

BUDGET MONITOR

The FY 2008 House Budget

INTRODUCTION

During five days of debate, the House adopted amendments adding about \$171 million in net additional spending to the proposal put forth by the House Ways and Means Committee. Total spending in the final House budget is about \$205 million higher than in the Ways and Means proposal, but anticipated Federal reimbursement of half of the additional Medicaid spending reduces the net increase to \$171 million. New spending adopted by the full House includes:

- \$66.6 million more for Medicaid (half of which will likely be reimbursed by the Federal government);
- \$23.6 million for economic development programs, most of which is designated for particular purposes through earmarks;
- \$13.5 million for the second year of the Charles E. Shannon, Jr. Community Safety Initiative aimed at reducing gang violence;
- \$10.9 million in earmarked projects under the auspices of the Massachusetts Office of Travel and Tourism;
- \$10.1 million for public health including additional funds for smoking cessation and substance abuse treatment programs;
- \$8 million more for the human services rate reserve, bringing total funding to pay for rate increases for human service providers to \$20 million;

- \$6.6 million for maintenance and programming at state beaches and parks;
- \$5.5 million for a foundation budget reserve to provide additional local education aid (beyond Chapter 70) to districts facing extraordinary cost increases in FY 2008; and,
- \$3.5 million for extended time learning grants, bringing total proposed funding to \$13 million, the amount proposed by the Governor.

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The House did not, however, identify any ongoing revenue source to support these additional expenditures. As a result, the structural budget gap, which was already \$375 million in the House Ways and Means proposal, grew to \$550 million as a result of floor amendments.¹

The House budget fills this gap by transferring \$400 million from the Stabilization – or “Rainy Day” – Fund and transferring \$150 million from the Health Care Security Trust Fund. By funding ongoing spending using withdrawals from what are essentially savings accounts, the House budget – if adopted – would likely force very difficult choices next year and further into the future. Because it is unlikely that revenue will grow significantly more quickly than baseline costs over the next few years, to bring the budget back into structural balance after this year, the state would likely need to reduce spending or increase revenue by up to \$550 million at some point. If the state, instead, continues to run structural deficits and depletes its reserve funds during this economic recovery, then it will enter the next recession dangerously unprepared.

¹ One could reasonably argue that the structural deficit calculation should also include the suspension of the annual deposit to the Stabilization Fund (\$100 million), the transfer of interest earned on the Health Care Security Trust Fund (\$42 million), and the absence of an appropriation for expected collective bargaining increases in FY 2008 (at least \$50 million). Discussed further in the Revenue section of this report, these items could increase the size of the structural deficit under the House proposal to as much as \$742 million.

ANALYSIS OF SPENDING BY PROGRAM AREA

In the descriptions of spending by program areas that follow, we compare FY 2008 spending to FY 2007 ongoing spending. FY 2007 ongoing spending is the total amount appropriated (in the original FY 2007 budget and supplemental budgets) reduced by any one-time spending that was paid for in FY 2007. For totals by program area, see the chart at the end of this *Budget Monitor*.

It is important to note that the costs of providing government services rise with inflation – and in some areas, like health care, faster than overall inflation. Therefore appropriation increases of only one or two percent are likely to result in actual cutbacks in services and do not represent real increases in resources.

Throughout this document House 1 refers to the Governor’s budget proposal.

LOCAL AID

The House budget provides \$1.345 billion for unrestricted local aid to cities and towns in FY 2008, a \$17.7 million increase over FY 2007. With the exception of a slight increase in racing distribution payments, the House proposal for local aid matches that of the Governor. This total does not include aid designated for particular purposes, such as career incentive compensation for police officers. Despite these increases, unrestricted local aid to cities and towns under the House budget, after adjusting for inflation, remains \$178 million, or 11.7 percent, below FY 2001 levels. Local aid funding levels were not changed during the House floor debate.

FY 2007 Ongoing	\$1,327,596,219
FY 2008 Governor	\$1,345,096,219
FY 2008 HW&M	\$1,345,296,219
FY 2008 House	\$1,345,296,219

<i>FY 2007 Ongoing to FY 2008 House</i>	
Increase (decrease)	\$17,700,000
Percentage change	1.3%

For FY 2008, both the Governor and House budgets increase lottery aid to cities and towns by \$15.0 million. Because lottery aid is the distribution of the state’s lottery profits, this increase assumes that lottery revenues will grow by at least \$15.0 million over the next fiscal year.

The additional assistance category is level-funded at \$379.8 million, unchanged since FY 2004. The House proposes to increase funding for the Payment in Lieu of Taxes (PILOT) program, for communities with state-owned land, by \$3 million or 11.9 percent. Again, this matches the Governor’s proposal.

Finally, the House also proposes to fund racing distribution payments at \$2.2 million, which is a slight decrease from the \$2.5 million in FY 2007 and a \$200,000 increase over the Governor’s proposal.

K-12 EDUCATION

For FY 2008, the House proposes appropriating \$4.300 billion for K-12 education operations, a \$255.6 million increase over the ongoing level of funding in FY 2007. In addition to appropriated funds, a portion of all sales tax revenue (\$634.7 million), will be used for the School Building Assistance Fund. This is a \$77.7 million, or 13.9 percent, increase over the FY 2007 level.

The House proposes approximately \$41.8 million more for K-12 education funding than was proposed by the Governor. As a result of amendments adopted during the House floor debate, the House proposal also includes about \$17.5 million more for K-12 education than was included in the Ways and Means Committee budget.

FY 2007 Ongoing	\$4,601,249,845
FY 2008 Governor	\$4,892,650,331
FY 2008 HW&M	\$4,917,007,419
FY 2008 House	\$4,934,480,098

<i>FY 2007 Ongoing to FY 2008 House</i>	
Increase (decrease)	\$333,230,549
Percentage change	7.2%

Note: This chart includes School Building Assistance Fund spending, increased by \$77.7 million in FY 2008.

Chapter 70 Aid

Chapter 70 Aid is provided to cities and towns for public education purposes. Prior to the release of the House Ways and Means budget, the House and Senate completed a joint resolution on local aid to cities and towns. The House budget follows that resolution in the calculation of Chapter 70 Aid. House rules passed to govern the floor budget debate excluded amendments related to Chapter 70 funding levels. Therefore, the House floor debate resulted in no changes to total Chapter 70 funding. Overall, the House budget provides \$3.726 billion, a \$220 million, or 6.3 percent increase over FY 2007. This also reflects a \$20.2 million increase over the Governor’s proposed Chapter 70 funding.

In the 1993 Education Reform Act, a particular measure of inflation was identified as the appropriate measure of inflation for education costs and for Chapter 70 Aid (M.G.L.c. 70, § 2). If this measure of inflation is used to account for increasing costs of providing education, the funding proposed in the House FY 2008 budget is

about \$353 million or 8.7 percent less than the amount of funding provided in FY 2002.

FY 2007 Ongoing	\$3,505,520,040
FY 2008 Governor	\$3,705,486,690
FY 2008 HW&M	\$3,725,671,328
FY 2008 House	\$3,725,671,328

FY 2007 Ongoing to FY 2008 House

Increase (decrease)	\$220,151,288
Percentage change	6.3%

Note: This total does not include a \$5.5 million foundation budget reserve adopted during the House floor debate. See the "Other K-12 Education Funding" section of this report.

In FY 2007, the Legislature first implemented a new formula for Chapter 70 designed primarily to provide additional aid to communities that were paying locally for a high percentage of their foundation budget and also to provide additional funding to high-growth communities. The House budget, following the joint legislative resolution, continues these reforms.

The new funding can be broken into several categories.

Baseline Foundation Aid

The state education funding law sets a minimum amount that each school district has to spend (of state and local resources combined) on a per pupil basis. The law also sets minimum required local contributions. To ensure that every district can spend the required amount per student, the state provides aid that covers the difference between required total spending and required local contribution. Each year the total budget for each district is adjusted to account for inflation and enrollment changes, while the required local contribution is increased by the rate of growth in local revenues.

In the joint legislative resolution, the Legislature made two slight changes to the calculation of foundation budgets for FY

2008. Foundation budgets were increased by \$50 for each limited English proficient pupil and by \$25 for each low-income pupil. These progressive changes boosted the foundation budget for those districts serving these types of students.

In FY 2007, when the Legislature first proposed reforms to the calculation of Chapter 70 Aid, there were 119 school districts with a current required local contribution that was below their new target local contribution. In total, these 119 districts were spending about \$321 million less than they would have spent had they been reaching their target local share. Despite the annual increase in the required local contribution, by FY 2008 this number grew to a \$349 million gap from 133 districts.

In FY 2008, the Legislature accelerates the increase in these communities' required local contribution to begin closing the gap between required and target effort. Therefore, communities with a required local contribution ten percent or more below their target contribution had two percentage points added to the growth rate of their required local contribution. Communities with a required contribution between five and ten percent below their target had one percentage point added to their growth rate. This increase in local contribution from below-target communities amounts to a statewide increase of \$19.7 million in required local contributions.

The additional aid needed in FY 2008 to make sure that each district can spend the foundation budget amount after accounting for inflation, enrollment, and local capacity changes is \$127 million. Because of the Legislature's changes to the foundation budget and their additions to the local revenue growth factor for low-effort communities, new foundation aid accounts



for \$123.8 million of the \$220 million increase in Chapter 70 aid.

Aid to Allow Local Spending Reductions

The funding formula adopted in FY 2007 set new targets for the amount that each municipality should spend of its own resources on education. These targets are based on local incomes and property values. The new formula provides additional foundation aid to allow districts that are spending more than their target amount to move down towards the target. In FY 2007, towns were allowed to move 20 percent of the way to the new target and received enough aid to keep them at foundation if the reduction in local contribution would have brought their total spending below the foundation level. When last year's budget was enacted, there was an expectation that 20 percent of that original gap would be closed each year for five years. While there are changes over time that complicate the numbers, the gap this year should be roughly 80 percent of the initial gap. Therefore, to close the same share of the initial gap as was closed last year, the state should provide enough aid to allow districts to reduce their local spending by 25 percent of the current gap (25% of 80% is 20% of the initial 100%).

The Legislature provides aid that reduces 25 percent of the remaining gap for high effort communities. In FY 2007 there were 232 communities that were in total spending \$621 million more than would be required by their new target local share. After the 20 percent effort reduction funding in FY 2007, there are now 218 communities that are collectively \$494 million above their target local share. The 25 percent effort reduction proposed by the Legislature would reduce this gap by \$123 million, which is about 20 percent of the original \$621 million gap.

With respect to the \$220 million in new monies for Chapter 70, about \$26.2 million is a result of additional aid for high effort communities. This is slightly lower than the new effort reduction aid proposed in the Governor's budget because the Governor proposed to fund 30 percent of the remaining effort gap, higher than the House proposal of 25 percent.

Down Payment Aid

The FY 2007 reforms also created a category called "down payment" aid to help communities that would eventually benefit from effort reduction aid, but would not otherwise receive their additional aid until later years. This change and the others made last year are explained more completely in the MBPC publication available at this link: www.massbudget.org/SchoolFunding.pdf.

The Legislature calculates the amount of down payment aid differently than in the Governor's budget. House 1 calculated the amount of aid a community would receive when new targets are fully phased-in and subtracted from this their FY 2008 foundation aid. House 1 then provided communities with about 14 percent of this amount (technically House 1 provided a pro-rated 47 percent of 30 percent of the gap, but this amounts to 14.1 percent).

The Legislature, in contrast, calculates the gap for determination of down payment aid as the difference between the amount of aid a community would receive on full phase-in of new targets and their FY 2007 Chapter 70 aid. In the House budget, communities receive down payment aid in an amount equal to 30 percent of the gap after subtracting out the already calculated increase in foundation aid. Therefore, communities are guaranteed to receive an increase in aid equal to 30 percent of the gap, but some portion of this increase may

be received in the form of new foundation or effort reduction aid.

Chapter 70 Education Aid (millions of dollars)		
Component	Gov.	HW&M
Foundation aid	127.2	123.8
Effort reduction	33.3	26.2
Downpayment aid	14.7	32.1
Growth aid	7.4	37.0
Minimum per pupil	17.3	1.0
Total	199.8	220.2

Note: Calculating the amount of Chapter 70 aid attributable to each component of the formula is done by starting with baseline foundation aid and then adding, one at a time, each component of the formula in the same order in which the Department of Education makes their calculations.

Therefore, we attribute to each component of the formula the incremental increase in Chapter 70 aid that results when that component is added to the calculation. For example, base foundation aid in FY 2008, under the Legislature's proposal, without any additional formula components, would be \$124 million. Total aid increases to \$150 million when effort reduction is added; therefore, we consider effort reduction to increase total Chapter 70 aid by \$26 million.

These different methods yield different amounts of aid. The Legislature's method would provide \$32.1 million in down payment aid, compared to \$14.7 million in the Governor's proposal.

