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Massachusetts Budget and Policy Center

FACTS AT A GLANCE August 12, 2011 (updated)

FISCAL FALLOUT: The Great Recession, Policy Choices, & State Budget Cuts, Fiscal Years 2009-2012

OVERVIEW

With the start of Fiscal Year (FY) 2012, Massachusetts enters the fourth budget year shaped by the worst national recession since the Great Depression. Nationally our economy lost more jobs in this downturn than in any in the post-World War II era; as of July of this year, 43 months after the start of the recession, the U.S. still had 4.9 percent fewer jobs than before the collapse. Since the 1930s the nation has never been down more than 0.8 percent of jobs this many months after the start of a recession. While Massachusetts has fared somewhat better than most states, the state has not escaped the effects of the recession and the slow and painful recovery.

This economic crisis has battered the state budget. When FY 2009 began, the state was expecting $21.4 billion in tax revenue. Then the effects of the recession hit. Ultimately the state collected just over $18.3 billion--almost 15 percent less than anticipated. The next year baseline revenue fell by another $500 million (although actual revenues increased modestly because the state raised the sales tax). At the same time, costs increased as job losses mounted and more families found themselves depending on state programs for access to health care and other basic safety net services.

The national economic crisis hit the state at a time when we already faced serious long-term structural budget problems. Throughout most of the 1980s and 1990s total state tax collections were a little over 6 percent of the income earned in the state. During the dot-com bubble in the late 1990s there was a temporary spike in incomes and in tax revenue in Massachusetts. During that period, the state dramatically reduced taxes, failing to recognize that the economic bubble would eventually burst. The state cut the income tax rate (at a cost of $1.4 billion a year), increased the personal exemption ($600 million a year), cut the tax rate on dividends and interest income in half ($630 million a year), and enacted a number of tax breaks for businesses.[1]

FACT SHEETS

[1] See http://www.massbudget.org/documentsearch/findDocument?doc_id=748&dse_id=1363

As a result of these cuts and other changes, tax revenues declined to a little over 5 percent of total state income by 2009. This $3 billion decline in tax revenue created fiscal instability in both good times and bad over the past 15 years. In recessions the state has cut deeply, reducing local aid to cities and towns as well as funding for education, human services, public health, and other services people rely on. In good times the state has not been able to restore funding for needed services or to make adequate deposits into the state's rainy day fund to prepare for the next crisis.

During the current fiscal crisis the state has relied primarily on over $3 billion in budget cuts and savings to address the ongoing budget deficits. The state also raised about $1 billion in taxes, and used over $1.5 billion a year in Recovery Act and related funding from the federal government in FY 2009 through FY 2011. The federal funds played an important role in helping states protect critical services and avoid additional tax increases during the recession, but new funds will not be available for states in FY 2012. While leading economists have warned that relying primarily on cuts to balance the budget in a recession may be the most economically harmful strategy,[2] this is the course Massachusetts and most other states have chosen. Likewise, economists have cautioned that the termination of federal efforts to protect and create jobs while the economy remains weak could slow our economic recovery.[3]

Thanks to the structural problems that pre-dated the recessions, as well as the slow recovery, FY 2012 budget writers still faced a gap of about $1.9 billion between expected revenue and spending needs, even after the budget cuts and tax increases of the past two years. As in previous years, the final FY 2012 General Appropriations Act (GAA) relied heavily on spending cuts in order to fill the gap; it also included close to half a billion dollars from temporary revenue sources and assumed significant savings in the Medicaid program. An upturn in FY 2011 revenue collections towards the end of the FY 2012 budget process allowed the Conference Committee to shift some funds forward and avoid deeper cuts.

This report examines the budget cuts enacted since the onset of the current economic downturn, comparing major categories of state spending in the FY 2009 GAA and the FY 2012 GAA (including funding authorized in FY 2011 that will carry over into FY 2012). In order to provide an apples-to-apples comparison, FY 2009 appropriation amounts are adjusted for inflation and cost shifts due to a budget-wide consolidation of information technology costs (for an explanation of these adjustments, see WKHILQDOVHFWLRQRIWKLVGRFXPHQW). Where relevant the report also discusses cost shifts within individual areas, as well as instances where spending has failed to keep pace with the levels needed to maintain services.

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[2] http://www.cbpp.org/cms/?fa=view&id=1032

[3] See e.g. Testimony of **Josh Bivens** *Economist*, *Economic Policy Institute,* **Wednesday, February 16, 2011, i**n a hearing before the Subcommittee for Regulatory Affairs, Committee for Government Oversight, US House of Representatives. **"The Stimulus: Two Years Later," available at** http://www.epi.org/newsroom/testimony/the_stimulus_two_years_later

FISCAL FALLOUT: Cuts to Early Education & Care, Fiscal Years 2009-12

The Fiscal Year (FY) 2012 General Appropriations Act (GAA) provides $506.6 million for early education and care programs, a cut of $104.3 million, or 17.1 percent, when compared to the FY 2009 inflation-adjusted appropriation of $610.9 million (for an explanation on how this number is calculated, see **[LINK EXPLANATION]**). The Great Recession hit shortly after passage of the FY 2009 GAA and early education and care programs have been cut every year since. Cuts include:

- **Child Care Subsidies: $64.9 million cut**
  Child care subsidies are funded through three separate line items, including the Temporary Assistance for Needy Families (TANF)-Related Child Care line item for families that are current Transitional Aid to Families with Dependent Children (TAFDC) recipients, the Supportive Child Care line item for families with active Department of Children and Families cases, and the Low-Income Child Care line item for low-income working families that are not current or recent TAFDC recipients. Funding for these subsidies in the FY 2009 GAA totaled $490.4 million, or 507.7 million in inflation-adjusted dollars. The FY 2012 GAA provides $442.8 million for these three child care subsidy accounts, a cut of $64.9 million when compared to the FY 2009 inflation-adjusted appropriation.

- **Universal Pre-Kindergarten Program: $5.1 million cut**
  The FY 2009 GAA provided $12.1 million, or $12.6 million in inflation-adjusted dollars, for Universal Pre-Kindergarten, a grant program that helps expand access to high-quality preschool. The FY 2012 GAA provides $7.5 million for this program, a cut of $5.1 million, or 40 percent, compared to FY 2009, after adjusting for inflation.

- **Healthy Families Home Visiting Program: $3.2 million cut**
  The FY 2009 GAA provided $13.2 million, or $13.7 million after adjusting for inflation, for Healthy Families Massachusetts, a newborn home visiting program for first-time parents aimed at preventing child abuse and neglect. The FY 2012 GAA provides 10.5 million, a cut of $3.2 million compared to the FY 2009 inflation-adjusted appropriation.

- **Early Childhood Mental Health Grants: $2.3 million cut**
  The FY 2009 GAA funded Early Childhood Mental Health Grants, at $2.9 million, or $3.0 million in inflation-adjusted dollars. The FY 2012 budget provides $750,000 for grants, a cut of $2.3 million, or 75 percent, when compared to the FY 2009 inflation-adjusted appropriation.

- **Head Start Grants: $2.9 million cut**
  The FY 2009 GAA appropriated $10.0 million, or $10.4 million in inflation-adjusted dollars, for grants to Head Start programs. The FY 2012 GAA provides $7.5 million for these grants, a cut of $2.9 million since FY 2009, after adjusting for inflation.

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FACTS AT A GLANCE August 12, 2011 (updated)

FISCAL FALLOUT: Cuts to Chapter 70 Education Aid, Fiscal Years 2009-2012

Overview: $440 Million Cut to Chapter 70

Fully funding Chapter 70 education aid for Fiscal Year (FY) 2012 would cost roughly $4.43 billion, $440 million more than the actual FY 2012 funding level of $3.99 billion. The FY 2012 funding level reflects the cumulative effect of several cuts made during the ongoing fiscal crisis that began in the course of FY 2009. *MassBudget* calculates full funding by reversing four types of cuts that were implemented during the fiscal crisis: slowing the 2007 reform phase-in plan, skipping a high-inflation quarter in calculating the FY 2010 foundation budget, increasing local contributions for some districts in FY 2010, and cutting aid for districts above foundation in FY 2010 and FY 2012.

FY 2012 Full Funding	-	FY 2012 Actual Funding	=	Amount Cut
$4,430,000,000		$3,990,000,000		$440,000,000

Calculating the Cuts

The Commonwealth's Chapter 70 formula for education serves as a detailed maintenance budget, reflecting the changing costs year-to-year of providing an adequate education in Massachusetts. The foundation budget calculates the present cost of providing an adequate education in each of the state's public school districts by factoring in 11 different education cost categories and it is updated each year to reflect inflation and changes in enrollment. (It should be noted, however, that while some changes have been made to the Chapter 70 formula, most notably through the FY 2007 budget, the formula's underlying cost allocations have not been fundamentally reevaluated or updated since its creation in 1993.) [1] Because education costs vary based upon individual student needs, enrollment calculations reflect specific costs associated with student grade level, socioeconomic status, and English language proficiency. Once the total foundation budget has been established, state and local contributions are calculated in order to ensure that total spending in each district never falls below its foundation budget.

By running the Chapter 70 formula for each of the years during the ongoing fiscal crisis without including any of the cuts, *MassBudget* has simulated what full funding of a maintenance budget for Chapter 70 would be in FY 2012. Following are descriptions of each of the four main cuts made during the last three fiscal years. Individual cut amounts represent rough estimates, since these variables interact with each other within the Chapter 70 formula; while the total $440 million cut does not change, different sequencing of cuts changes the individual amounts somewhat.

1. **Slowing the 2007 reform phase-in plan ($220 million cut)**

[1] For more information on how the foundation budget is calculated, see: www.finance1.doe.mass.edu/chapter70/chapter_cal.pdf

The FY 2007 budget ushered in a series of reforms to the Chapter 70 formula designed primarily to address concerns about fairness in how the state determined local contributions and state aid. These reforms began in FY 2007 and were planned to be implemented over a five-year period. FY 2011 was slated to be the first year in which these reforms were fully phased-in, but due to the fiscal crisis and the fact that the reform plan was never written into law, the Legislature's FY 2010, FY 2011, and FY 2012 budgets all reduced state education aid in part by slowing this process. Slowing this reform plan during the last three years has had the effect of cutting Chapter 70 aid by roughly $220 million.

