

The FY 2010 Budget: The Governor’s Revised Budget and House-Senate Conference Differences

OVERVIEW

The severe national recession has made the Fiscal Year 2010 budget process unusually challenging, both substantively and procedurally. Because the current baseline tax revenue estimate for FY 2010 is \$3.4 billion below the tax revenue estimate on which the FY 2009 budget was built, the state faces extraordinary fiscal pressures. Absent tax or spending changes, the cost of maintaining current services in FY 2010 would be approximately \$5 billion more than the recurring revenue that will be available to finance the state budget. This \$5 billion budget gap is forcing major spending cuts, tax increases, and the use of federal stimulus aid provided in the *American Recovery and Reinvestment Act (ARRA)*.

The final budget could include close to \$2.5 billion in budget cuts and other spending reductions affecting everything from education and local aid, to health care and human services. There will likely be between \$700 million and \$800 million in new tax revenue, primarily from a sales tax increase (\$275 million of which will be used to address deficits at the MBTA and Massachusetts Turnpike). There will also be approximately \$1.5 billion to \$1.6 billion in new federal revenues associated with the ARRA, and anywhere from \$150 million to \$220 million in new fees, and possibly more. In addition, the final budget is likely to use revenue from the state stabilization fund. This *Budget Monitor* outlines the options before the legislative Conference Committee as it seeks to determine what to cut and which new revenues should be available to protect both state and local services.

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The continued weakening of the national economy has required budget writers to try to aim at a moving target. On top of the substantive challenges associated with filling a \$5 billion budget gap, the timing of the state’s budget process has created some unusual procedural challenges. The Governor first proposed his budget in January, before the ultimate extent of the impact of the national recession on the state’s treasury was

known. In February, and in time for the budget deliberations in the House, Congress passed the federal stimulus bill. This gave the Commonwealth over \$800 million in additional new federal revenue above the amount the Governor had counted on when he first proposed House 1. Shortly after the House passed its final budget in April, new tax revenue estimates were announced in response to declining tax receipts. These projections are \$1.5 billion less than the prior estimates. Accordingly, the Senate crafted its budget on a totally different set of revenue estimates than did either the House or the Governor.

Another unusual procedural step this year is that the Governor was required, in response to the declining revenue estimates, to submit a revised budget. While the Governor usually presents one budget proposal, this year he has essentially offered three: House 1 in January; an amended House 1 when the federal stimulus funding was announced, which spent \$830 million of those new revenues (mostly reversing cuts proposed in House 1); and a revised House 1 in May that reflects the new, \$1.5 billion lower tax revenue estimate. This revised House 1 cuts \$1.54 billion in spending from his amended proposal, and \$707 million from the original House 1 proposal he had presented in January.

This *Budget Monitor* describes the House and Senate proposals that are currently before the Conference Committee. It also provides information about the Governor's revised budget proposal, including how that compares to House 1 and to the House and Senate proposals. Readers who are interested in additional data on the budget proposals can examine the numbers with MassBudget's on-line Budget Browser, at <http://browser.massbudget.org>

EDUCATION

FY 2009 GAA	\$ 6,951,626,766
FY 2010 Governor's revised budget	\$ 6,666,069,113
FY 2010 House Final	\$ 6,927,575,466
FY 2010 Senate Final	\$ 6,597,457,661

Both the House and Senate budget included substantial cuts to public education, from early childhood to public higher education. House spending for education is \$6.928 billion, \$24.1 million less than the FY 2009 General Appropriations Act (GAA). Senate spending for education is \$6.597 billion, \$354.2 million less than the FY 2009 GAA.¹ As mentioned earlier, the difference between the House and the Senate is largely the result of the fact that the House budget does not take into account the downgrade in expected FY 2010 revenues, announced in April.

The biggest education issues to be decided in Conference Committee will involve K-12 education and specifically Chapter 70. While both the House and Senate budgets used a combination of state and federal stimulus funds to ensure that all school districts have sufficient aid to reach their foundation budgets, the two proposals differ regarding what measure of inflation is used to calculate the foundation budget. The House budget uses an inflation rate of 4.5 percent to adjust for increased school costs. The Senate budget, on the other hand, uses a 3.04 percent inflation rate. This inflation difference has an effect of approximately \$130 million on statewide foundation budgets; because it uses a higher inflation figure, the House budget is based on a

¹ This *Budget Monitor* subtracts \$150 million in School Building Assistance (SBA) from the SBA appropriation in both the Senate budget and the Governor's budget recommendations because both budgets repeal an earlier transfer of \$150 million from the General Fund to the SBA trust fund.

higher statewide foundation budget than is the Senate.²

The House and Senate differences on inflation are a result of both the state's difficult economic situation and the drastic changes that the data used to calculate inflation have undergone in the past year. According to statute, inflation is calculated using federal data on state and local government inflation from the first quarter of the two preceding fiscal years (in this case FY 2009 and FY 2008). Using this calculation, the inflation rate for FY 2010 is 6.75 percent. However, statute also caps the yearly inflation increase at 4.5 percent, which is where the House figure comes from.³

The Senate, however, noted that inflation has decreased substantially in recent months, and so calculated their inflation figure using data from the second quarter of FY 2009 and FY 2008 to calculate their 3.04 percent figure. While there could be reasons to incorporate more recent data than the law dictates, the Senate methodology fails to recognize three months of cost increases that have occurred and that are affecting the cost of providing education in local school districts.

Aside from differences over inflation, the House and Senate budgets also differ in two other areas that affect school finance. The House budget provides an additional \$20 million in state aid to ensure that all school districts will receive at least \$50 per pupil more in state and ARRA aid than they received in FY 2009. The Senate includes no minimum aid provision.

Secondly, different approaches to local revenue affect state aid amounts. State aid to any community is largely determined by what the local contribution will be. The amount a community is able to contribute is based on local revenues, so

cuts to discretionary local aid, as well as additional revenue raising opportunities, affect how much communities can contribute. When unrestricted local aid cuts are higher, required local contributions for education decrease, conversely, when municipalities have the ability to raise additional revenue, their required contributions for education increase. The differences in the House and Senate approaches to local aid can be found in the Local Aid section of this document.

Aside from Chapter 70, the largest education spending differences between the House, Senate, and Governor's budgets are in special education and transportation reimbursements to public schools. The House budget funds the state's Special Education Circuit Breaker at \$184.9 million, more than \$35 million above either the Senate or Governor's proposal of \$141.1 million. Even if funded at the House level of \$184.9 million, the Circuit Breaker would still receive a cut of \$45 million from its FY 2009 GAA level. A cut of more than twenty percent to the SPED Circuit Breaker will reduce the reimbursements that school districts receive for extraordinary special education costs. However, the federal stimulus includes close to \$300 million in increased special education grants for public schools. Some of these funds could be used to make up for reduced state SPED reimbursements.

The House and Senate budgets also differ significantly in their funding for regional school transportation reimbursements. The House funding level of \$50 million, while a cut of \$11.3 million from the FY 2009 GAA level, exceeds the Senate appropriation by \$20 million. The Governor's revised House 1 recommends \$43 million for regional school transportation and related regionalization efforts.

Other K-12 conference issues include:

- The Senate consolidates three literacy programs into one line item funded at \$4.2

² The \$130 million increase would be made up of state aid and local contributions.

³ In recent years the state has waived the cap when the inflation rate has exceeded 4.5 percent.

million. The House maintains separate funding for these three items (the Bay State Reading Institute, Reading Recovery and the John Silber Literacy Program) which totals \$5.1 million. In the FY 2009 GAA, these items were funded at \$8.1 million;

- The Senate budget provides \$15.7 million for the state's Extended Learning Time program, close to \$2 million less than the House appropriation of \$17.4 million. The Governor's revised budget recommends \$16.5 million for this program, which was funded at \$17.5 million in the FY 2009 GAA.
- The Senate budget and the Governor's recommendation provides \$2 million for after school programs in the state, \$2 million less than the House appropriation of \$4 million. This item was funded at \$5.5 million in the FY 2009 GAA.

CHANGES TO K-12 EDUCATION IN THE GOVERNOR'S REVISED BUDGET RECOMMENDATION

The Governor's revised budget includes \$99.8 million less in support for K-12 education than in his original recommendations. Notable differences include:

- \$75 million less in funding for special education reimbursements and related services, for a new recommended funding level of \$149.5 million. As mentioned above, \$141.1 million of the total recommendation is for the SPED Circuit Breaker program.
- \$11 million less in funding for regional school transportation and regionalism incentives, for a new recommend funding level of \$43.9 million.
- \$2.8 million less for after school programs, for a new recommended funding level of \$2 million.
- \$1 million less for the Extended Learning Time program, for a new recommended funding level of \$16.5 million.

- \$1.3 million less for gifted and talented programs, for a new recommended funding level of \$1.3 million. Neither the House nor the Senate budgets included funding for gifted and talented programs.
- \$2 million less for dropout prevention programs, for a new funding level of \$870,000.

EARLY EDUCATION & CARE

In the area of Early Education and Care, there was very little difference between House and Senate spending. The Senate budget includes \$547.8 million for early education and childcare programs, while the House budget includes \$548.6 million. The FY 2009 GAA included \$590.2 million in child care spending.