Growth Aid

The new funding formula also provides new funding for districts where the total foundation budget is increasing (primarily as a result of increasing enrollment). The formula provides more per pupil growth aid to districts with lower incomes and property values and less to communities with greater fiscal capacity. While the Governor's proposal had provided a pro-rated 47 percent of what the growth aid formula dictated, the Legislature provides the full amount dictated by the formula. This amounts to about \$37.0 million in new Chapter 70 assistance.

The portion of new Chapter 70 aid attributable to growth aid is more than four times as much in the House budget as in the Governor's budget. Part of this difference is that the Legislature did not pro-rate growth aid; however, a major factor is also the Legislature's proposal to increase foundation budgets by \$50 for each limited English proficient pupil and \$25 for each low-income pupil. Because growth aid is calculated from the difference between a district's foundation budget in FY 2007 versus FY 2008, an increase in the foundation formula for FY 2008 will increase the size of the difference between years and thereby increase the amount of growth aid provided.

Minimum Aid

Finally, all communities receive enough aid to guarantee a \$50 per pupil increase in state aid. In the House budget, the cost of this minimum aid is \$1.0 million.

Other K-12 Education Funding

The House proposes to fund K-12 education operations, programming, and grants at \$574 million for FY 2008, a 6.6 percent increase over the \$538.7 million in ongoing funding provided in FY 2007. The House proposal also would provide about \$21.6 million more than was proposed by the Governor.

FY 2007 Ongoing	\$538,729,805
FY 2008 Governor	\$552,463,641
FY 2008 HW&M	\$556,636,091
FY 2008 House	\$574,109,066

<i>FY 2007 Ongoing to FY 2008 House</i>	
Increase (decrease)	\$35,379,261
Percentage change	6.6%

While the House budget proposal appears to provide about \$2.5 million more in funding for the Department of Education's administrative budget than the Governor's

plan, this reflects differences in accounting for particular costs rather than different funding levels. In particular, the House proposal shifts funding for personnel managing several programs from the line item for the programs to the administrative line item. This effectively makes the House proposal appear to provide more funding for the Department's administration and less for particular programs than the Governor's budget; however, the budgets are actually funding administration and these grant programs at about the same level.

For example, the Governor's budget funds the teacher content training program at about \$2 million for FY 2008, compared to \$895,000 in the House proposal. However, \$1.1 million in funding for this program is included in the Department of Education's administrative line item in the House budget.

The House budget for the Department's administration was increased by \$50,000 during the House floor debate, boosting to \$200,000 an earmark for programs promoting the safety and support of gay and lesbian students.

In floor debate the House added \$3.5 million in funding for Extended Time Learning Grants, increasing the appropriation to \$13 million, the same level proposed by the Governor. Compared to FY 2007 the House would boost kindergarten expansion grants (that support conversion of half-day programs to full-day) by \$3.9 million, a 14.1 percent increase over FY 2007, but only a third of the \$12 million increase proposed by the Governor.

During floor debate in the House, the funding level for several other items was also increased. Notably, funding for the METCO voluntary school desegregation program is increased by \$1 million, funding

for school-to-work programs is increased by \$1 million, and funding to reimburse regional school districts for transportation costs is increased by \$2.3 million.

While the Governor proposed the elimination of the Office of Educational Quality and Accountability, charged with conducting programmatic audits of the state's school districts, the House maintains the Office providing \$3.0 million in funding for FY 2008. This is \$455,000 or 13.3 percent less funding than was provided in FY 2007. The Governor's budget did include \$300,000 to fund a study of the state's education accountability system and procedures.

Other programs proposed for a funding increase in the House budget include the following.

- The Special Education circuit breaker program, which provides funds to school districts to help with extraordinary special education costs, would increase by about \$11 million or 5.3 percent. This is more than \$8 million above the Governor's request for the program. In House floor debate, \$300,000 was added to fund six collaborative transportation networks providing transportation coordination functions.
- Funding for targeted intervention in districts or schools at-risk of receiving an under-performing determination is proposed to receive a \$4.1 million or 82.8 percent increase, whereas the Governor had proposed a much lower increase for this item.
- The House proposes a 20.2 percent increase in funding for MCAS remediation grants to school districts, boosting the funding level to \$12.5 million.
- The proposal includes a \$4.7 million increase for the state's education

technology program, though this is about \$500,000 less than the amount proposed by the Governor.

While many programs of the Department of Education receive modest increases under the House budget, several programs face cuts. For example, the Department's Adult Basic Education program is cut by \$600,000, or 2.1 percent, from the FY 2007 ongoing level of funding. This is different from the Governor's proposal, which basically level-funded this program. The House Ways and Means Committee had proposed a \$1.6 million cut to this program, but \$1 million in funding was restored during floor debate.

Foundation Reserve

As in prior fiscal years, the House budget includes a reserve to fund shortfalls in Chapter 70 education aid to cities and towns, though this amount was appropriated through an amendment during the floor debate. For FY 2008 the House includes \$5.5 million for this purpose, a \$1 million increase over the amount included in the FY 2007 budget.

Communities can apply for funds from the foundation reserve if they meet particular criteria. While some criteria for additional funding match those of prior years, others are new in FY 2008. Following are the circumstances under which a community can apply for additional aid from the Foundation Reserve under the House budget.

- A community has an extraordinarily large increase in their required local contribution from FY 2007 to FY 2008.
- A community has an increase of greater than 25 percent in their required contribution to a regional district.
- A regional school district is changing its method of assessing member towns.

- A community is affected by stresses in the agricultural, fishing, or lobster industries and has a local contribution that is 75 percent or more of its foundation budget.
- A community is affected by shortfalls in Federal impact aid for the education of children of families employed on military reservations within the community's borders.
- A regional school district is low-density, faces declining enrollment, and has a target aid percentage greater than 50 percent.
- A district that receives less Chapter 70 aid in the House budget than was received under the Governor's proposal and meets the following criteria: 1) an aid increase from FY 2007 to FY 2008 of less than 10 percent; 2) required net school spending at 100 percent of foundation budget; and, 3) a loss of foundation enrollment between FY 2007 and FY 2008.

HIGHER EDUCATION

The House proposes to spend \$1.055 billion on public higher education in FY 2008, a \$23.5 million, or 2.3 percent, increase over FY 2007 ongoing spending. This is significantly larger than the approximately \$6 million increase proposed in the Governor's budget. Nearly \$1 million was added to the higher education budget during the House floor debate.

If the House's proposal for FY 2008 were adopted, higher education funding, after adjusting for inflation, would remain \$245 million or 18.8 percent below FY 2001 levels.

FY 2007 Ongoing	\$1,031,541,911
FY 2008 Governor	\$1,037,954,557
FY 2008 HW&M	\$1,054,153,195
FY 2008 House	\$1,055,020,695

<i>FY 2007 Ongoing to FY 2008 House</i>	
Increase (decrease)	\$23,478,784
Percentage change	2.3%

Under the House proposal, funding for the University of Massachusetts system, the state college system, and the community college system is increased by \$18.1 million, \$5.3 million, and \$8.9 million, respectively. In each case these increases are larger than those proposed by the Governor, with the House proposing to increase funding for the entire system by \$32.2 million, compared to \$16.3 million in the Governor's budget.

The House did not follow the Governor's proposal of consolidating line items for state colleges and community colleges, instead electing to separately appropriate money for each institution.

During the House floor debate, \$250,000 was added to the line item funding the Toxics Use Reduction Institute at the University of Massachusetts at Lowell, with the funding earmarked for research on breast cancer prevention.

House floor debate also resulted in the inclusion of about \$2 million in earmarks in the line item for the University of Massachusetts system, though the total funding level remained unchanged.

Spending by Higher Education Institutional Level			
	FY07 Ongoing	FY 08 Gov.	FY 08 House
University of Massachusetts	450.9	462.0	469.0
State Colleges	210.5	212.1	215.8
Community Colleges	231.3	235.0	240.2
Total	892.8	909.1	925.0

The other major increase proposed by the House is a \$4.8 million, or 5.4 percent, increase in the Massachusetts state scholarship program. This is the primary line item in the state budget for financial aid and, after adjusting for inflation, it has slowly eroded since FY 2001. The Governor proposed to level-fund this item.

Some proposed increases in the House budget are offset by cuts in other areas. For example, a fund established to give incentives to the state's higher education institutions to raise private philanthropic dollars receives zero funding in the House budget, down from \$13 million in FY 2007. The Governor also proposed no funding for this item.

The House also eliminates line items for specific projects located at the various state colleges or community colleges. In some cases these projects reappear as earmarks within the line items for their home institution, while others do not. For example, a line item for Salem State's aquaculture program is eliminated, but an earmark is included under Salem State's line item. On the other hand, the line item for the Public Policy Institute at North Shore Community College is eliminated and no earmark under the College's line requires spending on the Institute.

EARLY EDUCATION AND CARE

The House proposes to spend \$538.0 million on early education and care in FY 2008, a \$27.8 million, or 5.4 percent, increase over FY 2007 ongoing spending. This proposal is nearly \$6.3 million more than the House Ways and Means Committee recommended. The Governor's budget level-funded early education and care.

FY 2007 Ongoing	\$510,296,241
FY 2008 Governor	\$509,854,321
FY 2008 HW&M	\$531,798,390
FY 2008 House	\$538,048,390

<i>FY 2007 Ongoing to FY 2008 House</i>	
Increase (decrease)	\$27,752,149
Percentage change	5.4%

The House amendments add funding for early education and care in four areas. An additional \$3 million for the Child Care Rate Reserve; \$2.5 million for the Universal Pre-Kindergarten program; \$500,000 for Head Start; and, \$250,000 for the Child Care Resource and Referral Program.

In order to compare funding over time for early education and care programs, we make adjustments to the FY 2007 funding levels so that they can be compared to the FY 2008 House budget proposal. There are two line items, in particular, that require several adjustments each: the Child Care Rate Reserve (line item 1599-0042) and the Community Partnerships for Children program (line item 3000-4000).

Appropriations made for the Child Care Rate Reserve fund both salary increases and professional development for early education and care workers. The Department of Early Education and Care determines how to allocate the Child Care Rate Reserve

funds across the relevant program areas. They allocated the \$12.5 million that was appropriated for the Child Care Rate Reserve Fund in FY 2007 as follows: \$1.7 million for the Supportive Child Care program (line item number 3000-3050); \$120,000 for the Community Partnerships for Children program (line item number 3000-4000); \$5.4 million for child care vouchers (line item number 3000-4050); \$5.2 million for Income-Eligible Child Care (line item number 3000-4060). To allow comparisons from the FY 2007 budget to the FY 2008 House budget proposal, our chart includes these amounts in the line item where the money was actually spent in FY 2007.

The House budget eliminates line item 3000-4000, which had funded the Community Partnerships for Children (CPC) program. The funding for this program, however, is transferred to two other programs in the House budget. The House allocates \$15.7 million to the Universal Pre-Kindergarten Program (line item number 3000-5075), with the requirement that the funds continue to be spent on the CPC program, and \$31.8 million to the Low-Income Child Care Program (line item number 3000-4060). Our chart adjusts the FY 2007 numbers to conform to this structure.

Number	Direct Service Funding	FY 2007 Budget	FY 2007 in FY		FY 2008 House	House increase over FY 2007
			2008 HW&M	FY 2008 HW&M		
Structure						
1599-0042	Child Care Staff Reserve	12,500,000	0	4,000,000	7,000,000	7,000,000
3000-3050	Supportive Child Care	54,673,130	58,506,330	67,194,996	67,194,996	8,688,666
3000-4000	Community Partnerships for Children	47,641,095	0	0	0	0
3000-4050	TANF Related Child Care	163,151,082	166,498,282	169,892,198	169,892,198	3,393,916
3000-4060	Low-Income Child Care	150,714,917	187,914,517	193,434,752	193,434,752	5,520,235
3000-5000	Grants to Head Start Programs	8,500,000	8,500,000	8,500,000	9,000,000	500,000
3000-5075	Universal PreKindergarten Program	4,638,739	20,399,834	20,399,834	22,899,834	2,500,000
Total		441,818,963	441,818,963	463,421,780	469,421,780	27,602,817



In addition to these issues, the second column of the chart reflects a transfer of \$2.1 million from TANF Related Child Care to Supportive Child Care. The Department of Early Education and Care transferred these funds in October 2006 in order to provide services to 1,074 children who were on the waiting list for Supportive Child Care.

After making these adjustments, we can compare the House proposal to the FY 2007 budget. The House increases funding for Supportive Child Care from \$58.5 million to \$67.2 million, an \$8.7 million increase. While there were wait lists in the past, this funding level should ensure that services are provided to all eligible children. The Governor proposed the same increase. Supportive Child Care funds early education and care for families referred by the Department of Social Services.

Funding for TANF Related Child Care increases from \$166.5 to \$169.9 in the House proposal, a \$3.4 million increase. In contrast, the Governor’s proposal (of \$164.4 million) would result in a reduction of \$2.1 million. This program funds vouchers for enrollment in early education and care programs; the funds are available for families currently receiving or transitioning from Temporary Assistance to Needy Families (TANF).

