 2007, a \$91.4 million or three percent increase over FY 2006. After adjusting for inflation, this proposal is just \$9.2 million or 0.3 percent more than current appropriations. The proposal adopts the Governor's changes in calculating required local contribution and provides enough funding to allow every district to spend at least the minimum amount required by the foundation budget formula. It does not include the House 2 proposal for growth aid. It does, however, provide limited funding to phase in a requirement that the state pay at least 15 percent of the costs of every school district. This initiative primarily benefits towns with relatively high property values and incomes, which do not receive significant help from the existing needs-based formula. The House Ways and Means recommendation is still \$278.9 million or eight percent below funding levels in FY 2002, after adjusting for inflation as measured by the Consumer Price Index.

Grants and Reimbursements

FY 2006	\$ 486,858,238
FY 2007 HW&M	\$ 506,388,632
Increase (decrease)	\$ 19,530,394
Percentage Change	4.0%

The House Committee on Ways and Means proposes to raise funding for the Department of Education's grants and reimbursement programs from \$486.9 million to \$506.4 million, a 4 percent increase over the current level.

The overall rise in funding is due to increased appropriations in specific areas:

- Funding for full-day kindergarten would grow from \$25.0 million in FY 2006 to \$27.0 million in FY 2007. The Governor proposed to level-fund this budget account.
- The METCO program would receive an additional \$830,000 in FY 2007, bringing the total appropriation to \$18.4 million. The Governor recommended level funding.
- Funding for extending the school day, which was first introduced in the Governor's budget, would total \$5.0 million. The House 2 budget provided \$15.0 million.
- House Ways and Means appropriates \$1.0 million for after school programs for districts where an extended school day is not necessary for the entire school, but where an extended school day would benefit a considerable portion of students. The House 2 budget did not appropriate funding for this purpose. This budget account was last funded at \$11.7 million in FY 2001.
- Support for the Special Education Circuit Breaker, funding which helps school districts with extraordinary special education costs, would increase by \$1.2 million over FY 2006. The Governor's budget essentially level funded this program at \$201.6 million

House Ways and Means rejected a number of new initiatives that were in the Governor's FY 2007 proposal, including \$25.0 million to support performance pay for teachers, \$18.0 million to provide sixth and seventh grade students with laptop computers, and \$3.0 million to support a teacher mentoring program.

This budget does provide \$1.0 million in new funding for principal and superintendent leadership academies, and \$500,000 for professional development to support English language learners. The House 2 budget does not include these items.

Although this budget would increase overall funding for grants and reimbursements programs, the total amount is \$72.5 million or 13 percent below its FY 2001 level, after adjusting for inflation. Moreover, there are several areas where funding is not restored to its level prior to budget cuts. For example, funding for programs to help students pass the MCAS exam totals \$9.1 million in this budget, down considerably from the \$50.0 million that was appropriated in FY 2002. This budget also fails to restore funding to reducing class sizes; funding for this purpose last totaled \$18.0 million in FY 2001.

HIGHER EDUCATION

The House Committee on Ways and Means appropriates \$1.017 billion for higher education.¹ This amount is \$66.0 million or seven percent more than the budget approved in July of 2005. However, \$24.5 million in supplemental funding has been appropriated since then. Hence, after accounting for this additional funding, the House Ways and Means proposal would increase funding for higher education by \$41.6 million or four percent.

¹ Totals for higher education include tuition revenue retained by certain campuses for out-of-state students. In previous year, these amounts had been appropriated through the budget.

FY 2006	\$ 975,703,060
FY 2007 HW&M	\$1,017,262,982
Increase (decrease)	\$ 41,559,922
Percentage Change	4.3%

The House Ways and Means proposal would increase the nominal allocation to the higher education campuses, but after adjusting for inflation the proposed increases are rather small:

- Funding for UMass campuses would grow by \$16.5 million or four percent, compared to the budget enacted last July. Compared to the current budget for UMass, the House Ways and Means recommendation is \$5.5 million or one percent higher.
- Appropriations to state colleges would increase by \$11.1 million or six percent when compared to the General Appropriations Act (GAA). Compared the current budget, the House Ways and Means budget for state colleges is \$5.3 million or three percent higher.
- Support for community colleges would rise by \$9.6 million or four percent over the GAA. Compared the current budget for FY 2006, the proposed level of funding is \$2.8 million or one percent higher.

While the overall budget would boost funding for FY 2007, the total amount proposed is lower than the \$1.051 billion recommendation by the Board of Higher Education (BHE).

Figure 1.

Higher Education Funding* <i>In Millions of FY 2007 \$</i>				
Fiscal Year	Central Admin.	UMass	State Colleges	Community Colleges
2001	185.8	573.7	228.1	276.1
2006	105.9	467.9	203.2	223.1
2007 - H. 2	108.2	465.9	201.9	219.2
2007 - HW&M	109.4	473.4	208.5	226.0
2007 - BHE	143.9	472.4	206.1	228.6

* Totals include tuition revenue retained for out-of-state students at UMass Amherst, the Massachusetts College of Art, and the Massachusetts Maritime Academy.

This budget would boost funding for the main budget account for financial aid by \$5.1 million. The Governor’s budget for FY 2007 would leave funding level at \$84.7 million. While the House Committee on Ways and Means recommends higher amounts than the Governor and in FY 2006, the line item would remain \$26 million less than the amount appropriated in FY 2001, after adjusting for inflation. Moreover, the House Ways and Means budget for higher education is still \$246.4 million or 20 percent lower than it was in FY 2001.

EARLY EDUCATION AND CARE

Funding for early education and care is relatively level in the House Ways and Means budget. The total amount appropriated for these programs is \$490.1 million, which would not keep pace with inflation.

FY 2006*	\$ 481,309,479
FY 2007 HW&M	\$ 490,136,545
Increase (decrease)	\$ 8,827,066
Percentage Change	1.8%

* All FY 2006 numbers include allocations from the Purchase of Service reserve as discussed on p. 6.

This budget offers funding for new initiatives that are central to the Department’s goal of improving quality and access. The House Committee on Ways and Means appropriates \$3.0 million to provide professional development opportunities to the early childhood workforce, and \$10.0 million to pilot preschool programs and services as part of the new Universal Pre-Kindergarten Program.

The House Committee on Ways and Means also recommends \$1.4 million for a new initiative to provide early childhood mental health consultations. This funding is designed to help prevent unnecessary preschool suspensions and expulsions.