The primary differences in early education and care are:

- The House budget and the Governor's recommendations consolidate the state's three subsidized childcare line items into one spending item. The rationale for this consolidation is that by combining the funding, the Department of Early Education and Care (EEC) could concentrate funding on areas with the highest need. The Senate maintained the separation of these three items. The House appropriates \$474 million in total for subsidized childcare, compared to \$478.1 million in the Senate. The Governor recommends \$469.1 million.
- The Senate budget eliminates guaranteed subsidized childcare for families two years after they have stopped receiving Temporary Assistance for Families with Dependent Children benefits. Both the House budget and Governor's budget retain the existing guarantee for these 11,000 children.
- The House provides \$7.5 million in funding for improving parenting skills of families

participating in EEC programs, compared to \$3 million in the Senate budget. The Governor recommends \$8.5 million in funding for this item.

CHANGES TO EARLY EDUCATION & CARE IN THE GOVERNOR'S REVISED BUDGET RECOMMENDATION

The Governor's revised budget includes \$11.1 million less in support for early education and care than in his original recommendations. Notable differences include:

- \$2 million less in funding for the Head Start program, for a new funding level of \$6.5 million. The federal stimulus does include additional support for Head Start programs.
- \$5 million less in funding for subsidized childcare, for a new funding level of \$469.1 million.
- \$2.8 million less in funding for the Healthy Family Home Visiting Program, for a new funding level of \$11.3 million.

HIGHER EDUCATION

Both the House and Senate budget approach state aid to public higher education campuses in the same way: by using a combination of state funding and ARRA money to ensure that each campus is supported at FY 2009 levels. The Governor's revised budget recommendations also use state and federal money to reach the FY 2009 funding level. The state component of higher education spending in the Governor's budget falls below the FY 2006 funding level, which ARRA requires a state to meet in order to receive funds. However, the state's application to the federal Department of Education has asked to waive this FY 2006 maintenance of effort requirement.

Other Conference issues for Higher Education include:

- The House funded the UMass Commonwealth College Honors program at \$3.2 million, while neither the Senate nor the Governor provided any funding, although both allow UMass to use state appropriations to continue to support the program. Commonwealth College was funded at \$3.6 million in the FY 2009 GAA.
- The House funded three state scholarship programs at \$96.1 million, compared to \$89 million in the Senate and \$92 million in the Governor's revised budget recommendations. Part of the difference between the House and Senate is that the Senate transfers responsibility for the \$1.9 million McNair Scholarship program for college students with disabilities to the state's Higher Education Finance Authority.
- The Senate provides \$2.5 million in support to the Tufts Veterinary School, compared to \$500,000 in the House budget. The Governor did not recommend any funding for this item, which received \$5.5 million in the FY 2009 GAA.

CHANGES TO HIGHER EDUCATION IN THE GOVERNOR'S REVISED BUDGET RECOMMENDATION

The Governor's revised budget includes \$10 million less in support for higher education than in his original recommendations. Notable differences include:

- \$7.1 million less for state scholarship programs, for a new recommended funding level of \$93.3 million.
- \$1.3 million less for dual enrollment programs for high school students, for a new recommended funding level of \$680,790. Dual enrollment funding was not included in either the House or Senate budgets.

ENVIRONMENT & RECREATION

FY 2009 GAA	\$231,760,575
FY 2010 Governor’s revised budget	\$198,227,735
FY 2010 House Final	\$208,607,745
FY 2010 Senate Final	\$201,694,753

The Senate recommends funding the state’s environmental programs at \$201.7 million, which is \$6.9 million less than the House proposal and \$30.1 million less than the FY 2009 GAA.

DEPARTMENT OF ENVIRONMENTAL PROTECTION

The Senate proposes funding programs under the Department of Environmental Protection (DEP) at \$56.4 million, which is \$1.4 million less than the \$57.8 million the House proposed.

The Senate funds Hazardous Waste Site Cleanup at \$15.4 million, which is \$368,475 less than the \$15.8 million proposed by the House. The House proposes providing \$550,000 to fund redemption centers around the state while the Senate provides \$475,000 for these centers.

DEPARTMENT OF FISH & GAME

The Senate and House recommend funding the Department of Fish and Game at essentially the same level of about \$18 million. The major difference between the House and Senate proposals is that the House provides \$200,000 to fund the Endangered Species program while the Senate eliminates it.

DEPARTMENT OF AGRICULTURE

The Senate recommends funding the Department of Agriculture at \$17.1 million, which is about \$100,000 more than the \$17 million recommended by the House. Both the House and Senate fund the food bank program at \$12 million and eliminate the Agricultural Innovation Center.

DEPARTMENT OF CONSERVATION & RECREATION

The Senate recommends spending \$83.2 million on state parks and recreation programs, which is \$4.3 million less than the \$87.5 million included in the House budget.

The House and Senate funding levels differ for a number of DCR programs:

- The Senate agrees with the House recommendation to merge the accounts funding beaches, pools and seasonal employment into a single line item. The Senate funds this new account at \$13.1 million, while the House recommends funding at \$14.5 million, which \$1.4 million more.
- The Senate and House budgets both merge urban parks, central artery parks and state parks into a single account. The Senate recommends providing \$46.7 million for these parks, which is \$1.5 million less than the \$48.2 million recommendation by the House.
- The Senate funds the state parks retained revenue account at \$5.7 million, which is about \$300,000 less than the \$6 million approved by the House.
- The House recommends merging snow and ice removal and street lighting for DCR’s parkways into a single account and providing \$6.1 million in funding. The Senate budget keeps the two accounts separate but provides combined funding of \$5.8 million, which is about \$300,000 less than the House level.

CHANGES TO ENVIRONMENT & RECREATION IN THE GOVERNOR’S REVISED BUDGET RECOMMENDATION

The Governor’s revised budget recommends funding DCR programs at \$82.7 million, which is \$15.1 less than his original proposal. Some of the differences between the Governor’s original budget proposal and the revised budget include:

- Reducing recommended funding for recycling coordination centers by \$2.3 million from the \$5 million he proposed in House 1. The Governor had proposed increasing funding for these centers by \$2.9 million over the FY 2009 GAA by expanding the bottle bill to raise additional revenue. While the Governor still recommends funding these centers in the revised budget, he recommends reducing funding for the centers to \$2.7 million. The House and Senate did not include this recommendation to expand the “Bottle Bill” in their budget proposals.
- Providing \$800,000 less to the new Information Technology office that he proposed in his budget.
- Reducing funding for Hazardous Waste Site Cleanup from \$15.8 million to \$14.4 million, a reduction of \$1.4 million from his House 1 proposal.
- Reducing funding for food banks from \$12 million to \$8.5 million, a reduction of \$3.5 million from his original budget proposal.
- Reducing funding for Department of Conservation’s (DCR) parks, recreation and parkways programs from \$80.2 million to \$73.8 million, a reduction of \$6.4 million from his House 1 level.

HEALTH CARE

FY 2009 GAA	\$13,122,543,817
FY 2010 Governor’s revised budget	\$12,763,668,946
FY 2010 House Final	\$13,204,958,642
FY 2010 Senate Final	\$12,840,962,106

The Senate final budget proposal includes \$12.841 billion for health care programs, the House

proposal includes \$13.205 billion, and the Governor’s recently-revised budget proposal includes \$12.764 billion. These totals include funding for the MassHealth program and other health care programs, funding for mental health, funding for public health, and funding for the costs of health care for state employees. Because the House version of the budget does not reflect estimates of dramatically reduced state revenues, the House budget proposal is significantly higher than the funding levels proposed more recently. Nevertheless, it will be up to the Conference Committee to reconcile the differences between the House and Senate budgets, coming up with a compromise that may or may not incorporate the recent recommendations from the Governor’s revised budget.

MASSHEALTH (MEDICAID) & HEALTH REFORM

The Senate proposes \$10.296 billion for MassHealth and health reform programs, the House proposes \$10.573 billion, and the revised Governor’s budget proposes \$10.262 billion.

A challenge for the Conference Committee will be to reconcile the many differences between the House and Senate final budget proposals in their funding for the MassHealth and health reform programs.⁴ Not only are there funding differences,

⁴ In this *Budget Monitor*, “MassHealth (Medicaid) and Health Reform” is itself divided into several components (see accompanying table). “MassHealth” includes the line item appropriations within the Office of Medicaid, as well as administrative costs associated with the Executive Office of Health and Human Services. It also includes an FY 2009 reserve to support the Children’s Behavioral Health Initiative (also known as *Rosie D.* funding). MassHealth totals also include MassHealth elder long-term care dollars that in some years have been within the oversight of the Executive Office of Elder Affairs. Because of proposed consolidations, MassHealth totals now also include the funding for the Essential Community Provider Trust. Funding for health reform includes funding transferred from the General Fund into a variety of “off-budget” special trust funds that are used to finance a large portion of the Commonwealth’s health care programming – particularly the costs associated with the

but there are significant differences in the structure of the budget proposals, and important differences in budget language. It is important to remember, however, when comparing the two budget proposals, that the House budget was developed when state revenue assumptions were significantly higher than at the time the Senate developed its budget and at the time the Governor presented his revised budget.