The House increases funding for Low-Income Child Care from \$187.9 million to \$193.4 million, a \$5.5 million increase. The House proposal is \$8.9 million larger than the Governor’s proposal. This program provides financial assistance for income-eligible families to enroll in early education and care programs.

The House level-funds the Healthy Families Home Visiting Program, the Massachusetts Family Network and the Reach Out and

Read Program, which is funded as an earmark within Massachusetts Family Network.

The House reduces by \$1.8 million administrative funding in line item 3000-2000, which funds child care resource and referral agencies.

The House increases by \$1 million various professional development and quality enhancement initiatives that are funded in items 3000-6000 and 3000-6050, while it shifts money between these items.

The House includes a new \$7 million for the Child Care Rate Reserve in FY 2008, \$3 million more than what the House Ways and Means Committee recommended; the Governor proposed no new funding.

INCOME SUPPORT PROGRAMS

Total funding for income support programs in the House budget is \$598.3 million. This is \$2.9 million less than recommended by the Governor and \$9.3 million, or 1.5 percent, less than in FY 2007.

FY 2007 Ongoing	\$608,261,358
FY 2008 Governor	\$601,845,370
FY 2008 HW&M	\$598,363,948
FY 2008 House	\$598,932,022

<i>FY 2007 Ongoing to FY 2008 House</i>	
Increase (decrease)	(\$9,329,336)
Percentage change	-1.5%

The only change to the income support programs in the House budget, compared to the recommendation given by the House Ways and Means Committee, is an additional \$568,074 for Transitional Aid to Families with Dependent Children (TAFDC), the state’s main income support

program for low-income families. Of that amount, \$418,074 is earmarked for the Transportation Assistance program, which is operated by Travelers Aid Family Services, a non-profit organization; the remaining \$150,000 is earmarked for the Lift Transportation program operated by the same organization. These programs were funded at these same levels in FY 2007. The final House proposal for TAFDC grant payments is \$2.6 million less than the Governor proposed and \$15.1 million less than in FY 2007. These changes are likely due to lower expected caseloads.

Like the Governor, the House proposes \$69.91 million for the Emergency Aid to the Elderly, Disabled and Children program. This program provides cash assistance to low-income elderly, disabled individuals and those caring for disabled family members. This funding level is slightly lower than the FY 2007 level of \$69.97 million.

Unlike the Governor, the House includes a requirement that the Commissioner of the Department of Transitional Assistance notify the Legislature 60 days before implementing any eligibility or benefit changes. This notice requirement helps ensure that legislators consider alternatives to benefit cuts, should deficits emerge in a given year. This requirement was also included in the FY 2007 line item language for this program.

Job Training and Employment Services

Funding for the Employment Services Program, which is available to individuals receiving cash assistance, would be funded at \$27.16 million, exactly the amount proposed by the Governor. This is essentially the same level of funding provided in FY 2007.

Like in the Governor's budget, the House increases the maximum amount of federal reimbursements for specific education and job training or readiness services that the

Department of Transitional Assistance can retain from \$5 million to \$7 million. The additional \$2 million in FY 2008 relative to FY 2007 reflects potential federal reimbursements from trainings provided by non-state agencies, such as community colleges and private foundations.

HEALTH CARE

Amendments to the House Ways and Means budget proposal add a total of \$66.6 million to Medicaid/MassHealth and other appropriated health care programs. The amendments also add \$95.0 million to the total for non-budgeted health care funding, but as discussed below, this amount is not included in these totals. These additions bring the total House budget for health care to \$9.337 billion, a 4.6 percent increase over total ongoing FY 2007 funding. The House projects that Medicaid/MassHealth caseloads will grow by approximately 3 percent over the course of the fiscal year. Like the Governor, the House states that their budget proposal fully funds the costs of implementing the Commonwealth's health reform legislation.

FY 2007 Ongoing	\$8,930,690,795
FY 2007 Governor	\$9,254,582,321
FY 2008 HW&M	\$9,271,160,994
FY 2008 House	\$9,337,760,994

<i>FY 2007 Ongoing to FY 2008 House</i>	
Increase (decrease)	\$407,070,199
Percentage change	4.6%

This *Budget Monitor* total includes funding for health care from non-budgeted special trusts as well as on-budget appropriated line items supporting health care. The non-budgeted special revenue funds are integral to the implementation of health reform, and the implementation of health reform is

integral to the funding of on-budget health programs such as Medicaid/MassHealth.

The analysis in this *Budget Monitor* divides health care funding totals into several sections (see detailed chart below) in order to break down the various components of the House health care budget. We make various adjustments to the totals as listed in the budget, in order to make more accurate year-to-year comparisons.²

Medicaid/MassHealth

During debate, the full House added \$66.6 million to the total appropriated Medicaid/MassHealth funding, for a total of \$8.348 billion. Ongoing FY 2007 funding for Medicaid/MassHealth was \$7.834 billion, and the Governor's recommendation for these programs was \$8.269 billion. Whereas the Governor's budget had recommended consolidating various Medicaid/MassHealth accounts, the House budget does not adopt the Governor's recommendation to consolidate these accounts.

The Governor had recommended a combination of savings initiatives and program expansions that would have resulted in \$179.2 million in savings. The

² "Medicaid/MassHealth" includes the funding for the Healthy Start Program and the Medicare "Clawback." These "Medicaid/ MassHealth" totals also include the administrative costs associated with the Executive Office and the Office of Medicaid. The totals for "Other Health Care Programs" include the Children's Medical Security Plan program, as well as the Betsy Lehman Center and certain health care grants. "Health Care Reform" does not include funding directed to the Division of Insurance in FY 2007, but does include other budgeted administrative costs associated with the implementation of health care reform. Funding transferred into the Uncompensated/Health Safety Net Care Pool is included in the discussion of non-budgeted health care funding.

House budget proposal does not include most of the Governor's expansions, and also does not include some of the Governor's savings initiatives.

Amendments to the House Ways and Means budget that restored funding to Medicaid/MassHealth line items include:

- \$38.9 million more for Managed Care Plans, for a total of \$2.712 billion. Of this total, the House adds back earmarks totaling \$21.7 million for supplemental payments to specific safety net hospitals whose caseload includes a "disproportionate share" of low-income patients. In FY 2007, these earmarks totaled \$25.7 million.
- \$14.8 million more for Indemnity and Third Party Liability Plans, for a total of \$1.507 billion. The House budget includes in this total \$10.0 million targeted to rate increases for community health centers. This same earmark was included in the FY 2007 General Appropriation Act, but the Governor's FY 2008 budget recommendation did not include the earmark.
- \$11.0 million more for Senior Care Plans, for a total of \$1.919 billion. Language in the budget also states that nursing facilities would be guaranteed a \$80.0 million increase in payments above what they received in FY 2007.
- \$1.7 million more for the Executive Office, earmarked for a new loan forgiveness and recruitment incentive program for primary care providers in community health centers, run by the Massachusetts League of Community Health Centers. Total recommended funding in the House budget is \$143.8 million.
- \$200,000 more for enrollment and outreach grants, for a total of \$750,000. The Governor had recommended \$500,000 and House Ways and Means

had recommended \$550,000. In FY 2007, however, funding for enrollment and outreach grants was \$3.5 million. These grants have allowed community organizations to help uninsured individuals enroll in the Commonwealth's various health insurance programs.

Other than as indicated above, it is not entirely evident from the budget what the amendments added by the full House during floor debate restore. It appears, however, that the House restorations include: \$7.0 million in supplemental payments for high-acuity pediatric facilities; \$7.0 million in rate enhancements for the facilities of Hebrew SeniorLife; \$4.5 million for nursing homes to support medical leaves of absence.

The House Ways and Means budget proposal specified that \$20.0 million of rate increases to hospital providers would be available only after the providers met specific "pay for performance" standards, and would be subject to Medicaid/MassHealth appropriations. The House amendments change this language, and specify first of all that the Commonwealth may not establish new performance standards for these funds. Second, the House specifies that this \$20.0 million would come from the non-budgeted Commonwealth Care Trust Fund (see below), rather than from appropriated funds.

A significant change affecting the Medicaid/MassHealth budget comes from an administrative procedure embedded in the Governor's budget, which also appears to be included in the House budget. Medicaid/MassHealth plans to tighten the schedule for eligibility re-determinations from 60 to 45 days. This change (by more quickly eliminating coverage for persons no longer eligible) would save \$70 million in spending, and cost \$35 million in foregone

federal revenue. The net impact on the state budget of this administrative change would be \$35 million. It is not clear, however, what the financial impact would be of these sped-up re-determinations and the demand for uncompensated care.

Like the Governor, the House brings "on-budget" a rate supplement for nursing home providers that had previously been funded through the non-budgeted Health Care Quality and Improvement Trust. The amount of this supplement remains at \$288.5 million, and is part of the Medicaid/MassHealth total.³ This supplement is partially paid for by an assessment on long-term care facilities.

Although not included in these totals, the House adds a total of \$300,000 to the Commonwealth's capacity ensure the integrity of the Medicaid/MassHealth program. The House adds \$150,000 to the Medicaid audit unit in the State Auditor's Office for a total of \$805,000, and \$150,000 to the Medicaid Fraud Control unit in the Attorney General's Office for a total of \$3.0 million.

Pharmacy Programs

The full House amended the House Ways and Means budget for the Prescription Advantage program by changing the

³ In order to make accurate year-to-year comparisons, we add \$288.5 million to the FY 2007 Medicaid/MassHealth totals to include the nursing home rate supplement funded in that year out of an off-budget trust. Furthermore, in FY 2007 we add in \$70.9 million for provider rate enhancements that were actually paid from the Commonwealth Care Trust Fund, since in FY 2008 the amounts to cover these rate increases have been incorporated into the Medicaid/MassHealth appropriation totals. Without these two additions, the FY 2007 total for Medicaid/MassHealth would have been \$7.546 billion.

language describing the line item. The House amendment adds language providing that eligible persons may enroll at any time during the year (rather than only during specified enrollment periods), and also adds an earmark designating \$600,000 for a pharmacy outreach program. This earmark was also included in the FY 2007 budget.

The House budget recommends \$63.8 million for this program. Funding in FY 2007 for the Prescription Advantage program was \$63.6 million, and the Governor's budget recommended \$60.5 million. In FY 2007, there had been budgetary language ensuring that this prescription program would be available as an emergency "safety net" for MassHealth and Prescription Advantage members experiencing difficulties making the transition to prescription coverage under Part D of the federal Medicare program. The Prescription Advantage program could provide a one-time thirty day emergency supply of prescription medication during the transition from one program's coverage to another. This provision expired on December 31, 2006. Neither the Governor's budget nor the House budget includes language to reinstate this level of protection.

Other Budgeted Health Care

There were no House amendments to the House Ways and Means budget for the Children's Medical Security Plan. The House recommends funding this program at \$15.2 million, the same as the Governor's recommendation. Although this is less than funding in FY 2007, the amount is most likely sufficient to meet the needs of the program, given anticipated FY 2007 spending levels, and given expanded eligibility for Medicaid/MassHealth. Included in the House recommendation is budgetary language that maintains the existing structure for premiums in the

program, and exempts from premiums families with incomes at less than 200 percent of the federal poverty level. The Governor's budget had language that would have given the administration latitude to set premium levels via regulation.

Health Reform

In order to administer health reform, the House budget recommends – as did the Governor's budget – that there be a total of \$2.4 million within the Department of Workforce Development and within the Division of Insurance designated for implementation of the "fair share assessment" and a "health care access bureau."

Non-Budgeted Health Funding

In addition to the funding listed above, the House budget recommendation includes information about non-budgeted health care funding associated with certain trust funds. These trusts receive funds transferred from the General Fund for specified purposes, but their spending is not subject to legislative appropriation.