Funding for Community Partnerships for Children would remain level in FY 2007, but the \$68.7 million that is currently appropriated in one line item would be divided among several different line items. Although the net result is level funding, the degree of local control over how the funding would be spent could be restricted under this proposal.

House Ways and Means would increase funding for subsidized care from \$298.5 million in FY 2006 to \$309.2 million in FY 2007, a \$10.7 million difference. The Governor’s budget offered a smaller increase of \$2.2 million.²

The House Committee on Ways and Means essentially level-funds the Healthy Families program at \$12.5 million. This home visiting program for teen mothers and their children would experience a cut of nearly 50

² The Governor proposed to consolidate existing budget accounts into one main account. This figure reflects the increase after accounting for this consolidation. The comparisons to FY 2006 include \$6.0 million from a \$12.0 million reserve created to comply with changes to the federal TANF program.

percent under the House 2 proposal. While the House Ways and Means budget would not cut Healthy Families in FY 2007, the appropriation is considerably below the \$23.4 million appropriated in FY 2002.

House Ways and Means does not adopt the Governor’s \$3.0 million initiative which would require all parents receiving subsidized care to complete parental preparation programs designed to “provide information and training for parents to assist them in nurturing their children’s development and education and to strengthen parents’ involvement in their children’s schooling.” The Governor offered a similar proposal in his budget proposal for FY 2006, which was ultimately rejected by the Legislature.

requirements and time limits for individuals who are currently exempt from such regulations because they are disabled, are caring for a disabled family member, or have a child under two years of age. That budget also would reduce the appropriation for TAFDC from \$312.9 million to \$291.7 million, a \$21.1 million decline. The House Committee on Ways and Means also reduces the appropriation, but offers a smaller decline – \$16.0 million below FY 2006. The smaller appropriations in both budgets reflect a projected decline in the caseload; as the economy begins to improve, more families are moving off of TAFDC and into the workforce. The much lower appropriation in the Governor’s budget is primarily due to the reforms outlined in the House 2 budget.

INCOME SUPPORT PROGRAMS

Funding for income supports totals \$613.7 million in the House Ways and Means budget. These appropriations are lower than in FY 2006 primarily because, as the economy begins to improve, the caseloads for certain income support programs are declining.

FY 2006*	\$ 631,629,138
FY 2007 HW&M	\$ 613,706,301
Increase (decrease)	(\$ 17,922,837)
Percentage Change	-2.8%

* All FY 2006 numbers include allocations from the Purchase of Service reserve as discussed on p. 6.

The House Committee on Ways and Means leaves in place current regulations for Transitional Aid to Families with Dependent Children (TAFDC), the state’s main income support program for low-income families. In the House 2 budget, the Governor proposed to implement new work

A Brief Explanation of the POS Reserve

The FY 2006 budget included a \$20.0 million reserve to fund salary increases to low-wage workers for providers that deliver human and social services under contracts with the Department of Early Education and Care, the Executive Office of Elder Affairs, and various departments within the Executive Office of Health and Human Services. The Governor’s budget for FY 2007 distributes the amounts for these salary increases to their respective budget accounts, but does not provide new funding. The House Committee on Ways and Means provides comparable funding in its budget, and appropriates an additional \$20.0 million in new funding for FY 2007. In this *Budget Monitor*, we adjust the relevant FY 2006 numbers to reflect the allocation of the \$20.0 million reserve in that year.

Although the House Committee on Ways and Means leaves the current structure of the TAFDC program in place, two versions of House and Senate bills that would restructure the program to meet federal standards and safeguard vulnerable families are currently in conference.

House Ways and Means also chose not to adopt the Governor’s proposal to restrict benefits for another program which provides support to low-income individuals. Emergency Aid to the Elderly, Disabled, and Children (EAEDC) provides cash assistance to low-income elderly and disabled individuals or those who are caring for disabled family members. The Governor proposed to impose new work requirements for EAEDC that would affect the majority of the adult caseload. The House Committee on Ways and Means left the current eligibility criteria in place.

Under the House Ways and Means budget, funding for the Employment Services Program, which is available to individuals receiving cash assistance, would grow by \$5.0 million. This is smaller than the \$10.0 million offered in House 2, but it is important to note that the Governor’s budget introduced new work requirements for individuals with disabilities or other challenges to securing employment. Still, the \$29.1 million available for the Employment Services Program is \$12 million or roughly 30 percent below its FY 2002 level, after adjusting for inflation.³

³ The figure for FY 2007 includes \$26.1 in the main budget account and \$3.0 million in retained revenue from federal reimbursements. The FY 2006 includes these same sources of funding and \$6.0 million from a reserve account created in that year to comply with changes to the federal TANF program.

MEDICAID/MASSHEALTH AND OTHER HEALTH CARE PROGRAMS

The House Committee on Ways and Means drafted its budget recommendations prior to the enactment of Ch. 58 of the Acts of 2006, the health reform legislation, so it is likely that the amendments to the budget made by the House will more directly reflect anticipated health care costs associated with the reform proposal. Although the House Ways and Means budget recommendation proposes \$7.517 billion to cover existing health care programs as well as health care reform (a 2.3 percent increase over FY 2006), FY 2006 actual spending is likely to be substantially less than budgeted, so the real increase in spending on Medicaid/MassHealth and other health care programs will be more than 2.3 percent.

Included in the totals for these health care programs are funding for Medicaid/MassHealth, funding for other health care programs for persons ineligible for Medicaid, and funding for uncompensated care. In FY 2007, both the Governor and the House Committee on Ways and Means set aside \$200 million in reserve to cover anticipated programs costs associated with health care reform.

FY 2006	\$	7,349,068,387
FY 2007 HW&M	\$	7,517,001,014
Increase (decrease)	\$	167,932,627
Percentage Change		2.3%

Figure 2.

Medicaid/MassHealth and Other Health Care Programs			
<i>In Millions of \$</i>			
	FY 2006	FY 2007	FY 2007
	Current	Gov.	HW&M
Medicaid/MassHealth	6,999.5	7,195.3	7,223.2
Pharmacy Programs	96.0	59.6	59.6
Other Health Care Programs	37.6	34.2	34.2
Uncompensated Care Pool	206.0	0.0	0.0
Health Care Reform	0.0	200.0	200.0
Total	7,339.1	7,489.1	7,517.0

"Medicaid/MassHealth" includes the Medicare "Clawback" but does not include the \$288.5 million Health Care Quality Improvement Trust. "Other Health Care Programs" includes the Healthy Start and Children's Medical Security Plan programs, as well as funding for the Betsy Lehman Center. "Uncompensated Care Pool" only includes money budgeted from the General Fund, not other sources of funding.