MassHealth (Medicaid) and Health Reform (in Millions of Dollars)				
	FY 2009 GAA	FY 2010 Governor	FY 2010 House	FY 2010 Senate
MassHealth (Medicaid)				
MassHealth line item appropriations	8,617.8	8,990.8	9,237.8	9,163.5
Essential Community Provider Trust	25.0	0.0	0.0	0.0
Sub-Total	8,642.8	8,990.8	9,237.8	9,163.5
Health Reform and the Health Safety Net				
Pharmacy Program	57.5	40.0	45.0	40.0
Health Care Finance & Other Initiatives	26.2	19.1	23.5	20.4
Commonwealth Care Trust (outside section)	1,117.6	707.7	742.3	568.0
Commonwealth Care Trust (pre-budget)	174.6	105.0	145.0	105.0
e-Health Institute Trust	25.0	0.0	0.0	0.0
Medical Assistance Trust	346.0	399.0	379.0	399.0
Sub-Total	1,746.9	1,270.8	1,334.9	1,132.4
Total	10,389.7	10,261.7	10,572.7	10,295.9

Note: FY 2010 Governor is the Governor's revised H.1 budget.

In the Senate budget, there is \$9.163 billion for MassHealth programs, while the House budget includes \$9.238 billion. In revising his budget, the Governor cut \$584.7 million from his original proposal, resulting in a total in the Governor's revised budget of \$8.991 billion. Because the House budget proposal and the Governor's proposals consolidate individual line items, it is difficult to make direct programmatic comparisons. Among the differences are:

health insurance program created by health reform and costs of the health safety net (formerly referred to as uncompensated care). "Pharmacy Program" is the Prescription Advantage program administered by the Executive Office of Elder Affairs. The totals for "Health Care Finance & Other Initiatives" include the administrative costs associated with the implementation of health care reform, the costs of the Division of Health Care Finance and Policy, the Health Care Quality and Cost Council, and the costs of certain health care cost containment initiatives.

- Funding for the Children's Behavioral Health Initiative.** The Senate budget includes a designated line item with \$68 million to fund universal pediatric mental health screenings and treatment of children identified with "severe emotional disturbance" – all initiatives following from what is known as the *Rosie D.* settlement. The House budget incorporates \$25 million for these services.
- Community First.** The House budget includes \$16 million in a line item for an initiative to fund community-based alternatives for elders and adults with disabilities at risk of institutionalization, but the Senate budget does not include this funding. There was \$20 million in this line item in the FY 2009 GAA. The Governor's revised budget does not include funding designated for the Community First program, even though his original H.1 budget proposal had included \$21 million for these services.
- Outreach and enrollment grants.** The House budget includes no funding for these grants to community organizations for assisting persons in enrolling in the state's health insurance programs, while the Senate budget includes language specifying that support for these grants would continue to come from the Commonwealth Health Connector and from the Health Education Finance Authority. There was \$3.5 million in a direct line item appropriation for outreach and enrollment grants in the FY 2009 GAA.

The Governor's revised budget includes some important provisions affecting the MassHealth program. In particular, the Governor proposes eliminating adult dental benefits. The House and Senate budgets include funding for adult dental benefits, however the Governor's revised budget eliminates this benefit, estimating that the Commonwealth will "save" \$105 million (not counting the impact of lost federal

reimbursements). More than 700,000 adults rely on the state's MassHealth program for oral health care; adult dental benefits had been cut from the MassHealth program during the last fiscal crisis, but had been restored with the passage of the Massachusetts health reform legislation.

Within funding for health reform and funding of the health care safety net, there are also significant differences that the House and Senate will have to resolve in the Conference Committee. The Senate budget includes a total of \$1.132 billion for health reform and the safety net, while the House budget includes \$1.335 billion. These differences include, for example:

- **Coverage for certain legal immigrants in Commonwealth Care.** The Senate budget removes 28,000 "aliens with special status" from the Commonwealth Care program. These legal immigrants include persons who have applied for permanent residency but have not yet lived here for five years, and persons living here under immigration protections as political refugees. Without Commonwealth Care, these immigrants will be limited to health care from the health safety net (emergency rooms). The House budget continues coverage for these legal immigrants.
- **Primary care workforce development.** The House proposes \$1.7 million, the Senate proposes \$850,000. The Governor's revised budget does not include funding for this program, but funding in the FY 2009 GAA was \$1.7 million. One of the challenges presented by the expansions of health insurance under the Commonwealth's health reform law has been ensuring access to health care. The intent of this program has been to expand the availability of primary care across the Commonwealth.
- **Prescription Advantage program.** The House budget includes \$45 million for the Prescription

Advantage pharmacy program, while the Senate budget includes \$40 million. Funding in the FY 2009 GAA was \$57.5 million. This program provides assistance with prescriptions for low-income elders on Medicare Part D and younger people with disabilities. Already in FY 2009, budget cuts have forced the program to eliminate initial co-payment assistance for some enrollees. These additional cuts proposed for FY 2010 are likely to cause significant increases in out-of-pocket costs for the program's low-income enrollees.

MENTAL HEALTH

The Senate proposes \$646.2 million for mental health programs; the House proposes \$651.2 million; and the Governor's revised budget proposal includes \$629.8 million for mental health programs. Funding in the FY 2009 GAA was \$685.4 million. Because the Senate followed the Governor's initial recommendation to consolidate certain programs, but the House did not, there will be substantial differences (in addition to just funding amounts) that will need to be reconciled by the Conference Committee.

Both the Governor's and the Senate's budget recommendations consolidate funding for several programs for adults, including community-based programs, emergency services, and funding for the homeless mentally ill. Combined, funding for adult mental health programs totals \$374.5 million in the Senate budget, \$377.8 million in the House budget, and \$360.5 million in the revised Governor's budget. The House budget earmarks \$3.3 million to expand housing for the homeless mentally ill and also designates \$20.1 million for homeless services. The House budget also specifies that there should be funding for a pre-arrest jail diversion program. The Senate budget does not include designated funding for homelessness services for the mentally ill, nor does it explicitly support the pre-arrest jail diversion program. The Senate budget language, however, does mention

continued support (without earmarked funding) for juvenile court clinics in a consolidated adult mental health services account, whereas the House explicitly earmarks \$1.2 million for juvenile court clinics within the forensic services program.

Given that funding for adult mental health services was \$389 million in the FY 2009 GAA, there will likely be significant cuts in services for the adult mentally ill in FY 2010.

Services for mentally ill children will also be cut in FY 2010. The Senate final budget proposal includes \$72.2 million, the House budget includes \$73.1 million, and the Governor's revised proposal includes \$69.7 million. Funding in the FY 2009 GAA was \$76.2 million. The Senate budget proposal includes language (but no earmarked funding) for the Child Psychiatry Access Project, which provides psychiatric consultation for pediatric primary care physicians. The FY 2009 GAA included an earmark of \$2.8 million for this program.

Because of declining revenue projections, the Governor's proposed budget revisions reduced funding throughout the budget. Compared to his original proposal, the Governor cut 3 percent in total (\$20 million) from his mental health budget, targeting his cuts to community-based mental health supports.

(Funding for universal mental health screenings and treatment for severely mentally ill children as established by the *Rosie D.* settlement is included in the "MassHealth (Medicaid) and Health Reform" section of this *Budget Monitor*.)

PUBLIC HEALTH

The proposed House and Senate budgets differ in many areas within public health, setting up for a substantial debate during the Conference Committee. Nevertheless, regardless of whether the final budget proposal more closely reflects the

House or the Senate versions, the FY 2010 public health budget will likely require deep and dramatic cuts in public health services. Total public health funding in the Senate budget is \$515.9 million, funding in the House budget is \$510.8 million, and funding in the Governor's revised budget is \$483.7 million. These totals are all tens of millions less than funding in the FY 2009, which totaled \$595 million.

It is notable that public health is one of the only areas where the Senate budget total exceeds the House budget total, even though the Senate budget was built upon projected tax revenue reductions of close to \$1.5 billion. Areas where the Senate budget proposes differences from the House budget include:

- **Immunizations.** The Senate proposes \$52.1 million, and the House proposes \$46.5 million. The Senate budget also includes language that would charge health insurers towards the costs of purchasing and distributing the vaccines. The Governor's revised budget also includes this language in an outside section, and assumes \$50 million in revenue from these assessments on insurers, sufficient to pay for the costs of the immunization program.
- **Substance abuse services.** The Senate budget includes a total of \$89.3 million for substance abuse services, including separate funding of \$4.8 million for a step-down recovery program, \$6 million for secure treatment for opiate addicts, and a new program for case management for young adults funded at \$2 million. The House budget, on the other hand, funds these programs at a total of \$80.7 million, with no funding for the secure treatment program or for the case management program. The Governor's revised budget includes the equivalent of \$77.6 million for these services, within a consolidated line item. Funding in the FY 2009 GAA was \$90.6 million, and there is concern that because the federal government

requires states to demonstrate a “maintenance of effort” in substance abuse funding each year, insufficient funding in FY 2010 might cause the Commonwealth to lose federal matching funding for substance abuse services.