The House proposal for the use of these funds is the same as the Governor's proposal, with one exception. The House amendments add up to \$95.0 million more to the allowed transfer from the General Fund into the Medical Assistance Trust Fund, for a total of \$346.0 million. However, there are several contingencies built into this \$95.0 million increase. As was the case last year, the language governing this transfer states that the transfers are "not to exceed" \$346.0 million. The House language also states that before any transfer beyond \$251.0 million could be made, the University of Massachusetts Medical School (the ultimate beneficiary of these funds) must comply with certain financial requirements. The

Health Care Programs (in Millions of Dollars)				
	FY 2007	FY 2008	FY 2008	FY 2008
	Ongoing	Gov.	HW&M	House
Medicaid/MassHealth*	7,905.2	8,268.7	8,281.5	8,348.1
Pharmacy Programs	63.6	60.5	63.8	63.8
Other Budgeted Health Care Programs	18.7	15.2	15.7	15.7
Health Care Reform	18.0	2.4	2.4	2.4
Sub-Total Appropriated Health Care	8,005.5	8,346.8	8,363.4	8,430.0
Medical Assistance Trust**	236.0	251.0	251.0	251.0
Essential Community Provider Trust	38.0	28.0	28.0	28.0
Commonwealth Care Trust*	651.2	628.8	628.8	628.8
Sub-Total Non-Budgeted Health Care	925.2	907.8	907.8	907.8
Grand Total	8,930.7	9,254.6	9,271.2	9,337.8
<p><i>*In FY 2007, the Medicaid/MassHealth total includes \$288.5 million from the Health Care Quality Improvement Trust associated with nursing home rate adjustments. These rate adjustments are incorporated into the FY 2008 Medicaid/MassHealth appropriated totals. In FY 2007, we took \$70.9 million from the Commonwealth Care Trust Fund and added it to the Medicaid/MassHealth total in order to mirror \$140.9 million brought on-budget from the Commonwealth Care Trust Fund in FY 2008.</i></p> <p><i>**Although Outside Section 24 of the House budget specifies that this total could be as high as \$346.0 million, there is language that states that the total can only go above \$251.0 million if certain contingencies are met. For the purposes of our analysis, we include the more conservative total here.</i></p>				

limiting language also states that any transfer amount beyond \$251.0 million must receive approval from the Executive Office of Health and Human Services that the increase in payments does not exceed the negotiated limit for spending under the Commonwealth’s Medicaid “waiver.” Because it may not be likely that all of these contingencies can be met, we continue to use \$251.0 million in our calculations for this transfer.

The Governor and House Ways and Means had both recommended transfers of only \$251.0 million. In FY 2007, the Commonwealth transferred \$236.0 into the Medical Assistance Trust funds for these supplemental payments, even though the FY 2007 budget language stated that the amount was “not to exceed” \$346.0 million.

Other off-budget transfers for health programs include:

- \$28.0 million transferred to the Essential Community Provider Trust Fund, down from \$38.0 million in FY 2007. These funds would be available in the form of grants to acute care hospitals and community health centers for care for needy populations.
- \$628.8 million allocated to the Commonwealth Care Trust Fund to pay for, among other initiatives, the costs associated with subsidized health insurance premiums for the Commonwealth’s health reform programs.

In FY 2007, \$70.9 million in provider Medicaid/MassHealth rate enhancements came from the Commonwealth Care Trust Fund, but in FY 2008, amounts to cover these rate increases have been incorporated into the Medicaid/MassHealth appropriation totals. The totals in this *Budget Monitor* subtract \$70.9 from the FY 2007 Commonwealth Care Trust Fund total in

order to generate a more accurate comparison of Medicaid/MassHealth totals between the two years. Without this reduction, the FY 2007 total for the Commonwealth Care Trust Fund would have been \$722.1 million.

One of the administrative changes made under the state’s health reform law is to change the Uncompensated Care Pool into the Health Safety Net Care Pool. This pool of money is available to hospitals and community health centers to reimburse them for a portion of their costs associated with uncompensated care for uninsured or underinsured persons.

Both the Governor’s budget and the House budget recommend that the authority for administering these funds move from the Office of Medicaid into a Health Safety Net Office within the Division of Health Care Finance and Policy. The House and Governor’s budgets both recommend transferring \$33.9 million from the Commonwealth Care Trust Fund into this pool to support its operations.

In order to ensure sufficient funding for the Commonwealth’s health care programs, the House budget recommends that funds be transferable between the Commonwealth Care Trust Fund and the Health Safety Net Trust Fund. The Governor’s budget had also recommended that funds be easily transferred between these funds and the General Fund.

PUBLIC HEALTH

Amendments to the House budget proposal add \$10.1 million to the budget for public health programs. This is \$13.1 million more than ongoing public health funding in Fiscal Year 2007 (an increase just enough to cover inflation), but \$21.5 million or 4 percent less

than recommended by the Governor. When adjusted for inflation, the total House public health funding recommendation is 16 percent below Fiscal Year 2001 funding levels.

FY 2007 Ongoing	\$512,495,185
FY 2008 Governor	\$547,036,991
FY 2008 HW&M	\$515,511,750
FY 2008 House	\$525,581,550

<i>FY 2007 Ongoing to FY 2008 House</i>	
Increase (decrease)	\$13,086,365
Percentage change	2.6%

Almost half of the total funding added by the full House goes to increasing smoking prevention programs. The rest of the funding goes to substance abuse expansions statewide, earmarked funding for family health services, and half-a-dozen other programs.

The House budget recommendation for public health programs, as in other areas, does not follow the Governor’s proposal to consolidate funding for a variety of programs. For example, rather than consolidating several services under the category of “health promotion and disease prevention,” the House continues the previous years’ practice of funding the several line items separately.

The House budget proposal does not include two major initiatives that were in the Governor’s public health budget.

- **Anti-Smoking Programs.** During floor debate, the House added \$5.0 million to the House Ways and Means budget proposal for smoking prevention programs, bringing total recommended funding to \$13.3 million. This is \$5.0 million more than ongoing FY 2007 funding. The Governor had proposed almost doubling funds for anti-smoking

programs in the Department of Public Health, from \$8.3 million to \$16.3 million. Even the Governor's higher budget recommendation, however, would not have brought funding for anti-smoking programs back to the level it had been. In the early part of the current decade, there were deep cuts in the public health budget. In inflation-adjusted dollars, funding for smoking prevention programs in Fiscal Year 2001 was \$60.5 million.

- **Immunizations.** The House budget funds immunizations at \$38.4 million, which is \$1.6 million more than in FY 2007, sufficient to cover the costs of the current vaccine program. Included in the budget language is a requirement that the Commonwealth conduct a study of the "efficacy" of three additional vaccines: the rotavirus, meningococcal conjugate, and human papilloma virus vaccines. The Governor had proposed \$61.6 million for the universal immunization program in order to fund the addition of these vaccines to the universal immunization program.

In addition to the funding added for anti-smoking programs, during the debate over the public health budget, the full House amended the House Ways and Means proposal in several other ways. The amendments include the following.

- \$2.0 million more for substance abuse prevention programming, for a total of \$80.5 million. This total is \$2.0 million more than recommended by the Governor, and it is a \$6.2 million decrease from FY 2007 ongoing funding. Included in the budget amendments are earmarks totaling \$8.8 million, including a \$2.0 million earmark to set up six regional recovery centers. At the beginning of FY 2007,

funding for substance abuse services was \$66.6 million. Over the course of the year, \$20.1 more was added to support these services. The House budget would not continue into FY 2008 the full amount of this funding. This could put in jeopardy several new programs for young adults and adolescents funded with these supplemental dollars.

- \$1.2 million more for family health services, for a total of \$6.4 million. This is \$1.1 million more than FY 2007 amounts, a 20 percent increase. The House also added \$1.7 million in earmarks to this line item, designating funding for specific programs across the state.
- \$840,000 more for environmental health services, for a total of \$4.2 million. This funding is also 20 percent higher than in FY 2007. The House added earmarks to this line item as well, for a total of \$770,000 in specified funding.
- \$300,000 more for school health services, for a total of \$16.7 million, just slightly above FY 2007. School health service dollars are almost completely earmarked, with \$15.0 million designated for school nurses and school-based health centers; \$300,000 for mental health and substance abuse programs in school-based health centers; \$350,000 for the Commission on Gay and Lesbian Youth; \$150,000 for an obesity pilot project; \$100,000 for the HELP program for African-American males and \$200,000 for community coalitions in the North Quabbin region. These earmarks were also part of the FY 2007 budget. This funding still represents a significant decrease from funding in FY 2001, when school health services received \$54.0 million in inflation-adjusted dollars.
- \$225,000 more for the CenterCare managed care program in community health centers, earmarked for technical

assistance support. Total funding in the House budget is \$782,000.

- \$200,000 for a new line item to support a Shaken Baby Syndrome prevention program.
- \$150,000 more for Health Quality and Improvement programs, for a total of \$9.8 million. This is 23 percent more than FY 2007 funding levels.
- \$150,000 more for the state laboratory, for a total of \$14.0 million. The Governor had recommended \$15.0 million for the state laboratory, which plays a critical function in the Commonwealth's planning for the possibility of pandemic influenza, and also supports municipalities in their efforts to control insect-borne illnesses such as West Nile Virus and Eastern Equine Encephalitis (EEE).

Even without amendments that change funding levels, the House budget recommendation includes increases over FY 2007 levels for several other areas in public health, including the following.

- \$133.6 million in appropriated funds for public health hospitals. This is \$4.6 million more than in FY 2007. The Governor had recommended \$136.9 million.
- \$41.7 million for early intervention services, including \$4.5 million in retained revenue. This is the same as recommended by the Governor, and is \$3.0 million more than ongoing funding in FY 2007. The Department of Public Health expects a 2.5 percent caseload increase, and this increased funding level should be sufficient to cover the costs of the expanded caseload.
- \$3.8 million for community suicide prevention services. This program receives the single largest proposed increase in the House public health budget – a 200 percent increase. The

Governor had recommended level funding community suicide prevention programs at \$1.3 million.

- \$4.6 million for domestic violence and sexual assault and treatment programs. This amount includes last year's \$158,000 designated for intervention and services for intimate partner violence in the gay and lesbian community, and a new \$20,000 earmark for the Lawrence Delamano program.

The House budget recommendation also includes the following other significant reductions in funding compared to ongoing funding levels in FY 2007.

- \$1.9 million for dental health services, \$850,000, or 31 percent, less than in FY 2007. This is the same amount as proposed by the Governor.
- \$6.7 million for early breast cancer screening and treatment, which is \$675,000 less than the FY 2007 level.

Most of the other public health screening programs (for example, for osteoporosis, prostate cancer, colorectal cancer, Hepatitis C, multiple sclerosis, renal disease, ovarian cancer and diabetes) receive funding at the same level as in FY 2007 (with the exception of early breast cancer detection as described above.)

In addition to amendments made to line items in appropriation accounts, during debate the House added language in an "outside section" of the budget recommending the establishment of a Chronic Kidney Disease Task Force. This task force would develop a plan to educate health care professionals about the benefits of early screening, diagnosis and treatment of kidney disease.

MENTAL HEALTH

Funding for mental health services increases by \$18.6 million over FY 2007 ongoing levels in the House budget, an increase of 2.9 percent. This is slightly more funding than the Governor's budget provided for mental health services. No floor amendments related to mental health services were adopted in the House budget.

FY 2007 Ongoing	\$646,529,706
FY 2008 Governor	\$664,037,326
FY 2008 HW&M	\$665,148,921
FY 2008 House	\$665,148,921

<i>FY 2007 Ongoing to FY 2008 House</i>	
Increase (decrease)	\$18,619,215
Percentage change	2.9%

Overall, the increase in funding for the Department of Mental Health stems primarily from provisions in the state's provider contracts that increase payments each year to maintain levels of service. In addition, the administration estimates that \$4 to \$5 million of the human services rate reserve for FY 2007 went to the Department of Mental Health. This funding, because it pays for higher wage rates among providers, then becomes a component of maintenance-level spending in future years.

While the House does not adopt the Governor's proposal to consolidate emergency services and homelessness support services with overall adult mental health services, both budget proposals provide \$373 million for these three categories. This represents an increase of about \$15 million, or 4.2 percent, over FY 2007 funding levels for adult mental health services.

Also roughly matching the Governor's proposal, the House proposes a \$7.5 million or 4.5 percent increase in funding for state

psychiatric hospitals and inpatient services. Funding for child and adolescent mental health is increased by about \$1 million or 1.4 percent.

MENTAL RETARDATION

The House provides \$1.228 billion for the programs of the Department of Mental Retardation, an increase of \$52.3 million or 4.4 percent over FY 2007 ongoing levels. This is also about \$12.3 million more than was proposed by the Governor. During the House floor debate amendments resulted in an additional \$1.8 million in funding beyond the House Ways and Means proposal.

FY 2007 Ongoing	\$1,175,919,006
FY 2008 Governor	\$1,215,833,577
FY 2008 HW&M	\$1,226,349,128
FY 2008 House	\$1,228,179,128

<i>FY 2007 Ongoing to FY 2008 House</i>	
Increase (decrease)	\$52,260,122
Percentage change	4.4%

While the House does not adopt the Governor's proposal of consolidating seven programmatic line items in the Department of Mental Retardation into two, both budget proposals consolidate two existing line items into one for the administration of the Department. Both the House and the Governor fund this new administrative line item at about \$73 million, a \$1.3 million increase over FY 2007 funding. The House floor debate resulted in the addition of \$30,000 to this line item, with a single earmark of that amount.

There are three major programmatic areas within the Department of Mental Retardation and they are funded by the House as follows.

- Community support programs, which includes functions such as respite family support, transportation, and work programs for the intellectually impaired and disabled, are funded at \$191.4 million, a \$6.5 million increase over FY 2007 and about \$5.5 million more than was proposed by the Governor. These programs were increased by about \$550,000 during the House floor debate.
- Community residential programs, providing for non-institutional residential situations for the intellectually disabled, are funded at \$769.9 million, a \$35.1 million or 4.8 percent increase over FY 2007 levels.
- Finally, support for state institutional facilities is proposed at \$182.8 million, about \$10 million more than FY 2007 and \$2 million more than the Governor's proposal.