Medicaid/MassHealth

The House Ways and Means budget recommendation shows a 3.2 percent increase in Medicaid costs compared to the FY 2006 budget, from \$6.995 billion in FY 2006 to \$7.223 billion in FY 2007. But because FY 2006 actual spending is likely to be \$200 million less than budgeted, this FY 2007 recommendation is closer to 5.3 percent above actual expected FY 2006 Medicaid spending levels.

In FY 2006, a portion of the funding for the MassHealth Essential program had been funded for part of the year out of "off-budget" funds. We include those dollars in our FY 2006 Medicaid totals for year-to-year comparison purposes. There is also \$288.5 million funded off-budget for enhanced nursing home rates through the Health Care Quality Improvement Trust, but because this transaction does not include the expenditure of state funds, we do not include those dollars in our totals.

The House Ways and Means Medicaid budget includes:

- \$500,000 for MassHealth enrollment outreach grants. The health reform legislation (Ch. 58 of the Acts of 2006) also included an additional \$3.0 million in FY 2006 for these grants, and these dollars will likely be available to spend in FY 2007.
- The House Committee on Ways and Means recommends \$1.7 billion for the MassHealth Senior Care Plans. This is \$18.9 million more than recommended by the Governor. At the same time, the House Ways and Means budget recommendation of \$83.9 million for the Senior Care Options program is \$15.6 million less than the Governor's recommendation.
- The House Committee on Ways and Means recommends \$227.5 million for the MassHealth Essential program, \$3.0 million more than recommended by the Governor. This program provides health insurance for approximately 43,000 low-income long-term unemployed individuals, as well as health insurance for an additional 3,000 elderly and disabled legal immigrants. The costs of this program have been substantially higher than budgeted, and the Legislature anticipates that \$25 million more may be necessary to fund program costs in FY 2006. The House Ways and Means recommendations explicitly prohibit the Office of Medicaid from "deeming" the income of immigration sponsors as a way of limiting eligibility for the program. (The \$3.0 million increment added by House Ways and Means to the Governor's budget recommendation

is the estimated value of this provision.)

Pharmacy Programs

On January 1, 2006, the federal Medicare Prescription Drug Improvement and Modernization Act (Medicare Part D) went into effect. Medicare Part D is intended to provide prescription drug coverage for persons on Medicare, and accordingly the House Ways and Means budget recommendations assume that neither the Medicaid program nor the Prescription Advantage program will be necessary as a primary provider of health insurance coverage for medications for elders. Because of presumed savings to state Medicaid programs associated with this new federal program, the Commonwealth must pay a “Clawback” to the federal government to offset a portion of these savings associated with persons who are dually-eligible for Medicare and Medicaid. The “Clawback” amount in the House Ways and Means budget proposal is \$239 million, \$119 million more than in FY 2006 when this payment only covered half of the fiscal year.

In FY 2007, the Prescription Advantage program would cover Medicare Part D co-payments, premiums and other out-of-pocket costs for eligible enrollees, and would continue to provide primary prescription coverage for persons not eligible for Medicare.

The House Committee on Ways and Means recommends \$59.6 million for the Prescription Advantage program. An outside section of the recommendations would authorize the Department of Elder Affairs to establish levels at which the Prescription Advantage program would provide supplemental assistance as a

secondary payer for Medicare Part D or other prescription plans. The outside section also specifies that cost-sharing for the program should be adjusted to account for changes in drug pricing.

Other Health Care Programs

The House Ways and Means budget follows the Governor’s in recommending \$16.0 million, essentially level funding, for the Healthy Start program and \$18.2 million for the Children’s Medical Security Plan. These two health care programs provide health insurance to children and to low-income pregnant women who would otherwise be uninsured. Because FY 2006 spending has been less than budgeted, these proposed funding levels may be sufficient to cover the costs of the programs in FY 2007. The House Ways and Means budget, however, does not include budgetary language to ensure restructured premiums for the Children’s Medical Security Plan.

Uncompensated Care and Health Reform

The House Ways and Means budget recommendation anticipates comprehensive health care reform will reduce the need for an Uncompensated Care Pool as currently configured. The House Ways and Means budget recommendation does not appropriate state dollars for uncompensated care. In FY 2006, \$206 million had been appropriated to cover a portion of the costs of uncompensated care. However, unlike House 2, the House Ways and Means budget specifies that total assessments to cover the costs of uncompensated care will remain at \$320 million as in FY 2006, rather than revert to the statutory level \$315 million.

Like the Governor’s budget, the House Committee on Ways and Means proposal includes a \$200 million reserve set-aside to

support anticipated costs of the implementation of health care reform. This reserve is marked for rate enhancements, benefit restorations, subsidized insurance, and reimbursements for uncompensated care.

PUBLIC HEALTH

The public health budget from the House Committee on Ways and Means recommends a very slight increase of \$12.4 million over FY 2006 funding levels. When adjusted for inflation, the recommended increase is only 0.4 percent above FY 2006 funding. House Ways and Means recommends \$141.0 for hospital-based public health services, and \$320.6 million for the non-hospital based services. The total public health funding recommendation is 1.3 percent more than recommended in the Governor’s budget, and 2.8 percent more than FY 2006.

FY 2006*	\$	449,186,238
FY 2007 HW&M	\$	461,549,032
Increase (decrease)	\$	12,362,794
Percentage Change		2.8%

* All FY 2006 numbers include allocations from the Purchase of Service reserve as discussed on p. 6.

The House Ways and Means budget recommendation continues to restore funding for the public health services that had been deeply cut during the state’s fiscal crisis. Nevertheless, total public health funding is still 24 percent less than in FY 2001 when adjusted for inflation.

Highlights of the public health budget include:

- \$38.7 million for AIDS prevention and treatment (which includes \$36.8 direct

funding for services, and \$1.9 million available from drug rebates.) The Governor had recommended \$37.6 million – level with FY 2006. Even with this proposed increase, the House Ways and Means recommendation is still 36 percent below FY 2001 funding when adjusted for inflation.