- Early intervention services.** The Senate funds early intervention services for developmentally delayed infants and toddlers at \$25.6 million, and the House funds them at \$29.3 million. Included in the Senate budget is language that proposes that health insurers pay for a larger share of early intervention costs. The Governor’s revised budget proposal also includes this language. (Health insurance payment for early intervention is currently capped, and the Senate and Governor propose lifting that cap.) Even with this shift, and even assuming that the FY 2010 budget proposals shift more than \$14 million of early intervention costs into the MassHealth program, the proposed funding levels will require a significant cut in early intervention program services, most likely requiring a greater restriction of eligibility.
- Smoking prevention.** The Senate and House budget proposals differ in their funding recommendations for smoking prevention. The Senate proposes \$5 million, while the House proposes \$8 million. The Governor’s revised budget proposal suggests even less for smoking prevention, recommending the equivalent of \$4 million within a consolidated line item. Funding in the FY 2009 GAA was \$12.8 million. Although few experts would deny the public health benefits of preventing smoking, these programs have suffered profound cuts over the years. In FY 2001, for example, funding for smoking prevention programs (without even adjusting for inflation) totaled more than \$50 million.

Throughout the budget process, the public health budget has been dramatically affected as estimated

revenues have declined and budget writers have cut proposed services. The Governor, for example, in revising his budget numbers based on an assumed \$1.5 billion decline in tax revenues, suggested revising downward his public health budget by more than 7 percent, the largest proportional cut within health and human services. In his revised budget, the Governor’s cuts from his original proposal which consolidated many public health line items include: \$14.9 million (26 percent) cut from health promotion, violence prevention and workforce expansion programs, \$7.3 million (17 percent) cut from child health and nutrition programs, \$9.6 million (10 percent) cut from addiction and tobacco control services, and \$1.2 million (1 percent) cut from infectious disease prevention and control. All of the cuts are concentrated in the community-based public health programs; the Governor’s revised budget does not cut public health hospital funding.

STATE EMPLOYEE HEALTH INSURANCE

One of the areas in the budget over which there is likely to be significant disagreement in the Conference Committee is in the funding and structure of state employee health insurance within the Group Insurance Commission (GIC). Each of the FY 2010 budget proposals has recommended a significant change from the current fee structure, and has recommended shifting different portions of state employee health insurance costs onto the employees, in order save state dollars.

The Senate final budget recommends \$1.383 billion for state employee health benefits, with the largest share of that allocating \$893 million into the account that pays for group insurance premiums. The House final budget, on the other hand, recommends a total of \$1.47 billion, with \$979.1 million into the group insurance premium account. The Governor’s final revised budget recommends a total of \$1.389 billion for state employee health insurance benefits, with \$906.5 for group insurance premiums.

These very significant differences are the result of differences in health insurance cost sharing, primarily cost sharing by current employees (as opposed to retirees). Currently, state employees hired before June 30, 2003, pay 15 percent of their health insurance premiums and employees hired after that date pay 20 percent. The Senate proposes that all employees pay 75 percent of their health insurance premiums. The House budget, however, proposes that current employee pay 80 percent, and any new employees hired starting in FY 2010 would pay 75 percent of their premiums.

The Governor’s revised budget proposal, however, recommends a more complicated cost sharing structure, tying employee cost sharing contribution levels to salary – with higher paid employees paying a larger share of their health insurance premiums. The Governor’s original proposal recommended cost sharing ranging from 15 to 25 percent; the Governor’s revised budget proposal increases these rates to a 20 percent contribution for those earning less than \$35,000 annually, up to a 30 percent contribution for those earning \$50,000 a year or more. The Governor states that these reforms would “save” the state \$78 million, primarily by shifting these health care costs onto state employees.

Also included in both the House and Senate budget proposals for FY 2010 are the costs associated with health care for certain municipalities that are now joining the Group Insurance Commission (GIC) in order to participate in the state’s employee health insurance system. In July 2007, a new law allowed municipalities and other public employers to join the state’s health insurance plan. Some cities and towns are now purchasing health insurance for their employees through the GIC. Fifteen municipalities are expected to join the GIC in FY 2010. The GIC anticipates spending approximately \$120 million in FY 2010 for health insurance premiums for these new participants. The state, however, will be reimbursed for these premiums

over the course of the year by the new participants’ municipal employers. In addition, several new municipalities and public employers joined the GIC in FY 2009. There are estimates that the costs of health insurance premiums for these employees will increase by \$5 million in FY 2010.

Although not included in either the Senate or House final budgets, the Governor’s revised budget includes a provision that would increase the share of health insurance premiums paid by retirees. In order to encourage the retirement of eligible employees, the Governor proposes that employees retiring before October 1, 2009 not be subject to this cost share increase.

HUMAN SERVICES

FY 2009 GAA	\$3,613,210,612
FY 2010 Governor’s revised budget	\$3,429,861,778
FY 2010 House Final	\$3,521,755,243
FY 2010 Senate Final	\$3,497,918,584

The House and Senate budget proposals recommend \$3.5 billion for human service programs, about 3 percent below the FY 2009 total and even further below the amount needed to maintain current services. The Governor’s revised proposal of \$3.4 billion is 6 percent below the FY 2009 total.

DEPARTMENT OF CHILDREN & FAMILIES (FORMERLY DEPARTMENT OF SOCIAL SERVICES)

The final Senate budget recommendation includes \$794.8 million for programs administered by the Department of Children and Families (DCF), \$41.7 million or 5 percent below the FY 2009 appropriation. The Senate’s proposal is, however, \$15.4 million higher than the House proposal. Most of the difference reflects the Senate’s decision to fund the local and regional administration and coordination of services provided by lead agencies and regional resource centers; the House does not

fund these services. The Governor funds these services but cuts roughly the same amount from Group Care and family stabilization, for a total allocation for DCF of \$779.8 million.

Both the House and Senate allocate \$303.2 million for family stabilization services administered by the Department of Children and Families (formerly the Department of Social Services). Unlike the other proposals, which do not specify whether ARRA funds would be included in this account, the final Senate budget indicates that \$5.6 million would be allocated to this account from that source. Despite this infusion of federal funds, the House and Senate recommendations falls \$10.6 million of the FY 2009 GAA.

The Senate budget allocates \$155.3 million for social workers, a recommendation that falls \$81,000 short of the Governor's final proposal but is \$2.3 million higher than the final House proposal. In FY 2009, \$157.3 million was appropriated for this account.

Both the House and Senate allocate \$21.9 million for shelters and support services for people at risk of domestic violence, \$10,000 below the revised budget issued by the Governor. These recommendations are nearly 7 percent below the amount that is likely needed to maintain current services. The recommendation is \$1.6 million below the FY 2009 GAA appropriation for this account.

CHANGES TO DCF IN THE GOVERNOR'S REVISED BUDGET RECOMMENDATION

The Governor's revised budget includes \$21.9 million less in support for DCF than in his original recommendations. Two notable differences are:

- \$13.1 million less for a set of four line items that the Governor consolidated in both of his proposals, including family stabilization, group care, sexual abuse

intervention and placement services for juvenile offenders.

- \$1.6 million less for shelters and support services for people at risk of domestic violence.

DEPARTMENT OF TRANSITIONAL ASSISTANCE

The final Senate budget recommendations include \$896.2 million for programs administered by the Department of Transitional Assistance (DTA). This recommendation is below those proposed by the House and the Governor of \$906.8 million and \$899.7 million respectively. In FY 2009, \$901.1 million was appropriated for programs administered by DTA.

The House and Senate budgets both move the homelessness programs, once managed by DTA, into the Department of Housing and Community Development (DHCD). This reorganization, which was proposed by the Governor, was designed to fulfill the recommendations of the homelessness commission to give homeless families and individuals access to permanent housing. As part of this move, the two budgets recommended moving some caseworkers from DTA to DHCD to provide assistance. The House and Senate final budgets both recommend \$4.6 million in funding for these caseworkers.

The full Senate voted to appropriate \$91.6 million for the program that provides assistance and shelter to homeless families. The Senate budget also lowered eligibility for the program from those families living at 130 percent of poverty to those that living at or below 100 percent of poverty. The House in its final budget provided this program with \$2.3 million more than the Senate for a total of \$93.9 million. The House budget allows families living at or above 130 percent of poverty to qualify for services under this program rather than lowering the eligibility to 100 percent as the Senate did. Both the House and Senate funding levels are well below the \$113 million the state expects to spend in providing assistance to homeless families.

The House and Senate final budgets treat the programs that provide assistance to homeless individuals slightly differently. The House provides \$36.3 million for overall assistance to homeless individuals and funds the Home and Healthy for Good program at \$1.2 million. The House recommendations provide level-funding for both of these programs. The Senate also level-funds these programs but merges them together and provides a total of \$37.5 million in funding.

The matching House and Senate recommendation for Emergency Aid to Elderly, Disabled and Children is \$2.3 million higher than the Governor's revised recommendation of \$82.4 million. The program received \$72.5 million in FY 2009.

The Senate's recommendation for the Employment Services program of \$23 million is below the proposals submitted by the Governor and the House; their recommendations were \$24.3 million and \$24.5 million respectively. In FY 2009, \$27.7 million was appropriated for this program.

CHANGES TO DTA IN THE GOVERNOR'S REVISED BUDGET RECOMMENDATION

The Governor's revised budget includes \$10.2 million less in support for DTA than in his original recommendations. Most of this difference reflects a reduction in the TAFDC grant account of \$7.9 million.