While the Governor's budget proposal cut \$3 million from the Department's Turning 22 program, realized through changes in the program enrollment process The House Ways and Means budget proposed a \$2 million reduction and after the floor debate the funding level is now only \$1 million below FY 2007 levels.

SOCIAL SERVICES

The House budget for the Department of Social Services is \$795.3 million for FY 2008. This is a \$25.4 million or 3.3 percent increase over the FY 2007 budget for the Department. The House's proposal is about \$5 million higher than the Governor's budget.

FY 2007 Ongoing	\$769,900,112
FY 2008 Governor	\$790,253,582
FY 2008 HW&M	\$795,099,060
FY 2008 House	\$795,299,060

<i>FY 2007 Ongoing to FY 2008 House</i>	
Increase (decrease)	\$25,398,948
Percentage change	3.3%

The House budget matches the Governor's proposal by increasing funding for the Department of Social Services' administration by \$3.4 million or 4.5 percent. During floor debate an earmark was added to the language of the Department's administrative line item indicating that "not less than \$500,000 shall be available for expert medical and mental health evaluations for certain children in DSS care." No additional funding was appropriated to the line item for this earmark.

Much of the activity of the Department of Social Services is funded through two core services accounts. The Governor proposed to consolidate these into a single line item in order to give the Department maximum flexibility. The House maintains this distinction, but their budget increases funding for these core services accounts by \$21.2 million or 4.1 percent. This is about \$4.5 million more than the Governor proposed. During the House floor debate earmarks amounting to more than \$6 million were added to fund particular programs through the Services for Children and Families line item.

The House matches the Governor's proposal for funding social workers for case management at \$4.2 million more than FY 2007.

Finally, while the Governor's budget cut funding for the Department's transitional employment program by \$1 million or 50

percent, the House maintains funding for the program at the FY 2007 level.

ELDER AFFAIRS

Amendments to the House budget proposal add \$3.6 million to the budget for elder service programs, bringing the total to \$230.0 million. This is \$6.9 million more than ongoing elder service funding in FY 2007, and \$3.0 million more than recommended by the Governor. (For a discussion of the MassHealth senior care programs, nursing home rates, and the pharmacy programs, see the “Health Care” section of this *Budget Monitor*.)

FY 2007 Ongoing	\$223,061,057
FY 2008 Governor	\$227,024,995
FY 2008 HW&M	\$226,391,893
FY 2008 House	\$229,997,893

<i>FY 2007 Ongoing to FY 2008 House</i>	
Increase (decrease)	\$6,936,836
Percentage change	3.1%

Amendments to the House budget add funding to more than half a dozen line items, the largest of which are the Elder Community Options program and the congregate housing program.

Specifically, the House amendments add the following.

- \$1.5 million to the Elder Enhanced Community Options program, for a total of \$44.9 million. This is \$1.6 million more than FY 2007 ongoing funding.
- \$941,000 more for congregate housing programs, all of which was earmarked for specific housing programs. Total funding recommended by the House is \$2.9 million, a 48 percent increase over ongoing FY 2007 funding levels.

- \$290,000 more for local elder services programs (the senior lunch program), bringing the total House recommended funding to \$5.9 million. Of this total, \$40,000 is designated for a specific program.
- \$250,000 for elder home care purchased services, for a total of \$105.2 million.
- \$250,000 for elder protective services, for a total of \$14.5 million. This is \$507,000 more than in FY 2007, a four percent increase.
- \$250,000 more for local councils on aging, for a total of \$7.8 million. This is also a four percent increase over FY 2007 funding.
- \$75,000 more for the geriatric mental health program, for a total of \$425,000. This is a 21 percent increase over FY 2007 funding. The Governor and the House Committee on Ways and Means had recommended level-funding this program.
- \$50,000 more for an elder homelessness prevention program, for a total of \$300,000.

As is the case in other parts of the budget, the House does not follow the Governor’s recommendation to consolidate the funding for elder home care services or supportive housing. Instead, the budget proposal includes line-item appropriations for each program as in past years.

The final House budget recommends a total of \$190.0 million for home care programs, compared to \$189.1 million recommended by the Governor, and \$186.6 million in FY 2007. The House budget proposal breaks this into \$105.2 million for home care services, \$39.9 for home care case management and administration, and \$44.9 for the Elder Enhanced Community Options program.

The House budget recommends a 25 percent increase in programs for supported housing for elders compared to FY 2007, for a total of \$7.1 million. This is an increase over both the House Ways and Means recommendation of \$6.2 million, the Governor's recommendation of \$5.3 million, and FY 2007 funding of \$5.8 million. In addition to the \$2.9 million for congregate housing discussed above, the House budget includes \$4.2 million for supportive senior housing.

OTHER HUMAN SERVICES

The House budget proposes a total of \$616 million for all other human services programs, an \$8.9 million or 1.5 percent increase over FY 2007. This is \$16.7 million more than was proposed in the Governor's budget. The House Ways and Means Committee proposal had other human services spending falling by 1.1 percent, but the addition of \$14.9 million in appropriations through the House floor debate changed the House appropriation into an increase over FY 2007.

Other human services is a category used by the MBPC for analysis, and includes the Department of Veterans' Affairs, the Department of Youth Services, the Massachusetts Commission for the Blind, the Massachusetts Rehabilitation Commission, the Division of Health Care Finance and Policy, the state's soldiers' homes, health and shelter programs for the homeless, and the administrative accounts for the Department of Transitional Assistance.

FY 2007 Ongoing	\$607,223,788
FY 2008 Governor	\$599,431,450
FY 2008 HW&M	\$601,153,959
FY 2008 House	\$616,090,551

<i>FY 2007 Ongoing to FY 2008 House</i>	
Increase (decrease)	\$8,866,763
Percentage change	1.5%

Examining funding for services to veterans – including both the Veterans' Affairs office and the state's soldiers' homes – the House proposes to increase funding by \$4.8 million. This represents a slight increase over the Governor's proposed level of funding, and does not include funding for homeless veterans (see sub-section below). Other than a \$10,000 increase in the appropriation for the administration of the Department of Veterans' Services, funding for veterans services was little changed by the House floor debate.

Funding for the Massachusetts Commission for the Blind and the Massachusetts Rehabilitation Commission is generally maintained at FY 2007 levels and there is little difference between the Governor's proposal and that of the House. House floor debate resulted in additions of \$243,000 for the Commission for the Blind and \$825,000 for the Rehabilitation Commission over the amounts proposed by the Ways and Means Committee.

The House proposes to fund the state's Division of Health Care Finance and Policy at \$14.0 million, an increase of \$1.1 million over FY 2007 levels and the same increase as was proposed by the Governor.

Funding for the administrative and case management functions of the Department of Transitional Assistance is set by the House at \$125.5 million, an almost \$2 million increase over FY 2007. However, the House proposal is about \$1 million below

the funding level requested by the Governor. The gap between the House and Governor was wider, but an additional \$900,000 was appropriated to DTA's administrative line item during the floor debate.

The line item for matching grants to programs serving at-risk youth was zeroed out in the Governor's budget proposal, but the House Ways and Means Committee included \$2 million in funding in its proposal. During the House floor debate, this number was changed to \$5.1 million. Of this amount, 99 percent is already committed to particular programs through earmarks contained in the budget proposal.

Finally, the proposal includes an increase of \$2.1 million or 1.3 percent in funding for the Department of Youth Services. A \$6.7 million combined increase in services for the detained and committed youth populations is offset by a \$1.2 million cut in non-residential services for the committed population and the elimination of \$3.3 million in funding for the Department's education services.

Homelessness

The Governor's budget proposal consolidated, into two items, a series of items from across state government that fund programs and services for the homeless or those at-risk of becoming homeless. While the House does not adopt the Governor's consolidation proposal, it is possible to analyze the proposed funding levels across these line items.

The House budget includes \$162.1 million for services to the homeless, compared to \$153.6 million in FY 2007. This is an increase of \$8.5 million or 5.5 percent. The primary sources of the increase, over FY 2007, in the House budget are a \$6.5 million increase in family shelters and services and

a \$2.5 million increase in the Massachusetts Rental Voucher Program. Under the House Ways and Means budget the line items for Veterans' homeless shelters and for the New England Shelter for Homeless Veterans are cut by \$250,000 and \$900,000 respectively. However, the floor debate in the House increased funding for services to homeless veterans by \$300,000 over the House Ways and Means proposal. This effectively results in a new increase of \$50,000 in funding for shelter for homeless veterans. Nearly all of the appropriation for services to homeless veterans is allocated through earmarks.

The Committee's budget for homelessness is about \$1.2 million above that of the Governor.

Human Services Rate Reserve

Part of total spending for other human services in the FY 2008 House budget is \$20 million for the human services rate reserve account. The Ways and Means Committee and the Governor both proposed funding this reserve at \$12 million, but an amendment adopted on the House floor funded the reserve at \$20 million. This amount represents an \$8 million decline from the FY 2007 level and flat-funding relative to FY 2006.

Ultimately, the \$20 million proposed for the reserve account will be spent across all health and human services departments to fund salary increases for low-wage service providers. Because the budget proposal does not distribute the reserve among agencies, the reserve account funding is included in the other human services comparison between FY 2007 and FY 2008.

ENVIRONMENTAL AFFAIRS

The House budget for environmental affairs increases funding from \$208 million in FY 2007 ongoing to \$215 million in FY 2008, an increase of 3.2 percent. This is 1.4 percent higher than the Governor's proposal for environmental affairs. The Ways and Means Committee had proposed a reduction in environmental affairs funding of about \$3 million. During the House floor debate nearly \$10 million was added to the environmental affairs budget. Despite a better than 3 percent increase, the environmental affairs budget under the House proposal would, after adjusting for inflation, remain 25.6 percent below the FY 2001 level.

FY 2007 Ongoing	\$208,129,677
FY 2008 Governor	\$211,654,688
FY 2008 HW&M	\$205,281,557
FY 2008 House	\$214,890,557

<i>FY 2007 Ongoing to FY 2008 House</i>	
Increase (decrease)	\$6,760,880
Percentage change	3.2%

During the House floor debate, funding was increased for several of the administrative line items for various environmental affairs offices. The Executive Office of Environmental Affairs, the Department of Environmental Protection, the Division of Marine Fisheries, and the Division of Agricultural Resources had their funding increased by \$250,000, \$1 million, \$135,000, and \$200,000 respectively. Despite these increases, only the Department of Environmental Protection saw their FY 2008 proposed funding rise above their FY 2007 ongoing level. Furthermore, these increases in the administrative line items are entirely accounted for by earmarks for particular projects or programs.

House floor debate also substantially increased funding for state parks and recreation. Funding for beach preservation increased by \$2.3 million, funding for state parks increased by \$1.26 million, and funding for urban parks increased by almost \$3 million. Again this additional funding takes the form of earmarks for work at particular beaches or parks. The House proposal mandates that \$2 million of beach preservation funding be spent on purchasing new equipment for the maintenance of Metropolitan Beaches and for personnel to use that equipment.

Overall, the House budget cuts funding for the Executive Office of Environmental Affairs and its affiliated programs by \$1.8 million or 7.5 percent. This is accomplished through a 5.6 percent cut to EOEA administration, a 13.4 percent cut to the Office of Geographic Environmental Information (funding GIS services), a 13.4 percent cut to recycling coordination programs, and a 63.6 percent cut in funding for redemption centers.

With the addition of \$1 million in earmarks in the Department of Environmental Protection's administrative line item, overall funding for DEP and its programs is increased by 2.0 percent in the House proposal. The Ways and Means Committee and the Governor had proposed level-funding for the Department.

While the Governor proposed increasing funding for the Department of Agriculture by \$1.5 million, the House cuts the Department's funding by \$2.2 million or 11.7 percent.

Largely as a result of earmarks added to the House proposal during floor debate, the budget for the Department of Conservation and Recreation, and all its programs, is proposed to increase by \$9.7 million or 11

percent, to \$97.3 million. This increase largely results from the previously discussed increases in funding for beach preservation, state parks, and urban parks.

ECONOMIC DEVELOPMENT

Under the House budget, funding for economic development increases by about \$13.3 million, or 7.7 percent, over FY 2007 ongoing levels. This is \$31 million more than was proposed by the Governor and about \$27 million more than was proposed by the Ways and Means Committee. In total, amendments adopted during the House floor debate increased funding for economic development by \$27.6 million. Of this total, \$4 million is an off-budget transfer rather than an appropriation. This transfer moves money from the General Fund to the Massachusetts Science Technology Engineering and Math (STEM) Fund which provides grants for innovative STEM education projects.