- \$34.9 million for universal immunizations. This is a \$5.8 million increase over FY 2006, but this increased amount still may not be sufficient to fund all needed immunizations for vulnerable adults and children, in large part because of the increased cost of the vaccines.
- \$12.3 million for the state laboratory. This recommended funding level would be \$1.7 million more than in FY 2006, and \$879,000 more than recommended by the Governor.
- \$59.2 million for substance abuse services, as well as an additional \$5.0 million for a new line item for substance abuse step-down recovery services. The Governor had not included this new line item, but had earmarked \$4.0 million for the expansion of residential and treatment capacity for substance abusers. Funding for substance abuse services has increased by 25 percent in real terms since FY 2001.
- \$1.0 million for teen pregnancy prevention. Unlike the Governor, the House Committee on Ways and Means does not replace the existing teen pregnancy prevention program funding with a new and different line item that would incorporate prevention and services related to teen pregnancy, substance abuse and violence. Funding in FY 2006 for teen pregnancy

prevention was \$2.0, with \$1.0 million more added by the recently-passed health reform legislation which will be available for spending in FY 2007. In FY 2001, when adjusted for inflation, funding for teen pregnancy prevention programs was \$6.3 million.

- \$15.8 million for school health services, which includes a \$300,000 earmark for mental health and substance abuse services in school-based health centers. This represents a \$1.0 million increase (seven percent) over FY 2006. The Governor’s budget had recommended only \$14.0 million for school health programs. When compared to funding in FY 2001, however, there has been a dramatic reduction in funding for school health. Funding for school health services had been funded partially within the Department of Public Health, and partially within the Department of Education. Since FY 2001, when adjusted for inflation, even with recommended increases, school health services have been cut 70 percent.
- \$4.3 million for smoking prevention programs, just slightly under the amount recommended by the Governor. The recently-passed health reform legislation (Ch. 58 of the Acts of 2006) included \$4.0 million for smoking prevention and treatment programs, to supplement the \$4.3 million previously appropriated in FY 2006. The health reform legislation specifies that the amounts included for public health programs may be spent in FY 2007, so the total amount of funding available for year could be more than the \$4.3 recommended by House Ways and Means. Nevertheless, funding for smoking prevention programs has been cut dramatically over the years –

adjusted for inflation, funding in FY 2001 was \$58.4 million.

- Several other programs funded by House Ways and Means also received significant influxes of funding in the recently-passed health reform legislation, and this funding will be available in FY 2007. Among the line items included in this FY 2006 budget supplemental are: \$750,000 for community-based suicide prevention (funded at \$400,000 by House Ways and Means); \$1.0 million for prostate cancer screening (funded at \$1.3 million by House Ways and Means); \$750,000 for Hepatitis C screening (funded at \$560,000 by House Ways and Means); \$4.0 million for early breast cancer detection (funded at \$3.3 million by House Ways and Means).

MENTAL HEALTH

Funding for mental health services would increase by \$9.3 million or 1.5 percent.

FY 2006*	\$ 633,029,664
FY 2007 HW&M	\$ 642,322,054
Increase (decrease)	\$ 9,292,390
Percentage Change	1.5%

* All FY 2006 numbers include allocations from the Purchase of Service reserve as discussed on p. 6.

In the House Ways and Means budget, overall funding for the Department of Mental Health would increase, but not at the rate of inflation.

- The budget appropriation for adult mental health and support services would rise by \$6.1 million or 2.1 percent. The Governor offered a \$5.7 million or 1.9 percent increase.

- The line item which funds state psychiatric hospitals and inpatient services would grow by \$4.1 million or 2.6 percent. The House 2 budget included a \$4.4 million or 2.7 percent increase.
- The budget account for children and adolescent mental health services would increase by \$636,000. The Governor proposed a \$518,000 rise over FY 2006. Both recommendations are just under one percent.

The administrative line item would grow from \$37.1 million in FY 2006 to \$39.0 million FY 2007, a \$1.9 million or five percent boost. The Governor proposed the same amount in the House 2 budget. The Department of Mental Health, like other areas of human services, experienced considerable reductions to its workforce due to budget cuts during the fiscal crisis. Since FY 2002, the entire operations staff has been reduced by 30 percent.⁴

MENTAL RETARDATION

The recommendation by the House Committee on Ways and Means would increase funding for the Department of Mental Retardation by \$33.3 billion or roughly three percent.

FY 2006*	\$1,137,059,567
FY 2007 HW&M	\$1,170,320,567
Increase (decrease)	\$ 33,261,000
Percentage Change	2.9%

* All FY 2006 numbers include allocations from the Purchase of Service reserve as discussed on p. 6.

⁴ Based on statements by Elizabeth Childs, Commissioner of the Department of Mental Health, as reported in O'Sullivan, Jim. 2006. Mental health parity a law, but not a reality, witnesses say. *State House News Service*, April 3.

Like the Governor, the House Committee on Ways and Means meets the legal requirement for the Boulet settlement (which mandates the state provide interim services for individuals on the wait list for residential placements) by appropriating \$86.4 million for this purpose. Current funding for these services totals \$85.6 million.

House Ways and Means also matches the Governor's \$2.0 million appropriation for a new line item designed to address rate disparities in residential contracts.

The House Committee on Ways and Means increases funding in areas which the Governor provided level funding. The line item for the Division of Autism would grow from \$1.2 million in FY 2006 to \$2.2 million under the House Ways and Means budget. This budget would also increase the appropriation for Turning 22 Services, which provides supports to individuals with severe disabilities who require continued services after aging out of the public school system. Funding for these services would rise from \$6.5 million in FY 2006 to \$7.5 million in FY 2007.

Other areas which would experience increases under this budget include the following:

- Funding for community based residential supports would grow from \$506.9 million in FY 2006 to \$524.5 million in FY 2006, a \$17.6 million or 3.5 percent difference.
- The budget account for community based day and work programs would rise by \$2.7 million or 2.4 percent.

- The appropriation for respite family supports would increase by \$1.4 million or 2.6 percent. Increases in these areas reflect the rise in the cost of providing services, not new expansions.

In each of the above areas, the House Committee on Ways and Means appropriation matches the Governor’s recommendation for FY 2007.

SOCIAL SERVICES

The House Committee on Ways and Means recommends \$767.3 million for the Department of Social Services, close to three percent more than FY 2006.