DEPARTMENT OF DEVELOPMENTAL SERVICES (FORMERLY DEPARTMENT OF MENTAL RETARDATION)

The House and Senate's final budget recommendations for the Department of Developmental Services include \$1.278 billion and \$1.260 billion respectively. Both proposals are considerably higher than the Governor's revised recommendation of \$1.206 billion. In FY 2009, \$1.272 billion was appropriated for programs administered by DDS.

The House proposal is considerably higher than either the Senate or the Governor's proposals for both respite supports and for community-based day and work programs. The House recommends \$55.4 million for respite supports while the Senate and the Governor allocate \$42.5 million and \$27.7 million respectively. Instead, the Senate prioritizes funding for community-based residential supports, allocating \$700 million to this account. The House and the Governor allocate \$616.3 million and \$618.8 million respectively.

CHANGES TO DDS IN THE GOVERNOR'S REVISED BUDGET RECOMMENDATION

The Governor's revised budget includes \$39 million less in support for DDS than in his original recommendations. The Governor's revised budget includes:

- \$21 million less for community-based day and work programs, a 28.9 percent cut from the FY 2009 funding level of \$129.2 million.
- \$4.8 million less for state facilities, a 14 percent cut from the FY 2009 funding level of \$187.5 million.

ELDER SERVICES

The Senate proposes \$222.5 million for elder services in FY 2010, the House budget proposes \$229.4 million, and the Governor's revised budget includes \$227.9 million. Funding in the FY 2009 GAA was \$238.6 million, and there are estimates that the budget would need to provide more than \$245 million in FY 2010 to avoid cutting community-based care for the Commonwealth's elders in the coming year.

(For funding for elder services provided through the MassHealth program, or issues affecting funding for nursing homes or the Prescription Advantage program, see the "Health Care" section of this *Budget Monitor*.)

The Senate budget includes a total of \$189.7 million for purchased home care services for elders, while the House budget totals \$196 million for these services and the Governor's revised budget totals \$196.6 million. Funding in the FY 2009 GAA totaled \$202.3 million. The elder home care program is designed to help frail elders live safely in their homes, and as funding drops, the waiting lists for these services have grown. This puts elders at risk for injury and hospitalization or nursing home placement.

The Senate and House budgets both fund the elder protective service program at \$16.3 million, so this program will not be part of the Conference Committee debate. This program provides supports and intervention to protect vulnerable elders from physical, emotional or financial abuse. This funding level is just slightly more than was in the FY 2009 GAA.

The Governor's revised budget cut \$4.7 million from elder services (2 percent) compared to his original proposal. The Governor's revised budget for elder services cuts include \$2.6 million from home care, \$1 million from protective services, and \$1.3 million from his original proposed amounts for the councils on aging.

OTHER HUMAN SERVICES

The House and Senate's final budget recommendations for Other Human Services include \$328.1 million and \$324 million respectively. Both proposals are considerably higher than the Governor's revised recommendation of \$313.6 million. In FY 2009, \$365.1 million was appropriated for these programs. Two primary differences include:

- The Senate's recommendation for the Massachusetts Rehabilitation Commission (MRC) of \$43.8 million falls \$2.1 million short of the House proposal. Most of the difference is due to funding levels for the

MRC's employment assistance service for the multi-disabled. The Senate's recommendation of \$3.2 million for this service is \$1.8 million short of the House's proposal.

- The Senate's proposal is for the Massachusetts Commission for the Blind of 18.6 million falls \$1.1 million short of the House proposal.

"Other Human Services" includes numerous departments, including Veterans Affairs, the Soldiers' Homes, Massachusetts Commission for Blind, Massachusetts Rehabilitation Commission, Massachusetts Commission for the Deaf and Hard of Hearing, the Department of Youth Services, administrative costs for the Department of Transitional Assistance, and certain programs within the Executive Office of Health and Human Services.

CHANGES TO OTHER HUMAN SERVICES IN THE GOVERNOR'S REVISED BUDGET RECOMMENDATION

The Governor's revised budget includes \$6.8 million, or 2.1 percent, less in support for "Other Human Services" than in his original recommendations. Notable differences in the documents include:

- Over \$3 million in reductions in funding for multi-disabled citizens, including \$2.3 million less for vocational rehabilitation services and \$850,000 less for employment assistance.
- Nearly \$1 million in reductions in funding for veterans, including \$493,000 less for outreach centers and cuts of \$250,000 to each of the Soldiers' Homes in Chelsea and Holyoke.
- A reduction of \$794,000 to the Massachusetts Commission for the Blind.

INFRASTRUCTURE, HOUSING & ECONOMIC DEVELOPMENT

FY 2009 GAA	\$1,319,409,843
FY 2010 Governor's revised budget	\$1,206,942,570
FY 2010 House Final	\$1,581,740,129
FY 2010 Senate Final	\$1,511,946,839

The FY 2010 Conference Committee will deal with a number of issues regarding infrastructure, housing and economic development. Both the House and Senate budgets included major new funding for transportation infrastructure, as well as substantial cuts to state programs that support workforce development and tourism.

HOUSING

The Senate's final budget recommends spending \$122.1 million on housing programs, which is \$18.1 million less than the House proposal of \$140.2 million and \$800,000 more than the Governor's revised budget of \$121.3 million. In most housing programs the Governor's revised budget is less than the Senate's recommendations, though in a few cases the Governor recommends a funding level higher than the Senate's.

Housing programs that receive less funding in the Senate budget than in the House budget include:

- Subsidies for Public Housing authorities, which received \$66.5 million in FY 2009 GAA, are funded at \$65.3 million in the Senate's proposal. This level is \$6 million less than the House's recommendation of \$71.3 million.
- The Massachusetts Rental Voucher Program (MRVP), which was funded at \$33 million in the FY 2009 GAA receives \$28 million in the Senate's proposal. The Senate's level is \$7.8 million less than the House's funding recommendation of \$35.8 million.

- The Alternative Housing Voucher program is funded at \$3.5 million in both the Senate budget and the Governor's revised budget. The House recommends providing the program with \$4 million, which is the same amount it received in the FY 2009 GAA.
- Residential Assistance for Families in Transition (RAFT) receives \$5 million in the Senate's final budget, which is \$500,000 less than the amount recommended by the House and funded in the FY 2009 GAA.

Housing programs that the House and Senate recommended eliminating in the FY 2010 budget include:

- Providing interest subsidies to private developers of affordable housing projects. This program received \$4.5 million in funding in the FY 2009 GAA, but was eliminated when the Governor made 9C cuts in October 2008.
- The Individual Development Account Program, which received \$700,000 in the FY 2009 GAA.

(For a discussion of the homelessness programs, please go to Human Services).

CHANGES TO HOUSING IN THE GOVERNOR'S REVISED BUDGET RECOMMENDATION

In his housing budget, the Governor recommends a number of funding reductions from his original budget proposal, including:

- In his revised budget, the Governor recommends funding public housing subsidies at \$62.5 million, which is \$8.7 million less than his original proposal.
- The Governor reduces funding for MRVP by \$2.6 million from his original budget level of \$35.8 million to \$33.3 million in his revised budget proposal.
- Reducing funding for the RAFT program from \$5.5 million to \$4.7 million, a cut of \$847,061.

- Eliminating the Individual Development Account program which he proposed funding at almost \$400,000 in his original budget.

ECONOMIC DEVELOPMENT

The House budget funds economic and workforce development at \$105.5 million, compared to \$76.7 million in the Senate budget. As mentioned earlier, the sizable gap between House and Senate numbers is likely the result of the different revenue estimates each budget used. Even the House figure, however, represents a 32 percent cut from the FY 2009 GAA level of \$156.6 million. The Governor's revised budget recommendations provide \$94 million for economic and workforce development.

Notable economic and workforce development issues for Conference Committee include:

- The House budget includes \$21 million for workforce training programs, compared to \$10 million in the Senate budget. Workforce training grants, which provide support for hiring, training, and retraining programs at Massachusetts businesses, received \$21 million in the FY 2009 GAA. The Governor's revised budget recommendations include \$18 million for workforce training grants.
- The House budget includes \$8 million for the state's summer jobs program for at-risk youth, compared to \$4 million in the Senate budget. This program, which was funded at \$8.1 million in the FY 2009 GAA, provides summer jobs to thousands of at-risk teens. The Governor's revised budget recommendations funded the program at \$8 million.
- The House budget funds the Massachusetts Office of Travel and Tourism (MOTT) at \$11.2 million, compared to \$8.7 million in the Senate budget. Both budgets mark a drastic funding reduction from the FY 2009

GAA when MOTT was funded at \$37.1 million. Both the House and Senate reduce this item substantially by eliminating the vast majority of local tourism earmarks that made up the line item. The Governor's revised budget recommendations include \$14.3 million for MOTT and local tourism councils.

CHANGES TO ECONOMIC DEVELOPMENT IN THE GOVERNOR'S REVISED BUDGET RECOMMENDATION

The Governor's revised budget includes \$34.2 million less in support for economic and workforce development than in his original recommendations. Notable differences include:

- The Governor eliminated his original recommendation to fund the state's Commonwealth Zoological Corporation at \$6.1 million. Both the House and Senate funded the Commonwealth Zoological Corporation at more than \$6 million.
- \$10 million less in funding for the state's Life Sciences Investment Fund, for a new recommended funding level of \$10 million. Neither the House nor the Senate included funding for the fund.
- \$3 million less in funding for Workforce Training Grants, for a new recommended funding level of \$18 million.
- \$1.5 million less in funding for the Governor's Commonwealth Corps, for a new recommended funding level of \$500,000. Neither the House nor the Senate budgets included funding for the Commonwealth Corps.