FY 2007 Ongoing	\$172,590,968
FY 2008 Governor	\$154,173,703
FY 2008 HW&M	\$158,357,686
FY 2008 House	\$185,931,748

<i>FY 2007 Ongoing to FY 2008 House</i>	
Increase (decrease)	\$13,340,780
Percentage change	7.7%

Note: The House total for FY 2008 includes a \$10 million off-budget transfer to the Massachusetts Cultural Facilities Trust Fund and a \$4 million off-budget transfer for the Massachusetts STEM Grant Fund. The Governor's proposal did not include these transfers.

House floor debate resulted in several amendments that substantially increased total proposed funding for economic development. More than 110 earmarks in the line item language for the Massachusetts Office of Travel and Tourism resulted in an amended funding level \$10.9 million higher than the Ways and Means Committee

proposed. Similarly, funding for workforce development grants increased by \$6.7 million over the Ways and Means proposal, largely as a result of earmarks. One-stop career centers had their funding level increased by \$2 million over the Ways and Means proposal during the floor debate.

The economic development amendments also included two line items that had been left out of the Ways and Means proposal. First, a floor amendment funded the Office of Small Business and Entrepreneurship, created in the Governor's proposal, at \$1.5 million (\$750,000 less than the Governor had proposed). Second, the House included a new line item for several economic development earmarks amounting to \$1.1 million.

The House and the Governor propose large increases in funding for the Massachusetts Office of Business Development (MOBD). In both cases an increase of \$1.5 million, or 74.8 percent, is proposed. Under the line item the House requires that the MOBD maintain an office at the University of Massachusetts at Dartmouth for purposes of serving southeastern Massachusetts.

While the Ways and Means Committee had proposed cutting \$15.6 million from the budget of the Office of Travel and Tourism, the addition of \$10.9 million in earmarks during the floor debate results in the House proposing a \$4.7 million or 16. percent cut to the Office. This reduction is about \$9.1 million less than the cut proposed by the Governor.

Several other economic development programs are reduced in the House budget as follows.

- Funding for summer jobs for at-risk youth is reduced by \$2.58 million or 30.3 percent in the proposed budget.

This reduction is \$750,000 larger than that proposed by the Governor. Funding for this program in FY 2007 included both the General Appropriations Act and a supplemental budget.

- The budget eliminates funding for the development of career ladders for long-term care occupations. This \$1.5 million appropriation in FY 2007 was level-funded in the Governor’s proposal, but the House does not include this line-item.
- Despite the addition of \$6.7 million in funding during the House floor debate, workforce development grant funding, which had been at \$9.6 million in ongoing funding in FY 2007 is reduced to \$8.7 million in the House budget. While this is a 9.4 percent decrease from FY 2007, it represents a dramatic increase over the Governor’s budget which had eliminated this funding.

Funding for the Commonwealth’s workforce training program is maintained at \$21 million in both the Governor’s and House’s proposals, the same as the FY 2007 level of funding.

HOUSING

The House proposes increasing funding for housing and community development activities by about \$2.5 or 2.0 percent. This increase is about \$2.4 million more than was proposed by the Governor. The Ways and Means Committee had proposed only a 0.3 percent increase, but the House floor debate added \$2.1 million to the housing and community development budget.

FY 2007 Ongoing	\$124,842,388
FY 2008 Governor	\$124,920,361
FY 2008 HW&M	\$125,248,537
FY 2008 House	\$127,309,737

<i>FY 2007 Ongoing to FY 2008 House</i>	
Increase (decrease)	\$2,467,349
Percentage change	2.0%

While the House’s and Governor’s proposed funding levels are not dramatically different, there are differences in their approaches. In particular, the Governor proposed consolidation of a number of line items related to homelessness, including some under the Department of Housing and Community Development, but the House elects to keep these separate.

For example, the Massachusetts Rental Voucher Program was folded into one of the Governor’s line items for homelessness, but the House elects to keep it separate and increase funding by \$2.5 million or 9.0 percent.

Both the Governor and the House propose increasing funding of subsidies for public housing authorities by \$4.1 million or 7.4 percent.

While the Governor’s proposal cut funding for the administration of the Department of Housing and Community Development by 3.6 million or 30.9 percent, the House cuts funding by about \$1.6 million or 13.9 percent. In the Governor’s proposal this reduction was a result of the elimination of earmarks. The Ways and Means Committee proposal was also absent earmarks and funded the line item at about the same level as the Governor. However, \$1.96 million was added to the Department’s administrative line item during the House floor debate and more than \$2 million was appropriated for particular purposes through earmarks.

A number of housing programs, such as the home ownership opportunity affordable housing program and the alternative rental voucher program are funded at the same level as FY 2007.

During the House floor debate, an additional \$100,000 was appropriated for the state’s asset-building individual development account program, boosting the program’s funding by 20 percent over the FY 2007 level.

PUBLIC SAFETY & CORRECTIONS

Funding for public safety and corrections in the House proposal totals \$1.47 billion, a \$34.3 million or 2.4 percent increase over FY 2007 ongoing levels. This is about the same amount of funding as was proposed by the Governor. The Ways and Means Committee had proposed significantly less funding than the Governor for public safety and corrections, but \$20.6 million was added to the House budget through amendments adopted during floor debate.

FY 2007 Ongoing	\$1,432,628,354
FY 2008 Governor	\$1,466,529,180
FY 2008 HW&M	\$1,446,377,044
FY 2008 House	\$1,466,953,444

<i>FY 2007 Ongoing to FY 2008 House</i>	
Increase (decrease)	\$34,325,090
Percentage change	2.4%

Amendments adopted during the floor debate restored the Charles E. Shannon, Jr. Community Safety Initiative with \$13.5 million in funding, added \$4 million for fire safety and anti-smoking programs, and boosted funding for correctional facility operations by \$1.4 million.

The increase in public safety and corrections spending in the House budget, relative to FY

2007 ongoing spending, reflects an increase of about \$31 million in spending on corrections and an increase of almost \$3 million in spending on activities of the Executive Office of Public Safety.

One of the most significant differences between the budget proposed by the House and that proposed by the Governor is the provision of funding to support local law enforcement. House 1 included \$33.7 million for grants to cities and towns to hire additional police officers, but funding designated for community policing was eliminated and funding was not included for a second year of an anti-gang violence program begun in FY 2007.

The House instead maintained community policing funding at the FY 2007 ongoing level and did not include funding for hiring additional officers. During the House floor debate \$13.5 million in funding was appropriated for a second year of the Charles E. Shannon, Jr. Community Safety Initiative which provides grants to cities and towns to prevent gang and youth violence. On balance, the House proposes \$34.9 million for local law enforcement programs compared with \$33.7 million in House 1. It is important to remember that these funds represent designated funds for local law enforcement programs, but much of communities’ unrestricted local aid also provides for law enforcement.

The House proposes increasing funding for the Massachusetts State Police by \$20.5 million or 7.9 percent. This increase is \$4.9 million more than the \$15.6 million proposed increase in House 1. While the Governor eliminated state police overtime as a distinct line item and boosted funding for state police operations, the Ways and Means Committee increases operations funding and maintains the state police overtime line item

at \$7.9 million, down 39.2 percent from the FY 2007 level.

The budget of the House includes several reductions in funding for law enforcement programs as follows.

- Funding for the administration of the Executive Office of Public Safety is proposed to be cut by about \$650,000, or 19.5 percent, somewhat less than the cut proposed by the Governor.
- Funding for the local law enforcement career incentive program (often called the Quinn Bill) is proposed to be cut by \$3.1 million or 5.9 percent.
- The budget of the state police crime lab is cut by nearly \$1 million or 6.0 percent over FY 2007 levels. House 1 had proposed a cut of 2.9 percent.

While the Ways and Means Committee and the Governor had eliminated funding for the fire safety grants program and the SAFE fire prevention education program, funding for both programs was restored during the House floor debate. Fire safety grants are funded at \$2.5 million, the same level as FY 2007, and the SAFE prevention program is funded at \$1.5 million, a 36 percent increase over FY 2007.

The House proposal budgets \$21.6 million or 4.8 percent more than FY 2007 for Department of Corrections' facility operations; however, this is nearly \$13.2 million less than the increase proposed by the Governor. This difference results from House 1's inclusion of the expected growth of two particular costs. First, the Governor's budget includes higher estimates for utility costs in FY 2008 because FY 2007 costs have been higher than anticipated. Second, the contract for provision of health care to inmates is out for bid this year and House 1 accounts for an expected \$20 million increase in health care

costs for inmates. The House appears to be accounting for some but not all of these anticipated costs. An addition of \$1.37 million to this line item during House floor debate does not account for these additional costs as the entire increase represents earmarks.

The House and the Governor propose to increase funding for county correctional programs by about \$5 million. The House budget would also increase funding for sheriff's departments around the state by \$5.5 million or 2.2 percent. This increase is about \$2.2 million more than was proposed by the Governor.

JUDICIARY

The House budget provides \$765 million for the Judiciary in FY 2008, a \$2.6 million or 0.3 percent increase over FY 2007. The House budget is about \$20 million higher than that proposed by the Governor. The House Ways and Means Committee had proposed funding the judiciary at about \$11 million below FY 2007 levels and the final House budget reflects about \$14.5 million in additional appropriations adopted through amendments during the floor debate.

FY 2007 Ongoing	\$762,317,061
FY 2008 Governor	\$744,978,295
FY 2008 HW&M	\$750,453,271
FY 2008 House	\$764,939,675

<i>FY 2007 Ongoing to FY 2008 House</i>	
Increase (decrease)	\$2,622,614
Percentage change	0.3%

The budget proposals of the Ways and Means Committee and the Governor hold spending for each tier of the state court system close to FY 2007 levels. Unlike the Governor's proposal, the House retains line

items for each court within the trial court system.

Line items paying for trial court judges' salaries were level-funded in the Ways and Means Committee proposal; however the final House budget emerged from floor debate with these line items receiving \$1.2 million more than in FY 2007.

Additional amendments adopted during the House floor debate also increased funding for the Chief Justice of Administration for the trial courts by \$2.5 million and trial court security funding by \$4 million. Both of these had been level-funded in the Ways and Means proposal.

Unlike the Governor's budget proposal which reduced funding for the Committee for Public Counsel Services, the House would increase this funding by about \$1 million over FY 2007 levels. However, the House budget follows the Governor's proposal in cutting funding for indigent clients' court costs by \$3 million or 26.1 percent.

As with the Governor's proposal, spending on private counsel fees is reduced by \$617,000 or 0.5 percent. Because of increases in fees for private attorneys in FY 2006, paid for with FY 2007 monies, it is unclear whether either FY 2008 proposal provides enough funding to cover these higher fee rates in FY 2008.

Finally, the Ways and Means Committee had proposed level-funding the Commissioner of Probation and associated line items for community corrections, but amendments adopted during floor debate increased appropriations for probation and community corrections by \$6.3 million or 4.3 percent over FY 2007 levels.

PUBLIC TRANSIT

The House budget for public transit is identical to that of the Governor, providing \$52 million in contract assistance to the state's regional transit authorities (RTA), while the sales tax formula yields \$756 million in funding for the Massachusetts Bay Transit Authority (MBTA).

FY 2007 Ongoing	\$785,737,200
FY 2008 Governor	\$808,254,572
FY 2008 HW&M	\$808,254,572
FY 2008 House	\$808,254,572

<i>FY 2007 Ongoing to FY 2008 House</i>	
Increase (decrease)	\$22,517,372
Percentage change	2.9%

Funding for the MBTA is considered off-budget because 20 percent of all sales tax revenue is allocated to the MBTA pre-budget. Because sales tax revenues are projected to grow by 3 percent between FY 2007 and FY 2008, state funding for the MBTA will grow by the same amount, or \$22 million.

Regional transit authorities' funding is appropriated through the budget process and the House proposes to increase RTA funding by about \$517,000 or 1.0 percent, considerably less than the increase provided to the MBTA. Since FY 2001, contract assistance to RTAs has increased by only 4.8 percent, or \$2.4 million after adjusting for inflation. Given that the state is providing only a one percent increase in funding, it is ironic that the House budget includes language restricting the amount of RTAs operating expenditures for FY 2008 to no more than 102.5 percent of FY 2007 operating expenditures.

GROUP INSURANCE

The budget for the Group Insurance Commission (GIC) appears to increase by \$121.7 million or 11.5 percent under the House budget. This increase is about \$5 million less than was proposed in House 1 as a result of different estimates of expected costs. For technical reasons (discussed below) this is an overstatement of the actual increase in spending. No additional funds were appropriated for the Group Insurance Commission during the House floor debate.