FY 2006*	\$ 745,876,925
FY 2007 HW&M	\$ 767,324,416
Increase (decrease)	\$ 21,447,491
Percentage Change	2.9%

* All FY 2006 numbers include allocations from the Purchase of Service reserve as discussed on p. 6.

The House Committee on Ways and Means appropriates \$3 million in new funding for Family Networks System. Funding for these services is designed to supplement existing personnel and resources to improve coordination of care.

This budget also includes \$4.9 million (seven percent) more for the Department’s administrative costs and an extra \$6.8 million (five percent) for social workers. The Governor’s budget offered comparable figures for FY 2007. While these amounts would boost funding for FY 2007, funding for the department’s personnel was cut considerably during the fiscal crisis, and the

budget account for social workers has been persistently under-funded.⁵

This budget boosts funding for the budget accounts for group care services and services for children and families. The FY 2007 amounts would grow by \$2.5 million and \$6.1 million, respectively. The Governor recommended consolidating these two separate appropriations which would net a \$5.6 million increase over FY 2006.

House Ways and Means offers modest increases in a few other areas, including foster care review services (\$133,000 more) and domestic violence services (\$907,000 more).

ELDER AFFAIRS

The House Ways and Means budget recommendation would increase funding for the Department of Elder Affairs by \$1.4 million over FY 2006 levels. Adjusting for inflation, this represents a decrease of 1.8 percent compared to FY 2006. (These numbers do not include the funding for the Prescription Advantage pharmacy program, discussed in the “MassHealth/Medicaid and Other Health Programs” section of this *Budget Monitor*.)

FY 2006*	\$ 216,955,945
FY 2007 HW&M	\$ 218,331,039
Increase (decrease)	\$ 1,375,094
Percentage Change	0.6%

* All FY 2006 numbers include allocations from the Purchase of Service reserve as discussed on p. 6.

⁵ For more on the effects of budget cuts to the Department’s personnel, see Na’im, Alyssa and Nancy Wagman. December 2005. *Kids, Cuts, and Consequences: How Cuts to Effective Programs Hurt Our Children*. p. 5-6. Available at: <http://www.massbudget.org/KidsCutsandConsequences.pdf>.

The House Ways and Means budget recommends \$102.9 for elder home care purchased services (\$2.9 million more than in FY 2006) and level funding of \$39.3 million for home care administration and casemanagement. Elder protective services would receive level funding of \$13.7 million under the House Ways and Means recommendation.

Like the Governor, the House Committee on Ways and Means recommends an increase for the supportive senior housing program. The House Ways and Means budget recommends \$3.1 million for this program, whereas the Governor had recommended \$3.7 million. Funding in FY 2006 was \$1.9 million.

OTHER HUMAN SERVICES

Smaller human services agencies would experience comparable modest funding increases as those described above. Funding for this larger category of “other human services” totals \$577.9 million, a three percent increase over current appropriations.

FY 2006*	\$	541,514,952
FY 2007 HW&M	\$	577,889,679
Increase (decrease)	\$	18,703,598
Percentage Change		3.3%

* All FY 2006 numbers include allocations from the Purchase of Service reserve as discussed on p. 6.

The House Committee on Ways and Means also appropriates, through a reserve account, \$20.0 million to provide salary increases to low-wage human service providers who deliver services under contracts with departments within the Executive Office of Health and Human Services and the Executive Office of Elder Affairs. The

Governor’s proposal does not include funding for this purpose.

The House Committee on Ways and Means proposes to increase funding in several areas to support other human services.

- The budget for Department of Youth Services would rise by \$7.0 million or five percent. The Governor proposed a \$7.7 increase.
- Funding for disabilities agencies would also grow modestly in the House Ways and Means budget. For example, the budget for the Massachusetts Commission for the Blind would increase from \$18.7 million in FY 2006 to \$19.5 million in FY 2007. The amount in the House 2 budget was slightly lower – about \$49,000 less than in the House Ways and Means budget.

The House Committee on Ways and Means level funds Emergency Assistance for homeless families at \$73.6 million. The Ways and Means Committee rejects the Governor’s proposal to restrict access to services. Under the House 2 proposal, the income eligibility was lowered from 130 percent of the Federal Poverty Level to 100 percent; that proposal also removed provisions which allow families whose income exceeds the eligibility limit to remain in the shelter up to six months and use the excess income to move into permanent housing. The House Committee on Ways and Means maintains the current income eligibility limit and keeps the six month grace period in place.

ENVIRONMENTAL AFFAIRS

Under the House Ways and Means proposal, the budget for environmental affairs would increase by \$7.0 million or three percent.⁶

FY 2006	\$	203,922,663
FY 2007 HW&M	\$	210,916,466
Increase (decrease)	\$	6,993,803
Percentage Change		3.4%

The House Ways and Means budget would increase funding for all of the departments within the Executive Office of Environmental Affairs.

- The Department of Environmental Protection (DEP) would receive the largest rise in funding – its budget would grow by \$3.4 million or six percent. The Governor proposed a \$2.6 million or five percent increase.
- The budget for the Department of Conservation and Recreation would increase by \$3.1 million or nearly four percent. House 2 would grow funding by \$1.6 million or two percent. While overall funding for parks would grow, funding for urban parks would fall under both proposals. House Ways and Means cuts funding for urban parks' operations by nearly \$700,000 or three percent; under the Governor's proposal funding would drop by nearly the same amount (\$670,000 less in FY 2007).
- House Ways and Means recommends increasing funding for the Department of Agricultural Resources by about

\$125,000 or one percent. The Governor proposed a higher increase of nearly \$210,000 or two percent.

- The Department of Fish and Game would experience an increase of roughly \$838,000 or five percent. Under the Governor's budget, funding for this department would fall by approximately \$285,000 or nearly two percent.

The House Committee on Ways and Means adopts the Governor's \$512,476 recommendation to support a new Office of Dam Management. The House Committee on Ways and Means, like the Governor, appropriates \$1.4 million in new funding to operate and maintain the Central Artery parks.

While House Ways and Means budget would increase funding for environmental affairs in FY 2007, the total amount is significantly below the total before the fiscal crisis began. After adjusting for inflation, the budget recommendation for environmental affairs is \$66.8 million or 24 percent below its level in FY 2001.