TRANSPORTATION

The House funded transportation at \$1.284 billion, compared to \$1.262 billion in the Senate budget. Both the House and Senate budgets funded a new Transportation Investment Fund at \$275 million. This new fund is designed to provide needed

infrastructure improvements to the state's transportation system.

Even though both the House and Senate budgets include the same appropriation for the new transportation fund, the Conference Committee will have to determine how the fund will be used. The Senate budget sets forth a number of criteria for spending from the fund, while the House language does not. Criteria for the Transportation Investment Fund in the Senate budget include:

- Funds can go to any surface transportation related authority or any fund used for toll and fare mitigation;
- Regional Transit Authorities must receive an amount equal to 20 percent of any funds that go to the MBTA;
- Funds must provide the Turnpike Authority with at least the difference between the Turnpike's net estimated revenues and the amount necessary to make the minimum debt service payments;
- No funds will go to the Turnpike in the year it passes a toll increase or the 2 years following.

Other important transportation issues for the Conference Committee include:

- The House budget funds regional transportation authorities at \$55 million, compared to \$44.7 million in the Senate budget. Regional transportation authorities, which were funded at \$57.5 million in the FY 2009 GAA, are responsible for public transportation around the state outside of the metro-Boston area. The Governor's revised budget recommendations provides \$41.7 million for regional transportation authorities.
- The House budget includes \$1 million for the state's inter-district transportation program. This program, which was not

funded in the Senate budget, received \$2 million in the FY 2009 GAA.

CHANGES TO TRANSPORTATION IN THE GOVERNOR'S REVISED BUDGET RECOMMENDATION

The Governor's revised budget includes \$27.2 million less in support for transportation than in his original recommendations. Notable differences include:

- The Governor eliminated his original recommendation to fund the state's Central Artery and Tunnel Maintenance Fund at \$17.3 million. Both the Senate and House budgets include \$17.3 million for the fund, which was funded at \$9.3 million in the FY 2009 GAA.
- \$5 million less for regional transportation authorities, for a new funding level of \$44.7 million. The Governor includes the regional transportation authority funding within the Executive Office of Transportation line item.

LAW & PUBLIC SAFETY

FY 2009 GAA	\$2,559,131,330
FY 2010 Governor's revised budget	\$2,351,741,996
FY 2010 House Final	\$2,463,476,368
FY 2010 Senate Final	\$2,387,413,046

The House and Senate included similar approaches to law enforcement and public safety, most notably adopting the Governor's recommendation to bring funding for seven sheriffs' offices on budget. Both the House and Senate budgets make sizable cuts to FY 2009 GAA law and public safety spending, however, due to a lower revenue forecast, the Senate cuts are more substantial.

COURTS & LEGAL ASSISTANCE

The House budget provides \$30 million more for courts and legal assistance than does the Senate. The total House appropriation for courts and legal assistance is \$649.3 million, compared to \$619 million in the Senate. The Governor's revised budget recommendations fund the courts and legal assistance programs at \$584.2 million. In the FY 2009 GAA, courts and legal assistance was funded at \$655.1 million.

The primary issues in courts and legal assistance funding for Conference Committee are:

- The House funds compensation for private attorneys at \$149.7 million, compared to \$125.4 million in the Senate. This item was funded at \$140.3 million in the FY 2009 GAA. The Governor's revised budget recommendations include \$122.1 million for private counsel compensation.
- The House level funds the Massachusetts Legal Assistance Corporation (MLAC) at its FY 2009 GAA level of \$11.1 million, compared to \$8 million in the Senate budget and the Governor's revised budget recommendations. MLAC provides legal advice and representation to low income clients in non-criminal matters.
- The Senate follows the Governor's recommendation to consolidate the court security and Office of the Chief Justice for Court Administration line items. The Senate provides \$196.8 million for this item. The House keeps these two line items separate and provides total funding of \$200 million. In the FY 2009 GAA, these two line items were funded at \$201.8 million.
- The Senate budget provides less funding than the House for each of the state's courts. Both the House and Senate budgets adopted the Governor's recommendation to consolidate funding for the courts. Instead of providing a separate line item for each

individual court, the House and Senate budget include one line item for each court system. In total, the Senate funds these courts at \$82.6 million, compared to \$105.7 million in the House. In the FY 2009 GAA, these courts were funded at \$92.6 million. The Governor's revised budget proposal recommends \$87.3 million for these courts.

LAW ENFORCEMENT

The House budget includes \$363.5 million for law enforcement programs, compared to \$331.1 million in the Senate budget. In the FY 2009 GAA, law enforcement was funded at \$417 million. The Governor's revised budget recommendations include \$328.6 million for law enforcement. Important law enforcement issues for the Conference Committee include:

- The House provides \$25 million for the state's Quinn bill program, compared to \$10 million in the Senate. The program, which was funded at \$50.2 million, reimburses police officers for receiving degrees in criminal justice. In addition, both the House and Senate budgets include language limiting access to the program in the future. The Governor eliminated funding for the Quinn bill in his revised budget recommendations.
- Both the House and Senate budgets fund the Shannon Grant program at \$6.5 million, half the FY 2009 GAA appropriation of \$13 million.
- Neither the House nor the Senate budgets include funding for municipal police grants.

PRISON, PROBATION & PAROLE

Both the House and Senate budgets took a similar approach to funding for the state's corrections system, with the House funding level at \$1.267 billion, compared to \$1.258 billion in the Senate. The FY 2009 GAA corrections funding level was

\$1.216 billion. The Governor’s revised budget recommendations include \$1.252 billion for corrections.

Notable issues for the Conference Committee regarding corrections include:

- The House funds probation and community corrections at \$158.2 million, compared to \$153.3 million in the Senate budget. In the FY 2009 GAA, these items were funded at \$169.5 million. The Governor’s budget recommendations include \$145.5 million for probation and community corrections.
- The House funds the Department of Corrections (DOC) operations account at \$527.7 million, compared to \$521.1 million in the House. The FY 2009 GAA funded Corrections at \$530.5 million.

PROSECUTORS

Both the House and Senate budgets took a similar approach to funding for the state’s prosecutors, with the House funding level at \$134.1 million, compared to \$132.9 million in the Senate. The FY 2009 GAA corrections funding level was \$146.1 million. The Governor’s revised budget recommendations include \$132.4 million for corrections.

Both the House and Senate cut each District Attorney’s (DA’s) office from its FY 2009 GAA level. In the House budget, each DA’s office received a cut of 7 percent, while in the Senate budget the cut is 8 percent. Both budgets also cut state police overtime accounts for each DA’s office by 12 percent. The Governor’s revised budget recommendations match the cuts to both DA’s and DA state police overtime accounts made in the Senate budget.⁵

⁵ Unlike either the House or Senate budget, the Governor’s revised budget recommendations consolidate the DA and state police overtime account for each county.

CHANGES TO LAW & PUBLIC SAFETY IN THE GOVERNOR’S REVISED BUDGET RECOMMENDATION

The Governor’s revised budget includes \$96.6 million less in support for law and public safety than in his original recommendations. Notable differences include:

- The Governor’s revised budget recommendations eliminate funding for Quinn Bill reimbursements. The Governor’s original budget funded the Quinn Bill at \$42 million.
- \$5 million less for the State Police, for a new recommended funding level of \$242.2 million.
- \$8.5 million less for Shannon Grants to prevent gun violence, for a new recommended funding level of \$4.5 million.
- \$5.8 million less for probation and county corrections programs, for a new recommended funding level of \$145.5 million.

LOCAL AID

FY 2009 GAA	\$1,346,688,719
FY 2010 Governor’s revised budget	\$1,042,579,096
FY 2010 House Final	\$1,125,563,412
FY 2010 Senate Final	\$893,331,390

The House and Senate budgets differ substantially in their approach to local aid. The primary differences regard the size of unrestricted aid cuts, and whether or not municipalities will be given increased ability to raise local revenue.

The Senate budget and the Governor’s revised budget recommendations make across the board cuts of 34.2 percent to the unrestricted state aid to city and towns, for a total state aid appropriation of \$864.9 million. The Governor, however, recommends using \$150 million in revenue from

his proposed meals and hotels tax to supplement this unrestricted local aid appropriation. The House budget cuts local aid to cities and towns by 16.7 percent from the FY 2009 GAA level, for a total state aid appropriation of \$1.1 billion. The FY 2009 GAA local aid appropriation was \$1.315 billion.

Both the House and Senate budgets adopt the Governor's recommendation to combine Lottery Aid and Additional Assistance into one new aid source, called General Government Aid.

Payment in Lieu of Taxes (PILOT) will be considered in Conference Committee, as the House funded PILOT at \$30.3 million, compared to \$27.3 million in funding in both the Senate and Governor's budget. In the FY 2009 GAA, PILOT was funded at \$30.3 million.