FY 2007 Ongoing	\$1,056,581,827
FY 2008 Governor	\$1,183,509,840
FY 2008 HW&M	\$1,178,260,698
FY 2008 House	\$1,178,260,698

<i>FY 2007 Ongoing to FY 2008 House</i>	
Increase (decrease)	\$121,678,871
Percentage change	11.5%

NOTE: The FY 2008 total includes \$380 million that the Governor (and \$345 million that the House) has proposed be shifted from the General Fund to an off-budget account, the State Retiree Benefits Trust Fund. As we explain under the heading “State Retiree Benefit Trust,” this fund is established to meet liabilities of the state retirement system for health care and other non-pension benefits for retired state employees. Both House 1 and the House budget proposal make off budget transfers to this fund to pay for health insurance for currently retired employees. Because this cost was previously paid from the GIC line items, we add it amount back into the FY 2008 line-item to allow year to year comparisons. The difference between the amount transferred in the House budget and in House 1 appears to be the result of the House having access to more recent information regarding the share of GIC spending that is attributable to retired employees than was available at the time House 1 was prepared.

Making an apples-to-apples comparison of FY 2007 and FY 2008 spending is somewhat complicated because of three technical issues. The following table summarizes these issues. Once we account for these three technical issues, the growth in GIC spending is \$32 million or 3.0 percent.

- Accounting adjustment: The FY 2007 total includes approximately 11.5

months of spending, creating a one-time saving of about \$50 million. In order to make an apples-to-apples comparison, this amount should be added to the FY 2007 total. The reason that this amount is not included in the FY 2007 total is that the definition of the “payable period” was changed. In just one year, FY 2007, this creates a savings: medical bills received by the GIC in FY 2008 for services provided in FY 2007 will be paid out of the 2008 budget, rather than the FY 2007 budget. Until FY 2007, the GIC would have had a window of two months (June 30 through August 31) to pay bills for prior year services with prior year appropriations. Therefore, bills received early in FY 2007 for FY 2006 costs were paid with FY 2006 appropriations, but the FY 2007 appropriations will not be used to pay similar bills in FY 2008. This created a one-time savings in FY 2007.

- Ch. 16 Cuts: Because actual spending in FY 2007 will likely be lower than projected, Governor Patrick reduced GIC spending by \$10 million in Chapter 16 of the Acts of 2007 (Section 9).
- Expected Reversions: In addition to the \$10 million reduction in Chapter 16, another \$10 million is expected to be unspent and to revert to the General Fund at the end of the year. Thus combining the Chapter 16 reduction with this expected reversion, FY 2007 spending is projected to be \$20 million below the original appropriation level. In implementing 9(c) cuts, Governor Romney reported that GIC spending in FY 2007 was expected to be \$30 million less than the amount appropriated. If Governor Romney’s 9(c) reversion estimate proves accurate, FY 2007 spending would be an additional \$10 million below the budgeted number.

- Adding Springfield: In FY 2008, employees of Springfield will get their health insurance through the GIC, which will be reimbursed by the city of Springfield. Bringing this spending into the GIC accounts for \$50 million of the new spending we see in the GIC line item. It will, however, be offset by new revenue.

GIC Funding			
(Millions of Dollars)			
	FY 2007	FY 2008	Change
	Ongoing	House	
Appropriated Amount	1,066	833	
Shift to State Retiree Benefits Trust Fund		345	
<i>Subtotal</i>	<i>1,066</i>	<i>1,178</i>	<i>112</i>
Adjusting for One-Time Saving Chapter 16 Cuts	50		
Expected Reversions	-10		
Adding Springfield		-50	
Grand Total	1,096	1,128	32

State Retiree Benefit Trust

In response to a change in accounting rules, House 1 and the House proposal establish a new fund to begin to set aside money for future retiree health care costs. In 2004, the Governmental Accounting Standards Board (GASB) issued Statement 45, which mandates that governments begin to measure their unfunded obligations for retiree health care benefits. While GASB 45 does not require contributions to a savings account, the disclosure requirement creates an incentive for governments to do so. A growing obligation in a government's balance sheet, with no plan to begin funding it, is damaging to its credit quality.

In his budget proposal, the Governor establishes the State Retiree Benefits Trust Fund to address the need to begin paying for the cost of retiree health care benefits. The House proposal would also establish this fund. Both budget proposals also begin to pay for the costs of healthcare for currently retired state employees by making off budget transfers to this fund (as explained in the NOTE under the spending totals at the beginning of this section). In addition, House 1 transferred approximately \$421 million from the Health Care Security Trust Fund to this fund to begin to pay down the unfunded liability for future costs of healthcare for retired employees. The House does not provide such funding. House 1 also dedicated future payments of the tobacco settlement funds to this new fund. The House postpones these decisions until the report of a commission, created to examine these issues.

REVENUE

On January 16, 2007, the Secretary of Administration and Finance and the Chairpersons of the House and Senate Ways and Means Committees announced the official tax revenue estimate for FY 2008. They projected that tax revenue would total \$19.300 billion in FY 2007; this was an increase of \$168 million over the projection provided by the Secretary of Administration and Finance on October 24, 2006 (of \$19.132 billion). They further projected that baseline tax revenue would grow by 3 percent to reach \$19.879 billion in FY 2008.

This is a lower rate of growth than the Commonwealth has experienced in recent years. A major reason for this low growth estimate was the administration's projection that capital gains taxes would decline from a projected \$1.875 billion in FY 2007 to

\$1.459 billion in FY 2008, a drop of \$416 million.

The House adopts two strategies to increase revenues for FY 2008: new debt issuance strategies (“Bond-Ahead”) and the use of reserves. The House notably does not include reforms to the state’s tax laws as a source of new revenue.

Enhanced Cash Management (“Bond-Ahead”)

The House adopts the “bonding-ahead” idea proposed by the Treasurer and included in House 1. Historically capital expenditures have been financed by first drawing the funds out of the General Fund and then reimbursing that fund with proceeds from subsequent bond issuance. The problem with this strategy is that by spending from the General Fund before issuing bonds, interest earnings on the balance of the General Fund are reduced and, if such spending creates a temporary deficit, the state has to borrow and pay interest costs. The advantage of the historical strategy, however, was that it avoided the problem of the state selling bonds before spending money and then having to start paying interest on those bonds before the money was really needed. Right now, however, the short-term interest rates the state can receive on its bond proceeds are higher than the long-term rates that the state has to pay bond holders. In this situation “Bond-Ahead” can save the state money.

The federal government regulates how tax exempt bonds are issued and when the spending has to occur. But if certain conditions are met, states are able to issue bonds up to 18 months before expenditures. Because the state has built the capacity to track expenditures in the manner that the federal government requires, it should be able to utilize these “bond-ahead” strategies

to achieve significant savings and also generate revenue by taking advantage of favorable short term interest rates. The total savings and new revenue from this initiative is estimated to be approximately \$48 million.

Use of Reserve Funds

The House uses over \$550 million in reserve funds to balance the budget. This includes transfers to the General Fund of \$150 million from the Health Care Security Trust Fund, \$325 million from the Stabilization Fund, and an estimated \$75 million in interest earned on the Stabilization Fund. During periods of economic expansion it is prudent for state governments to spend less than they take in and to deposit the resulting surpluses into reserves so that basic services can be maintained during future recessions. By operating with structural deficits when the economy is not in a recession, a state risks eating away at reserves that will likely be urgently needed during the next recession. This use of one-time transfers to balance the budget effectively creates a \$550 million structural gap in the budget by paying for ongoing expenses with one-time resources. Unless revenue grows more rapidly than anticipated, the state will eventually need to identify new revenues or new spending cuts to close this gap.

One additional difference between the House proposal and that of the Governor is that the House does not propose the elimination of the Health Care Security Trust Fund and the transfer of its assets to the State Retiree Benefits Trust, as described on page 26. The House proposes to maintain the fund, and their budget relies on \$22 million more in interest earnings from the fund than House 1.⁴

⁴ The budget proposals of the Governor and the House both transfer interest earned on the Health Care Security Trust Fund to the General Fund.

Finally, the Governor and House both propose to suspend the annual deposit, required by law, into the Stabilization Fund. This change amounts to about \$100 million available for appropriation that would not be if the money were deposited into the Fund.

Reform of Tax Laws

The House budget proposal does not include any tax law changes to reduce corporate tax avoidance. The changes proposed in House 1 would generate \$295 million in new revenue in FY 2008, and \$500 million per year in future years. House 1 also included a proposal to extend the property tax circuit breaker to non-seniors with low incomes and high property tax bills. This would have cost \$5 million in tax revenues in FY 2008; therefore, the Governor's tax proposals would yield a net increase of \$290 million in tax revenue.

Instead of closing corporate tax loopholes, the House Ways and Means Committee made up for the \$300 million by using \$250 million in one-time transfers of reserve funds and by not including the \$50 million appropriation from House 1 for costs associated with new collective bargaining agreements reached in FY 2008. With the addition of \$171 million in new spending as a result of amendments approved during the House floor debate, another \$175 million will be transferred from reserve funds.

However, the Governor proposes to eliminate the Fund as of January 1, 2008 and only draws interest earned in the first six months of the fiscal year (\$22 million). Because the Ways and Means Committee does not propose to eliminate the Fund, its budget includes the expected interest earnings for the entire fiscal year (\$44 million).

BALANCE

The balance sheet on the next page seeks to identify all revenues relied on and expenditures made in the Governor's and House FY 2008 budget proposals. The largest difference between this balance sheet and the spending and revenue numbers historically and presently found in the state budget is the treatment of transfers. The state budget obscures total spending and revenue because transfers into and out of the General Fund are added together into a net revenue number called Consolidated Transfers. For example, in House 1, the Consolidated Transfers line is reported as \$702 million in revenue. However, this number includes \$935 million in lottery revenues as well as other positive revenues. The lower number results from the subtraction of transfers out of the General Fund. In effect these transfers out of the General Fund are spending, but in the budget each year they are shown as negative revenues.

In this Budget Monitor the MBPC treats all money received by the state as revenue. Likewise, all money paid out of those revenues is treated as spending. Therefore, the MBPC's total revenue and spending numbers are larger than those found in the budget.

The major transfers into the General Fund are lottery and tobacco settlement fund proceeds. The House also provides for \$550 million in one-time transfers into the General Fund from the Stabilization Fund and the Health Care Security Trust. House 1 included \$125 million in such one-time transfers.

Transfers out of the general fund, included in the chart under other spending, are primarily for various health care programs. The MBPC also includes in other spending

revenues that are committed by law to the School Building Assistance Fund, the Massachusetts Bay Transit Authority, and the state pension system. While these items are not appropriated in line items, they are a component of total state spending.

The House budget also includes a \$10 million transfer to the Massachusetts Cultural Facilities Fund and a \$4 million transfer to the Massachusetts STEM education fund (for science, technology, engineering, and math education) that are shown as transfers to economic development funds.

Spending for Group Insurance for state employees and retirees has historically been funded through appropriations. Beginning in FY 2008, Group Insurance costs for retirees will be funded through a transfer from the General Fund rather than through a line-item appropriation. Therefore, Group Insurance appears twice in the chart, once as an appropriation for employee benefits and once as a transfer for retiree benefits. The amounts funded on- and off-budget for Group Insurance vary between the Governor's and House's proposals.

Our analysis of the House budget suggests that total revenues will exceed total proposed spending by about \$79.6 million in FY 2008; however, this number is misleading for two reasons. First, this surplus is based on the transfer of \$550 million in one-time revenues from reserve funds and on the suspension of the annual transfer into the Stabilization Fund (which would be about \$100 million in FY 2008).

Second, the Governor's budget sets aside money to pay for new collective bargaining agreements reached during FY 2008. Under line item 1599-2008, House 1 set aside \$50 million to partially fund cost increases

across state government that will result from collective bargaining throughout FY 2008. The House budget does not include reserve funding for collective bargaining, but there will inevitably be collective bargaining costs incurred during FY 2008.

Typically, when new collective bargaining agreements are reached, supplemental budgets are passed to fund the higher costs for the remainder of the fiscal year. Because many contracts are up for negotiation during FY 2008, these additional costs could significantly increase state expenditures over the course of the fiscal year. Language in the Governor's budget proposal would allow the Legislature to draw on the \$50 million reserve when passing supplemental budgets to fund new agreements. Therefore, while the Ways and Means Committee appears to show a larger surplus, the first dollar of new spending needed for collective bargaining agreements will add to state expenditures; where as, the first \$50 million of spending needed for collective bargaining is already set aside in the Governor's budget.

NOTE: While our analysis of total revenues and total spending in the final House budget suggests a \$79.6 million budget surplus, this is not consistent with the perspective of House budget writers who believe there to be a much smaller surplus. Because state budgets do not enumerate revenues in detail or provide an overall balance sheet, it is difficult to determine whether we are including the same revenue numbers in our balance sheet as are being used by budget writers. It is also worth noting that a \$79.6 million surplus amounts to about three tenths of one percent of total spending in FY 2008. Once this discrepancy is resolved an updated edition of this report will be provided.