HOUSING

The House Committee on Ways and Means recommends \$100.7 million for the Department of Housing and Community Development in FY 2007, a \$11.2 million reduction compared to current appropriations. The proposed amount shows a decline when compared to current appropriations because \$20.0 million in funding for energy assistance for low-income families, which was included in a supplemental budget for FY 2006, is not included in this proposal. Should the same amount of supplemental funding for energy

⁶ This total includes funding for the Commonwealth Zoological Corporation, which the House Committee on Ways and Means funds through a line item in the Department of Business and Technology, but is currently funded in the Department of Conservation and Recreation.

assistance re-occur in FY 2007, the budget would stand higher than it does in FY 2006.

FY 2006	\$ 111,872,001
FY 2007 HW&M	\$ 100,667,598
Increase (decrease)	(\$ 11,204,403)
Percentage Change	-10.0%

The House Committee on Ways and Means adopted the Governor’s level of funding for subsidies to Public Housing Authorities. Currently, \$34.9 million is appropriated for this purpose; this budget recommends \$43.1 million for FY 2007, an \$8.2 million or 24 percent increase.

The Massachusetts Rental Voucher Program (MRVP), a housing program which helps low-income families securing housing in the private rental market, would experience a \$950,000 increase under this proposal. The Governor recommended reducing funding by \$2.0 million and implementing new work requirements and time limits on the receipt of benefits through this program (a 36 consecutive time limit and a 60 month lifetime limit).

Funding for Rental Assistance for Families in Transition (RAFT), which provides assistance to families at risk of homelessness, would fall from \$5.0 million to \$4.0 million. The Governor’s budget provided \$3.0 million for this program, but indicates that \$2.0 million that had been used for RAFT would be transferred to new initiatives, including \$1.0 million to support the Tenancy Preservation Program and \$500,000 for Individual Development Accounts (IDAs). House Ways and Means does not fund the Tenancy Preservation Program, but does include \$500,000 for IDAs. Introduced in the House 2 budget, the IDA pilot would be used to fund community-based services, to match savings

for qualified homebuyers, or to secure federal funds for asset building programs.

PUBLIC SAFETY

Under the House Ways and Means proposal, funding for public safety totals \$1.364 billion in FY 2007, which is nearly level with current appropriations.

FY 2006	\$ 1,381,802,337
FY 2007 HW&M	\$ 1,364,081,531
Increase (decrease)	\$ 748,053
Percentage Change	0.1%

The House Committee on Ways and Means proposes to increase funding in several areas, including the following:

- Funding for state police operations would rise from \$211.2 million to \$220.5 million, a \$9.3 million difference. The Governor proposed a smaller increase of \$7.2 million.
- The appropriation for the state police crime lab would increase from \$14.0 million to \$16.2 million. The Governor increased this line item to \$18.7 million.

House Ways and Means also budgets \$1.0 million in new funding for community re-entry programs designed to reduce recidivism. The House 2 budget did not allocate funding for this purpose.

Like the Governor’s budget for public safety, this proposal increases overall funding for public safety, but the additional amount is not enough to keep pace with inflation.

JUDICIARY

House Ways and Means appropriates \$734.4 million for the Judiciary in FY 2007, \$83.3 million higher than the current level of funding.

FY 2006	\$ 651,093,156
FY 2007 HW&M	\$ 734,362,910
Increase (decrease)	\$ 83,269,754
Percentage Change	12.8%

Like the Governor, the House Committee on Ways and Means proposes a substantial increase in the budget account which pays attorneys assigned to criminal and civil cases. Under the House Ways and Means recommendation, the current appropriation would rise from \$95.1 million to \$119.8 million, a \$24.6 million difference. The Governor offers a smaller increase of \$22.4 million.

The House Committee on Ways and Means also proposes \$7.1 million to expand the public defender division and \$19.0 million to increase trial court personnel salaries. Because the Governor proposed to consolidate functions by merging the operations of various courts, it is difficult to discern whether comparable funding is included in the House 2 budget for these purposes. The House Committee on Ways and Means does not adopt Governor's proposal to consolidate functions by merging operations for the Superior, District, Family, Probate and Juvenile Courts.

GROUP INSURANCE

The House Ways and Means budget recommends funding for the Group Insurance Commission at just 3.1 percent above the FY 2006 level.

FY 2006	\$ 1,023,190,489
FY 2007 HW&M	\$ 1,055,108,119
Increase (decrease)	\$ 31,917,630
Percentage Change	3.1%

There are two structural changes built into the proposed Group Insurance Commission funding recommendation. The first change is line item language that would restrict the Group Insurance Commission from paying FY 2007 bills during the period referred to as the "accounts payable period." Currently, the Group Insurance Commission has what in effect is a "grace period" for paying bills after the end of the fiscal year. This proposed change would require that bills paid in July 2007 for services rendered in June 2007 be funded out of the FY 2008 budget. The effect of this shift is to push approximately three weeks' worth of bills into FY 2008. The estimated impact of this cost shift is approximately \$43 million.

The other proposed change in the House Ways and Means budget is language modifying the existing cost-sharing structure for public employees' health premiums. Under the House Ways and Means budget proposal, active state workers making under \$40,000 would be required to pay 15 percent of their premiums, and employees making \$40,000 or more would pay 20 percent. The estimated impact of this change in the employee contribution ratio is approximately \$11.4 million. The Governor's proposal would have held Group Insurance Commission costs down by

shifting an estimated \$85 million in health care costs to state workers.

REVENUE

The budget recommended by the House Committee on Ways and Means would supplement the roughly \$27 billion in ongoing tax and other revenue that the Commonwealth is expected to collect in FY 2007 with a transfer from the Stabilization Fund and by continuing to divert, as has been done for several years now, the portion of the annual tobacco settlement monies that current law dictates should be saved for future purposes. These supplemental revenues appear to be more than sufficient to bring the proposed budget into balance and thus may leave a “cushion” of unallocated funds of about \$120 million. In addition, the budget recommended by the House Committee on Ways and Means rejects the Governor’s plan to reduce the personal income tax rate to 5.0 percent by 2008, a proposal that ultimately would have drained away more than \$600 million in revenue annually. Reducing taxes in this manner would have imperiled the Commonwealth’s long-term fiscal health and greatly impaired its ability to restore funding for critical public services.

The principal revenue proposal contained in the budget reported by the House Committee on Ways and Means is its recommendation to transfer \$275 million from the Commonwealth Stabilization Fund to the General Fund in order to support current expenditures. In theory, the Stabilization Fund is meant to serve as a reserve into which surplus funds are deposited during good economic and budgetary times and from which funds are withdrawn during less prosperous periods. Yet, if this transfer were enacted into law, it would mark the

sixth consecutive year in which the Legislature has depended upon this temporary source of revenue to reach at least initial budgetary balance, despite the fact that the Commonwealth will likely post its fifth consecutive year of relatively robust tax revenue growth in FY 2007.