While the House budget includes smaller cuts to local aid, it does not include Senate provisions that would enable cities and towns to raise additional revenue at the local level. In Conference Committee, consideration of the Senate's municipal finance provisions will be one of the chief local aid issues. The Senate budget:

- Increases the local option excise tax on lodging from 4 to 6 percent (from 4.5 to 6.5 percent for Boston). If all cities and towns adopt this provision, it would generate an estimated \$40 million in revenue. The Governor's revised budget proposal gives municipalities the option of increasing lodging taxes by one percentage point.

- Allows municipalities to levy up to a 2 percent sales tax on meals. All receipts from the tax would go to the city or town where they are collected. If all cities and towns adopt this provision, it would generate an estimated \$230 million in revenue. The Governor's revised budget proposal gives municipalities the option of levying a 1 percent tax on meals.

- Eliminates the property tax exemption for telecommunications poles and wires, codifying a recent Appellate Tax Board Decision. It is estimated that eliminating this exemption could generate \$26 million. The Governor's revised budget recommendations include this provision and also would eliminate the property tax exemption for property with telecommunications machinery, which could generate a further \$25 million in revenue.

- Requires all municipalities to either join the state's Group Insurance Commission (GIC), or achieve GIC equivalent or better costs in another system. In order to change collectively bargained health plans, municipalities and their local unions must be in agreement on these changes. When a municipality and the unions representing its workers are unable to come to an agreement about cost sharing in the new health plan, then the Senate language requires binding arbitration to set terms by which the community will meet the cost savings objectives. The rulings of these arbitrators will be binding on the unions, and, while municipalities can reject the rulings, if they do so they will lose an amount of state aid equal to the savings that would have been achieved by a new health plan.

- \$2 million for regionalization grants to encourage municipalities to utilize joint staff, operations and facilities when possible.

- \$500,000 in grants for municipalities that would not benefit from a local options meals tax.

CHANGES TO LOCAL AID IN THE GOVERNOR'S REVISED BUDGET RECOMMENDATION

The Governor's revised budget includes \$84.2 million less in support for local aid than in his original recommendations. Notable differences include:

- \$81 million less in unrestricted local aid to cities and towns, for a new funding level of \$864.9 million. This recommended funding

level would result in a 34.2 percent across the board cut in local aid.

- \$3 million less in PILOT, for a new recommended funding level of \$27.3 million.

OTHER

FY 2009 GAA	\$4,232,657,711
FY 2010 Governor’s revised budget	\$4,072,935,418
FY 2010 House Final	\$4,149,892,843
FY 2010 Senate Final	\$4,106,006,636

DEBT SERVICE

FY 2009 GAA	\$2,075,388,026
FY 2010 Governor’s revised budget	\$2,088,434,833
FY 2010 House Final	\$2,171,473,000
FY 2010 Senate Final	\$2,155,417,529

The House and Senate budget proposals are very similar in spending on the state’s debt service obligations. The primary difference is that the Senate budget adopts the Governor’s recommendation to fund debt service for an accelerated bridge repair program. The Senate funds this item at \$12 million, compared to \$11 million in the Governor’s revised budget. The House does not provide any funding for this new program recommendation.

The Governor’s revised budget reduces his long term debt service recommendation by \$66 million, to \$1.804 billion, for a total debt service recommendation of \$2.088 billion.

PENSIONS

FY 2009 GAA	\$1,465,000,000
FY 2010 Governor’s revised budget	\$1,376,619,000
FY 2010 House Final	\$1,376,619,000
FY 2010 Senate Final	\$1,376,619,000

Like the House proposal, the final Senate proposal includes \$1.377 billion for state employee pensions, \$88.4 million below the FY 2009 GAA.

LIBRARIES

FY 2009 GAA	\$34,086,834
FY 2010 Governor’s revised budget	\$24,689,851
FY 2010 House Final	\$29,366,194
FY 2010 Senate Final	\$27,228,256

The \$29.4 million that the House budget proposal recommends for library spending is \$2.1 million dollars more than what the Senate budget proposal allocates. The largest differences in the proposed budgets are in local aid for public libraries and for Boston Library Consortium telecommunications. The State funded libraries at \$33 million in the FY 2009 GAA.

The House budget proposes \$8.6 million in local library aid, compared to \$7.1 million in the Senate budget. The FY 2009 GAA included \$10 million for local library aid. In addition, the House budget includes \$2.4 million for telecommunications support for libraries, compared to \$1.9 million in the Senate budget. The FY 2009 GAA included \$2.9 million for this item.

The Governor’s revised budget includes \$24.7 million for libraries, \$4.5 million less than in his original budget proposal. The majority of this decrease is due to \$2.3 million less in funding to regional library aid, for a new recommended funding level of \$12.3 million.

REVENUE

Revenue differences will be a vital part of the Conference Committee deliberations. While both budgets included a 1.25 percentage point sales tax increase, the House and Senate differed slightly as to how the tax would be implemented.

In addition to the sales tax, there are other important revenue differences between the two budgets.

SALES TAX

The House and Senate budgets increased the state's sales tax rate to 6.25 percent, from the current 5 percent. However, a closer look reveals differences in the Senate and House sales tax increases:

- The Senate budget exempts meals from the sales tax increase, while the House does not. Applying the tax increase to meals is estimated to raise approximately \$115 million in FY 2010 revenue. The Senate budget does include a local options meals tax increase, which is discussed in the Local Aid section of this document.
- The Senate budget and the Governor's revised budget recommendations eliminate the sales tax exemption on alcohol, while the House budget does not. The Senate estimates that \$98 million in revenue would be raised by this change.
- The Senate budget accounts for the time it would take to implement a sales tax change, reducing their revenue estimate from the tax increase by \$140 million.
- The House budget specifies that 0.385 percent of the sales tax will go to the Transportation Investment Fund in each year, while the Senate sets an annual appropriation of \$275 million for the fund. According to the revenue estimates used by the House, 0.385 percent of sales tax revenue is equal to \$275 million in FY 2010, but this would not be true in the future.

Other revenue issues:

- The Senate budget includes a tax on cable and direct broadcast television services, while the House budget does not. The

Senate estimates that this change will generate between \$20 and \$25 million in statewide revenue.

- Both the House budget and the Governor's budget recommendations require the identification of recipients of tax credits to improve transparency and facilitate analysis of the effectiveness of these policies. The Senate budget eliminates the identification requirement.
- The Senate budget increases a number of court fees, which are not included in the House budget.
- The Senate budget draws \$31 million in revenue from state trust funds. The Governor's new budget relies on \$19 million in revenue from trust fund transfers. The House budget does not use transfers from trust funds for new revenues.

REVENUE IN THE GOVERNOR'S REVISED BUDGET RECOMMENDATION

The Governor's revised budget recommendations do not include a sales tax increase, but do retain his House 1 revenue provisions not included in either the House or Senate budget:

- The Governor recommends increasing the statewide sales taxes on meals and hotels by 1 percentage point. This change would generate approximately \$120 million in revenue.
- The Governor recommends eliminating the sales tax exemption on candy and soda. This change would generate approximately \$55 million in revenue.
- The Governor recommends modifying the state's film tax credit so that salaries exceeding \$2 million would not be eligible expenses under the credit. This change would generate approximately \$25 million in revenue. This recommendation was not

included in the Governor's original budget recommendations.⁶

BUDGET BY CATEGORY

The "Budget by Category" chart at the end of this *Budget Monitor* (see below) compares the different budget proposals, allowing readers to identify the major differences among them. Comparing the House and Senate proposals is complicated, however, because the Senate developed its budget based on a FY 2010 tax revenue estimate that was \$1.5 billion lower than the estimate used by the House. As a result, the total spending in the Senate budget is \$1.150 billion lower than the spending proposed by the House. The Senate also withdraws \$314 million from the Stabilization Fund, which the House does not. In addition, the Senate generates more than the House does from new fees, counts on somewhat less in new tax revenue, and uses accounting changes and draws on trust funds to find additional revenue (see Revenue section for more details).

Since the Senate was working with lower revenue estimates, the Senate budget proposes lower appropriation levels than does the House throughout the budget. As indicated in the "Budget by Category" chart, some areas received particularly large reductions in the Senate budget, such as local aid. Other categories, such as human services, receive only marginally less in the Senate budget than in the House proposal. It is important to note, however, that the Senate authorizes local

revenues (meals and hotels taxes) that could offset a significant portion of the local aid cuts.

The most recent budget proposal is a revision of House 1 prepared by the Governor ("House 1 Revised" in the chart). This proposal can most appropriately be compared to the Senate proposal, as it too incorporates the recent \$1.5 billion reduction in the FY 2010 revenue estimate. The overall spending differences between the Governor's revised budget and the Senate budget are modest. As the "Budget by Category" chart indicates, the Governor would spend somewhat less than the Senate on health care and somewhat more on local aid.

One apparently large difference in the chart requires further explanation. The Senate appears to spend \$322 million more than the Governor on transportation. This is largely because the Senate includes \$275 million from the increased sales tax to address deficits at the MBTA and the Massachusetts Turnpike. The Governor has proposed to address those transportation costs, and others, with an increase in the gas tax, but does not include that revenue or spending in this budget proposal.