Budget Balance

(in Millions of Dollars)

Category	FY07 Ongoing	FY08 Gov.	FY08 HW&M	FY08 House	FY08 House minus FY07	FY08 House minus Gov.
Tax Revenue Total	19,300.0	20,169.0	19,879.0	19,879.0	579.0	(290.0)
Tax revenue	19,300.0	19,879.0	19,879.0	19,879.0	579.0	0.0
Tax law changes ¹	0.0	290.0	0.0	0.0	0.0	(290.0)
Departmental Revenues Total	2,286.6	2,399.8	2,413.0	2,413.0	126.5	13.2
Departmental revenues ²	2,286.6	2,399.8	2,413.0	2,413.0	126.5	13.2
Transfers into the General Fund Total	1,850.0	1,889.0	1,911.0	1,911.0	61.0	22.0
Lottery revenues	996.0	1,011.0	1,011.0	1,011.0	15.0	0.0
Tobacco settlement revenues	219.0	219.0	219.0	219.0	0.0	0.0
Other transfers into the General Fund ³	635.0	659.0	681.0	681.0	46.0	22.0
Federal Grants & Reimbursements Total	6,190.1	6,245.2	6,263.5	6,296.8	106.8	51.6
Federal grants and reimbursements ²	6,190.1	6,245.2	6,263.5	6,296.8	106.8	51.6
One-time Revenues	0.0	125.0	375.0	550.0	550.0	425.0
Transfer from the Stabilization Fund	0.0	75.0	225.0	400.0	400.0	325.0
Transfer from the Health Care Security Trust	0.0	50.0	150.0	150.0	150.0	100.0
Ongoing Revenue Grand Total	29,626.6	30,828.0	30,841.5	31,049.8	1,423.2	221.8
<i>Appropriated spending</i>						
Local Aid - Lottery	920.0	935.0	935.0	935.0	15.0	0.0
Local Aid - Additional Assistance & PILOT	407.6	410.1	410.3	410.3	2.7	0.2
Local Education Aid (Chapter 70)	3,505.5	3,705.5	3,725.7	3,725.7	220.2	20.2
K-12 Education (non-Chapter 70)	538.7	552.5	556.6	574.1	35.4	21.6
Higher Education	1,031.5	1,038.0	1,054.2	1,055.0	23.5	17.1
Early Education and Care	510.3	509.9	531.8	538.0	27.8	28.2
Income Support Programs	608.3	601.8	598.4	598.9	(9.3)	(2.9)
Health Care Programs	8,005.5	8,346.8	8,363.4	8,430.0	424.5	83.2
Public Health	512.5	547.0	515.5	525.6	13.1	(21.5)
Mental Health	646.5	664.0	665.1	665.1	18.6	1.1
Mental Retardation	1,175.9	1,215.8	1,226.3	1,228.2	52.3	12.3
Social Services	769.9	790.3	795.1	795.3	25.4	5.0
Elder Affairs	223.1	227.0	226.4	230.0	6.9	3.0
Other Health & Human Services	607.2	599.4	601.2	616.7	9.5	17.2
Environmental Affairs	208.1	211.7	205.3	214.9	6.8	3.2
Housing & Community Development	124.8	124.9	125.2	127.3	2.5	2.4
Economic Development	172.6	154.2	148.4	171.9	(0.7)	17.8
Public Safety & Corrections	1,432.6	1,466.5	1,446.4	1,467.0	34.3	0.4
Judiciary	762.3	745.0	750.5	764.9	2.6	20.0
District Attorneys	92.2	93.5	94.5	94.8	2.6	1.3
Attorney General	38.6	40.4	38.8	39.6	1.0	(0.9)
Libraries	31.7	31.4	32.2	33.3	1.7	1.9
Transportation	159.1	165.5	154.3	154.5	(4.6)	(11.0)
Group Insurance	1,056.6	803.0	833.2	833.2	(223.4)	30.2
Other Administrative	784.9	786.6	732.2	737.5	(47.4)	(49.1)
Debt Service	1,952.4	1,947.2	1,947.2	1,947.2	(5.2)	0.0
<i>Other spending</i>						
Health Care Programs	925.2	907.8	907.8	907.8	(17.4)	0.0
Group Insurance	0.0	380.5	345.1	345.1	345.1	(35.5)
Economic Development Funds	0.0	0.0	10.0	14.0	14.0	14.0
Pensions	1,335.2	1,398.6	1,398.6	1,398.6	63.4	0.0
School Building Assistance	557.0	634.7	634.7	634.7	77.7	0.0
MBTA	734.0	756.0	756.0	756.0	22.0	0.0
Ongoing Expenditures Total	29,829.9	30,790.6	30,765.1	30,970.2	1,140.4	179.6
Balance	(203.3)	37.4	76.4	79.6⁴	282.9	42.2

1. Tax law changes are estimated to net \$290 million in new revenue with \$295 million in revenue generated by loophole closings and \$5 million in revenue lost by extending the property tax circuit breaker to the non-elderly.

2. Departmental and Federal reimbursement revenue estimates in the Governor's budget differ from those in the House budget. In the case of Departmental revenues this likely reflects changed revenue projections between the development of the two proposals. About \$33 million of the additional Federal revenue in the House budget results from higher proposed Medicaid spending as a result of amendments adopted during floor debate which results in increased Federal reimbursement. The remaining \$18.3 million in higher Federal revenue in the House budget results from a combination of different choices about Medicaid services and changing estimates between the development of the two budget proposals.

3. The House budget includes an estimated \$22 million more in transfer revenue than was included in the Governor's budget. Both the Governor and the House propose to transfer into the General Fund the interest earned on the Health Care Security Trust Fund. However, the Governor's budget would dissolve this fund as of January 1, 2008 meaning the interest from only half the year would be transferred. Therefore, the Governor's budget includes an estimated \$22 million in revenue from the fund and the House includes \$44 million.

4. While the House budget shows a \$79.6 million surplus, it does not include funding for two projected costs for FY 2008 that are included in House 1. First, House 1 includes \$50 million to cover the cost of collective bargaining agreements reached during FY 2008. Second, House 1 includes additional resources for facility operations at the Department of Corrections because of expected increases in the costs of utilities and health care for inmates. The House budget may include some of the funding for the latter increases, but in total House 1 includes \$63.2 million in funding for these two items that are not included in the House budget.

NOTE: While our analysis of total revenues and total spending in the final House budget suggests a \$79.6 million budget surplus, this is not consistent with the perspective of House budget writers who believe there to be a much smaller surplus. Because state budgets do not enumerate revenues in detail or provide an overall balance sheet, it is difficult to determine whether we are including the same revenue numbers in our balance sheet as are being used by budget writers. It is also worth noting that a \$79.6 million surplus amounts to about three tenths of one percent of total spending in FY 2008. Once this discrepancy is resolved an updated edition of this report will be provided.

Budget by Program Area

(in Millions of Dollars)

Program	FY07 Total Ongoing	Gov. FY08	H W&M FY08	House FY08	House FY08 minus FY07 ongoing	House FY08 minus Gov. FY08		
Local Aid - Lottery	920.0	935.0	935.0	935.0	15.0	1.6%	0.0	0.0%
Local Aid - Additional Assistance & PILOT	407.6	410.1	410.3	410.3	2.7	0.7%	0.2	0.0%
Local Education Aid (Chapter 70)	3,505.5	3,705.5	3,725.7	3,725.7	220.2	6.3%	20.2	0.5%
K-12 Education (non-Chapter 70)	538.7	552.5	556.6	574.1	35.4	6.6%	21.6	3.9%
Higher Education	1,031.5	1,038.0	1,054.2	1,055.0	23.5	2.3%	17.1	1.6%
Early Education and Care	510.3	509.9	531.8	538.0	27.8	5.4%	28.2	5.5%
Income Support Programs	608.3	601.8	598.4	598.9	(9.3)	-1.5%	(2.9)	-0.5%
Health Care Programs ¹	8,005.5	8,346.8	8,363.4	8,430.0	424.5	²	83.2	1.0%
Public Health	512.5	547.0	515.5	525.6	13.1	2.6%	(21.5)	-3.9%
Mental Health	646.5	664.0	665.1	665.1	18.6	2.9%	1.1	0.2%
Mental Retardation	1,175.9	1,215.8	1,226.3	1,228.2	52.3	4.4%	12.3	1.0%
Social Services	769.9	790.3	795.1	795.3	25.4	3.3%	5.0	0.6%
Elder Affairs	223.1	227.0	226.4	230.0	6.9	3.1%	3.0	1.3%
Other Health & Human Services ³	607.2	599.4	601.2	616.7	9.5	1.6%	17.2	2.9%
Environmental Affairs	208.1	211.7	205.3	214.9	6.8	3.2%	3.2	1.5%
Housing & Community Development	124.8	124.9	125.2	127.3	2.5	2.0%	2.4	1.9%
Economic Development	172.6	154.2	148.4	171.9	(0.7)	⁴	17.8	11.5%
Public Safety & Corrections	1,432.6	1,466.5	1,446.4	1,467.0	34.3	2.4%	0.4	0.0%
Judiciary	762.3	745.0	750.5	764.9	2.6	0.3%	20.0	2.7%
District Attorneys	92.2	93.5	94.5	94.8	2.6	2.8%	1.3	1.4%
Attorney General	38.6	40.4	38.8	39.6	1.0	2.5%	(0.9)	-2.2%
Libraries	31.7	31.4	32.2	33.3	1.7	5.2%	1.9	6.1%
Transportation	159.1	165.5	154.3	154.5	(4.6)	-2.9%	(11.0)	-6.7%
Group Insurance	1,056.6	803.0	833.2	833.2	(223.4)	⁵	30.2	3.8%
Other Administrative	784.9	786.6	732.2	737.5	(47.4)	-6.0%	(49.1)	-6.2%
Debt Service	1,952.4	1,947.2	1,947.2	1,947.2	(5.2)	-0.3%	0.0	0.0%
<i>Sub-total appropriated spending</i>	<i>26,278.5</i>	<i>26,713.0</i>	<i>26,713.0</i>	<i>26,914.1</i>	<i>635.6</i>	<i>2.4%</i>	<i>201.1</i>	<i>0.8%</i>
Health Care Programs	925.2	907.8	907.8	907.8	(17.4)	²	0.0	0.0%
Group Insurance	0.0	380.5	345.1	345.1	345.1	⁵	(35.5)	-9.3%
Economic Development Funds	0.0	0.0	10.0	14.0	14.0	⁴	14.0	
Pensions	1,335.2	1,398.6	1,398.6	1,398.6	63.4	4.8%	0.0	0.0%
School Building Assistance	557.0	634.7	634.7	634.7	77.7	13.9%	0.0	0.0%
MBTA	734.0	756.0	756.0	756.0	22.0	3.0%	0.0	0.0%
<i>Sub-total other spending ⁶</i>	<i>3,551.4</i>	<i>4,077.6</i>	<i>4,052.2</i>	<i>4,056.2</i>	<i>504.8</i>	<i>14.2%</i>	<i>(21.5)</i>	<i>-0.5%</i>
Total	29,829.9	30,790.6	30,765.1	30,970.2	1,140.4	3.8%	179.6	0.6%

1. In FY 2008, spending for nursing home rate adjustments that had been off-budget in prior fiscal years was brought on-budget as a line-item appropriation. In order to provide an accurate comparison between FY 2007 and FY 2008, the FY 2007 total for health care spending includes \$288.5 million for nursing home rate adjustments. In actuality, that \$288.5 million was not a line-item appropriated spending in FY 2007.

2. Total health care spending is a combination of appropriations in the budget and off-budget transfers into various health care trust funds. To accurately understand the overall change in health care spending from one year to the next, we combine appropriated and transfer spending in each year. In total, the House would increase health care spending from \$8.93 billion in FY 2007 to \$9.33 billion in FY 2008, an increase of 4.5%.

3. Other health and human services spending includes \$28 million in FY 2007 and \$20 million in FY 2008 to fund wage increases for the state's lowest wage human services workers. Ultimately, these funds will be distributed across the state's human services agencies including the departments of Mental Health, Mental Retardation, Social Services, and Youth Services.

4. In the House budget, total economic development spending is a combination of appropriations in the budget and an off-budget transfers from the General Fund to the Massachusetts Cultural Facilities Fund and the Massachusetts STEM Education Fund. To accurately understand the overall change in economic development spending from one year to the next, we combine appropriated and transfer spending in each year. In total, the House would increase economic development spending by \$13.3 million or 7.7 percent.

5. Unlike prior years, insurance costs for retired employees will be funded through an off-budget transfer beginning in FY 2008. To accurately examine changes in Group Insurance spending from FY 2007 to FY 2008 it is necessary to combine appropriated and transfer Group Insurance spending in FY 2008. Once combined, spending on Group Insurance under the House budget is \$1.174 billion, or an 11.1 percent increase over FY 2007. This increase is still not entirely accurate because of a variety of accounting changes taking place with Group Insurance. Please refer to the Group Insurance section of this report for more information.

6. Some programs and activities of the Commonwealth are funded through transfers from the General Fund or legislatively-mandated allocations of revenue rather than as line-item appropriations. These are in fact spending and are treated as such in our spending totals.