In this context, one of two explanations could be offered for such a transfer. The first is simply that the funds are needed to support spending in FY 2007. As policymakers strive to restore funding for essential public services that were cut quite deeply between FY 2002 and FY 2004, this explanation is certainly valid, particularly since most of the \$3 billion in tax cuts that precipitated that fiscal crisis are still in place. Nevertheless, continued reliance on a temporary source of funding suggests that some of the initiatives in the House Ways and Means budget may not be sustainable over the long run.

The second possible explanation for a \$275 million transfer from the Stabilization Fund to the General Fund is that it is a form of financial management, a way to compensate for the uncertainty associated with tax collection projections. That is, the House Committee on Ways and Means may view the current consensus tax revenue estimate of \$18.975 billion as too conservative and may expect that total tax collections will ultimately exceed that estimate by an amount that is more than sufficient to replace the \$275 million withdrawn from the Stabilization Fund.

This approach seems to have been employed during the current fiscal year. When the Legislature adopted the General Appropriations Act for FY 2006, it assumed that tax collections would total \$17.1 billion, some \$400 million below the projection put forward by the Romney Administration. At

the same time, the Legislature relied on a \$600 million transfer from the Stabilization Fund to reach budgetary balance. However, it now appears that tax collections for the current fiscal year will likely reach \$18.3 billion and, thus, end up more than \$1 billion above the Legislature's original projection. As a result, any transfer out of the Stabilization Fund will likely be repaid in FY06.

The current rate of tax revenue growth may permit the same scenario to unfold in FY 2007. The FY 2007 consensus tax revenue estimate of \$18.975 billion is premised on the assumption that tax collections will total \$18.158 billion in FY 2006 and then grow 4.5 percent in the coming year. If FY 2006 tax collections continue at the same pace as they have to date, then they will reach roughly \$18.3 billion; growing that sum by 4.5 percent yields about \$19.13 billion or close to \$160 million more than the consensus revenue estimate. Alternatively, if tax collections continue at their current pace in FY 2006 and then grow by about 5.2 percent in FY 2007, then they would reach \$19.26 billion, enough to eliminate the need for a Stabilization Fund withdrawal, assuming there are no other changes in the budget. By way of perspective, between FY 2003 and FY 2005, after correcting for changes in tax policy, tax revenue grew by roughly 5.8 percent per year on average, with growth in FY 2006 likely to meet or exceed that rate, though there are some indications that such growth may not be sustainable, as the Commonwealth is now relying on taxes from volatile capital gains income more heavily than for most of the recent past.

In fact, the Commonwealth has in place a system that may help to ensure that, if revenue growth is relatively rapid, the revenue generated by that growth is

available to repay withdrawals from the Stabilization Fund. In 2002, the Commonwealth created a Temporary Holding Fund, into which tax revenue above a certain level is deposited on a quarterly basis. That is, if tax revenue in a particular quarter grows from the same quarter in the previous year by more than two percent above the rate of inflation (as measured by the percent increase in the implicit price deflator for state and local government purchases), then the excess is deposited into the Holding Fund. Balances in the Holding Fund at the end of the fiscal year are then used to repay the Stabilization Fund for any transfers out of the Stabilization Fund over the course of the fiscal year. In FY 2004, \$357 million was transferred from the Holding Fund to the Stabilization Fund; in FY 2005, a transfer of roughly \$136 million was made. Through December 31, 2005, the balance in the Holding Fund was \$94.3 million.

Moreover, the Stabilization Fund transfer proposed by the House Committee on Ways and Means is relatively small, amounting to just about 1 percent of total expenditures. The Commonwealth also has the funds available, as the balance in the Stabilization Fund at the end of FY 2005 was over \$1.7 billion.

Nevertheless, if it is in fact the case that the proposed Stabilization Fund transfer is being used to compensate for uncertainty or other shortcomings associated with the consensus revenue process, then the Legislature could seek to improve that process. Stated slightly differently, if the intent of the consensus revenue process is to arrive at an estimate of tax collections upon which all institutional parties (the Executive Office of Administration and Finance as well as the House and Senate Committees on Ways and Means) agree, then it should produce an

estimate that is sufficiently accurate and robust and that does not lead to one such party pursuing policies that suggest that the estimate may be unreliable.

Besides the Stabilization Fund transfer, the budget reported by the House Committee on Ways and Means – like Governor Romney’s proposed House 2 budget – would use all of the annual tobacco settlement funds received by the Commonwealth to support current expenditures, rather than setting aside a portion for future costs. Under current law, only 30 percent of the settlement payment – as well as 30 percent of the investment earnings of the Health Care Security Trust – is intended to be used for current expenditures. The remainder is set aside to fund health related services and programs in the years ahead. The House Ways and Means budget would devote 100 percent of the settlement payment and 50 percent of the Trust’s investment earnings to finance health care appropriations in FY 2007. Massachusetts is expected to receive a settlement payment of roughly \$260 million in FY 2007, while interest earnings are anticipated to be \$43 million. Consequently, this change would mean that about \$191 million that would otherwise be saved would be used for current purposes.

Supplementing ongoing tax and other revenues with a Stabilization Fund transfer may not be necessary to achieve a balanced budget. As Figure 3 illustrates, the House Ways and Means version of the FY 2007

budget would spend \$83 million more than the Governor’s version, but would also have approximately \$200 million more in revenue available – it would not lose \$132 million in tax revenue due to a tax cut and would have about \$70 million more in reserve funds available. On net, then, the version of the budget put forward by House Ways and Means would appear to yield a nearly \$120 million surplus in FY07, assuming no other differences with regard to revenue. (This assumption is made in Figure 3, as no documentation concerning revenue is included in the House Ways and Means Committee budget.) More specifically, in his House 2 budget, Governor Romney proposed \$27.126 billion in spending, a reduction in the personal income tax rate that would cost \$132 million in FY 2007, and the use of close to \$205 million in funding from reserves. The House Ways and Means budget proposal would spend \$27.209 billion, would forego the Governor’s tax cut, and would use \$275 million from reserves (specifically, from the Stabilization Fund). This apparent surplus, in turn, means that the proposed Stabilization Fund transfer could be reduced by that amount, although it is also possible that the House of Representatives as a whole could decide, during its consideration of the budget, to use the apparent surplus to restore additional funding to services cut over the past few years.