The chart below lists budget totals broken down into the program areas (categories and sub-categories) discussed in this *Budget Monitor*. For each program area, we have accounted for changes associated with proposals to move programs from one department of state government to another. These adjustments allow for more accurate comparisons from one budget proposal to another. Furthermore, these totals include all three forms of proposed spending: spending listed in the line item appropriations Section 2 of each budget proposal; transfers of money out of the General Fund into special trust funds proposed in "outside sections" of the budget (Sections 3 and higher); and "pre-budget transfers" of spending that divert certain revenues for specific statutory purposes.

⁶ Under current law, through the tax code, the state essentially reimburses movie producers for 25 percent of production costs. Thus, if an actor is paid \$12 million for shooting a movie in Massachusetts, taxpayers here are responsible for paying \$3 million of that salary. This tax subsidy is paid even if the movie star spends none of that income in the Massachusetts economy. The Governor's proposal would effectively cap at \$500,000 the tax subsidy associated with the salary of any individual movie actor.

The budget proposals are:

- **FY 2009 GAA.** These totals include all funding included in the General Appropriation Act (the initial budget) for Fiscal Year 2009. For the totals for “State Employee Health Benefits” and for “Prisons, Probation and Parole,” there is a second set of numbers that makes an adjustment to the FY 2009 total in order to allow for comparisons with FY 2010 totals. (In FY 2010, the budget proposals bring “on-budget” certain spending that was not included in the FY 2009 budget.)
- **FY 2009 Current.** These totals include funding in the GAA plus any supplemental funding added over the course of the fiscal year, less funding cuts made in October 2008 and January 2009. These totals are current as of May 2009.
- **FY 2010 H.1.** These totals list the original H.1 budget proposal presented by the Governor in January 2009.
- **FY 2010 H.1*.** These totals take the original H.1 budget proposal from the Governor, and then add to them additional funds made available from the American Recovery and Reinvestment Act (ARRA) announced in April.
- **FY 2010 H.1 Revised*.** These totals include revised appropriations presented in the Governor’s June H.1 budget revision, and also include additional funds available for use by the Governor due to the American Recovery and Reinvestment Act (ARRA).
- **FY 2010 House*.** These totals include the House Ways and Means budget proposal as amended by the full House (House 4101), and then add to these totals funding that the House assumes will be available for use by the Governor to fund education due to the American Recovery and Reinvestment Act (ARRA). This is the final House budget.
- **FY 2010 Senate*.** These totals include the Senate Ways and Means budget proposal as amended by the full Senate (Senate 2060), and then add to these totals funding that the Senate assumes will be available for use by the Governor to fund education due to the American Recovery and Reinvestment Act (ARRA). This is the final Senate budget.

BUDGET BY CATEGORY - DETAIL (Numbers in Millions)	FY 2009		FY 2010				
	GAA	Current ¹	H.1				
			H.1	H.1*	Revised*	House*	Senate*
Education	6,951.6	6,842.7	6,655.0	6,981.7	6,666.1	6,927.6	6,597.5
Chapter 70	3,948.8	3,948.8	3,948.8	4,116.8	4,116.8	4,132.9	4,049.9
Early Education and Care	590.1	569.5	556.1	556.1	545.0	548.6	547.8
Elementary and Secondary Education	617.1	584.7	554.4	554.4	454.6	523.3	441.6
Higher Education	1,093.5	1,037.7	926.5	1,085.2	1,070.0	1,082.1	1,067.5
School Building (pre-budget transfer)	702.0	702.0	669.2	669.2	479.7	640.7	490.7
Environment and Recreation	231.8	216.3	213.4	213.4	198.2	208.6	201.7
Agriculture	19.3	17.9	16.9	16.9	13.4	17.0	17.1
Environmental Administration	24.6	21.7	32.1	32.1	29.1	28.3	27.3
Environmental Protection	64.8	61.6	57.3	57.3	55.4	57.8	56.4
Fish and Game	21.3	19.2	18.0	18.0	17.7	18.0	17.8
Parks and Recreation	101.8	95.9	89.1	89.1	82.7	87.5	83.2
Health Care**	13,122.5	12,952.9	13,054.2	13,509.5	12,763.7	13,205.0	12,841.0
MassHealth (Medicaid) and Health Reform ²	10,389.7	10,243.8	10,447.7	10,881.7	10,261.7	10,572.7	10,295.9
Mental Health	685.4	649.0	635.9	649.8	629.8	651.2	646.2
Public Health	594.5	563.0	512.9	520.3	483.7	510.8	515.9
State Employee Health Insurance**	1,452.9	1,497.1	1,457.7	1,457.7	1,388.6	1,470.3	1,383.0
Human Services	3,613.2	3,560.7	3,502.2	3,553.2	3,429.9	3,521.8	3,497.9
Children and Families	836.5	816.3	791.5	801.7	779.8	779.4	794.8
Developmental Services	1,271.9	1,262.3	1,245.7	1,277.3	1,206.8	1,278.0	1,260.4
Elder Services	238.6	228.6	232.5	232.5	227.9	229.4	222.5
Transitional Assistance	901.1	893.6	909.9	909.9	899.7	906.8	896.2
Other Human Services ³	365.1	359.9	322.6	331.8	315.8	328.1	324.0
Infrastructure, Housing & Economic Development	1,319.4	1,371.1	1,288.3	1,288.3	1,206.9	1,581.7	1,511.9
Economic Development	89.4	45.8	78.5	78.5	50.4	51.1	36.3
Housing and Community Development	150.2	147.6	140.1	140.1	121.3	140.2	122.0
Regulatory Entities	51.5	50.1	51.8	51.8	51.2	51.9	50.8
Transportation	961.1	1,058.9	968.2	968.2	940.5	1,284.2	1,262.3
Workforce and Labor	67.2	68.7	49.6	49.6	43.6	54.4	40.5
Law and Public Safety**	2,559.1	2,550.8	2,448.3	2,448.3	2,351.7	2,463.5	2,387.4
Courts and Legal Assistance	655.1	655.6	600.3	600.3	584.2	649.3	619.0
Law Enforcement	417.0	404.8	386.5	386.5	328.6	363.5	331.1
Prisons, Probation and Parole**	1,287.4	1,297.7	1,271.2	1,271.2	1,251.9	1,266.7	1,257.9
Prosecutors	146.1	143.2	134.5	134.5	132.2	134.1	132.9
Other Law and Public Safety	53.6	49.6	55.9	55.9	54.8	49.9	46.6
Local Aid	1,346.7	1,218.7	1,126.8	1,126.8	1,042.6	1,125.6	893.3
Additional Assistance	379.8	342.9	0.0	0.0	0.0	0.0	0.0
Lottery Aid	935.0	843.9	0.0	0.0	0.0	0.0	0.0
Other Local Aid	31.9	31.9	1,126.8	1,126.8	1,042.6	1,125.6	893.3
Other	4,232.7	4,059.0	4,150.5	4,150.5	4,072.9	4,149.9	4,106.0
Constitutional Officers	96.5	92.8	79.4	79.4	76.6	78.9	74.5
Debt Service	2,075.4	2,073.6	2,157.5	2,157.5	2,088.4	2,171.5	2,155.4
Executive and Legislative	69.2	57.8	65.5	65.5	59.5	64.0	60.6
Libraries	34.1	33.7	29.2	29.2	24.7	29.4	27.2
Pensions (pre-budget transfer)	1,465.0	1,313.0	1,376.6	1,376.6	1,376.6	1,376.6	1,376.6
Other Administrative	492.5	488.1	442.3	442.3	447.1	429.5	411.6
Total Appropriations and Transfers**	33,377.0	32,772.2	32,438.9	33,271.8	31,732.0	33,183.6	32,036.7
BUDGET BY CATEGORY - SUMMARY (Numbers in Millions)							
Budgeted Appropriations	30,062.2	29,609.3	29,463.8	30,296.7	29,003.7	29,961.9	29,005.1
Line-Item Appropriations	27,231.7	26,857.9	27,973.1	28,786.0	27,522.7	28,466.6	27,666.1
Outside Section Appropriations	2,830.5	2,751.4	1,490.7	1,510.7	1,481.0	1,495.3	1,339.0
Pre-Budget Transfers	3,118.9	2,966.9	2,975.1	2,975.1	2,728.4	3,221.7	3,031.7
Total Appropriations and Transfers**	33,377.0	32,772.2	32,438.9	33,271.8	31,732.0	33,183.6	32,036.7
* These totals make adjustments to include funding associated with the American Recovery and Reinvestment Act (ARRA).							
** In order to make an accurate comparison across fiscal years, this total adjusts for on-budget items that had been funded off-budget in FY 2009. FY 2009 totals for State Employee Health Benefits include \$125 million for the costs of additional municipal participation in the Group Insurance Commission. FY 2009 totals for Prison, Probation and Parole include \$71 million to account for sheriffs brought onto the budget in FY 2010.							
NOTES:							
1. The FY 2009 Current total includes funding in the GAA plus any supplementals passed during the year, less October and January cuts.							
2. Includes a variety of state health programs including the elder pharmacy program, costs associated with health care finance, the Health Safety Net, and other costs associated with health reform.							
3. Includes Veterans Affairs, Commission for the Blind, Mass. Rehabilitation Commission, Commission for the Deaf and Hard of Hearing, Soldiers' Homes, Dept. of Youth Services, and certain programs within the office of the Executive Office of Health and Human Services.							