Figure 3

KEY DIFFERENCES BETWEEN H2 AND HWM BUDGETS	
EXPENDITURES	
H2 - Total appropriations and "off-budget" expenditures	27,125.9
HWM - Total appropriations and "off-budget" expenditures	27,209.4
<i>ADDITIONAL EXPENDITURES - HWM RELATIVE TO H2</i>	<i>83.5</i>
REVENUE	
H2 - Use of reserves	204.7
HWM - Use of reserves	275.0
DIFFERENCE	70.3
H2 - Impact of proposed tax cut	(132.0)
HWM - No proposed tax cut	-
DIFFERENCE	132.0
<i>ADDITIONAL REVENUE - HWM RELATIVE TO H2</i>	<i>202.3</i>
NET APPARENT SURPLUS - HWM RELATIVE TO H2	118.8

Spending by Program Area

(in Millions of \$)

Program	FY06*	FY07 H.2	HWM	HWM vs. H.2	HWM vs. FY06			
					Nominal		Real	
Local Aid - Lottery	761.4	920.0	920.0	0.0	158.7	21%	139.6	18%
Local Aid - Additional Assistance and PILOT	398.4	407.6	402.3	(5.3)	3.9	1%	(6.1)	-1%
Local Education Aid (Ch. 70)	3,288.9	3,452.6	3,380.4	(72.2)	91.4	3%	9.2	0%
K-12 Education (non Ch. 70)	486.9	594.9	506.4	(88.5)	19.5	4%	7.4	1%
School Building Debt Assistance ¹	488.7	572.5	572.5	0.0	83.8	17%	71.6	14%
Higher Education ²	975.7	995.2	1,017.3	22.1	41.6	4%	17.2	2%
Early Education and Care ³	481.3	483.3	490.1	6.9	8.8	2%	(3.2)	-1%
Income Support Programs	631.6	601.4	613.7	12.4	(17.9)	-3%	(33.7)	-5%
Medicaid and Other Health Care Programs ⁴	7,339.1	7,489.1	7,517.0	27.9	177.9	2%	(5.5)	0%
Public Health	449.2	455.7	461.5	5.9	12.4	3%	1.1	0%
Mental Health	633.0	642.1	642.3	0.3	9.3	1%	(6.5)	-1%
Mental Retardation	1,137.1	1,163.9	1,170.3	6.4	33.3	3%	4.8	0%
Social Services	745.9	762.4	767.3	4.9	21.4	3%	2.8	0%
Elder Affairs	217.0	218.9	218.3	(0.5)	1.4	1%	(4.0)	-2%
Other Health & Human Services ⁵	541.5	568.3	577.9	9.6	36.4	7%	22.8	4%
Environmental Affairs ⁶	203.9	207.8	210.9	3.1	7.0	3%	1.9	1%
Transportation	175.6	156.0	194.7	38.7	19.1	11%	14.7	8%
Housing & Community Development	111.9	97.2	100.7	3.5	(11.2)	-10%	(14.0)	-12%
Economic Development	146.0	134.8	132.9	(1.9)	(13.1)	-9%	(16.8)	-11%
Public Safety	1,381.8	1,366.4	1,382.6	16.2	0.7	0%	(33.8)	-2%
Judiciary	651.1	692.1	734.4	42.2	83.3	13%	67.0	10%
District Attorneys	85.3	87.7	88.1	0.4	2.8	3%	0.7	1%
Attorney General	37.5	37.6	38.2	0.6	0.7	2%	(0.2)	-1%
Libraries	29.6	30.0	30.5	0.5	0.9	3%	0.2	1%
Debt Service	1,793.2	1,924.6	1,955.5	30.9	162.3	9%	117.5	6%
Pensions ⁷	1,275.2	1,335.7	1,335.7	0.0	60.5	5%	28.6	2%
Group Insurance	1,023.2	1,038.7	1,055.1	16.5	31.9	3%	6.3	1%
Other Administrative	749.7	687.1	693.1	6.0	(56.6)	-8%	(75.3)	-10%
Total	26,239.5	27,123.4	27,209.7	86.3	970.3	4%	314.3	1%

Notes:

- (1) The FY 2006 budget reduces available revenue by \$488.7 million to cover the costs of School Building Assistance. In FY 2007, revenue would be reduced by \$572.5 million. The table includes these amounts as appropriations.
- (2) The higher education totals include \$31.5 million in tuition revenue retained by the campuses.
- (3) The FY 2006 budget for Early Education and Care includes \$6.0 million from a \$12.0 reserve account created to comply with changes to federal welfare regulations. That amount is included in the total for that year. The remaining \$6.0 is incorporated in the FY 2006 figure for Income Support Programs.
- (4) As explained in the text of this Budget Monitor, the percentage increase from FY 2006 to FY 2007 is higher than suggested by this table because actual FY 2006 spending is expected to be less than the amount appropriated. Totals include "on-budget" and "off-budget" Medicaid, senior pharmacy, other state health care programs, off-budget state payments into the Uncompensated Care Pool, and a proposed FY 2007 reserve for health care reform. Totals do not include \$288.5 million off-budget funding for the Health Care Quality Improvement Trust.
- (5) The FY 2006 budget includes a \$20.0 million reserve to fund salary increases to low-wage human services providers. The House 2 and House Ways and Means proposals distribute the amounts for these salary increases in FY 2007 to their respective budget accounts. The House Ways and Means Committee provides an additional \$20.0 million in new funding for FY 2007, which is reflected in this category since it is not yet determined how this funding would be allocated to each agency.
- (6) The House Ways and Means Committee creates a new line item for the Commonwealth Zoological Corporation in the Department of Business and Technology. Since this appropriation typically falls under the purview of the Department of Conservation and Recreation, the House Ways and Means figure includes this amount here rather than in the Economic Development category.
- (7) Off-budget pension funding in FY 2006 totals \$1.273 billion; the FY 2007 budget includes \$1.335 billion for this purpose. These amounts are treated as appropriations for these years.

*The totals for FY 2006 reflect total amounts appropriated to date, including supplemental funding and prior appropriations that are continued for this year. The totals also incorporate off-budget spending for certain areas as noted above.