2. **Skipping a high-inflation quarter in calculating the FY 2010 foundation budget ($60 million cut)**
   Each year the state adjusts the foundation budget to account for cost increases over the previous year. Under the Chapter 70 statute, the inflation adjustment equals the increase in state and local government costs between the first quarters of the two previous fiscal years, with a cap of 4.5 percent. However, in past years when the inflation rate exceeded 4.5 percent, the Legislature waived the cap and increased foundation budget rates by the full amount of actual inflation. The FY 2010 budget, however, was calculated using a different time period to calculate inflation. This change resulted in ignoring the quarter with especially large cost growth (the growth during the first quarter of FY 2007) in the calculation, reducing foundation budgets and thereby cutting Chapter 70 aid. By using this different time period, the inflation adjustment was 3.04 percent, as opposed to 6.75 percent (which is the inflation adjustment according to the statutory calculation) or 4.5 percent (the statutory cap on inflation). Since each year's inflation builds on the previous year's, using the low inflation rate of 3.04 percent for FY 2010 means that foundation budgets will continue to lag behind actual inflation in subsequent years until a retroactive inflation correction is made.[2] Since this correction has not yet been made, the effect of this cut as reflected in the current FY 2012 budget is roughly $60 million. The size of this cut would appear even larger if we were to assume that the FY 2010 budget should have been inflated by the full 6.75 percent, rather than just to the statutory cap of 4.5 percent.

3. **Increasing local contributions for some districts in FY 2010: $40 million cut**
   In its simplest form, Chapter 70 state aid is determined first by calculating a local community's ability to contribute—its "required contribution"—and then filling the gap between this amount and the foundation budget. Historically, communities have been able to contribute above their required amount and still receive a full state aid payment equal to the difference between their original required amount and foundation. In the FY 2010 budget, however, the state cut its aid payments to a category of communities that had been spending above their required local contributions but below their new target contributions, as established through the 2007 reforms. This resulted in a cut of approximately $40 million in Chapter 70 aid.[3]

4. **Cutting aid for districts above foundation in FY 2010 and FY 2012 ($120 million cut)**

[2] For more information on calculating inflation in the foundation budget, see: http://massbudget.org/doc/613

[3] Aid was cut by an amount that still ensured total spending of at least foundation levels. Affected communities, whose initial local contribution was above their required contribution, had up to 95 percent of their local contribution level from FY 2008 converted into required spending. This enabled the state to reduce its Chapter 70 aid since higher required local contributions ensure that districts stay at foundation even with lower state aid. In most communities, the actual local spending on education exceeds the required minimum spending level, sometimes by quite a large amount. This new provision was included to capture much of this actual spending as required spending, thereby bringing a number of low-effort communities substantially closer to their target share in one year. Fiscal Year 2008 was used as the base year because it is the most recent year for which the Department of Elementary and Secondary Education had complete spending data at the district level.

FISCAL FALLOUT: Cuts to Human Services, Fiscal Years 2009-2011

CHILDREN, YOUTH, AND FAMILIES

The Fiscal Year (FY) 2012 General Appropriation Act (GAA) provides $879.6 million for programs within the *MassBudget* category of Children, Youth, and Families—essentially the Department of Children and Families (DCF) and the Department of Youth Services (DYS). This FY 2012 funding level represents a cut of $155.2 million when compared to FY 2009 inflation-adjusted appropriations of $1.03 billion (for an explanation on how this number is calculated, see **[LINK EXPLANATION]**). Cuts include:

- **Services for Children and Families: $42.4 million cut**
  The FY 2012 GAA provides $282.5 million for Services for Children and Families, which include stabilization, unification, reunification, permanency, adoption, guardianship and foster care services, representing a cut of $42.4 million when compared to FY 2009 funding levels of $313.8, or $324.9 in inflation-adjusted dollars. Funding for these services has been cut every year since FY 2009. Note that the FY 2011 and FY 2012 budgets fund these services through two distinct line items, Services for Children and Families and Family Support and Stabilization, whereas these services were funded through one line item in FY 2009 and 2010. The two line items are combined in this analysis to allow for accurate funding comparison back to FY 2009.

- **Congregate (Group) Care Services: $44.1 million cut**
  The FY 2012 budget provides $193.6 million for congregate care for children in DCF custody, a cut of $44.1 million when compared to the FY 2009 GAA appropriation of 229.6 million, or $237.7 million in inflation-adjusted dollars.

- **Services for People At-Risk for Domestic Violence: $3.6 million cut**
  The FY 2012 budget provides $20.7 million for services for people at-risk for domestic violence, a cut of $3.6 million when compared to the FY 2009 inflation-adjusted appropriation of $24.3 million.

- **Department of Youth Services and Related Programs: $26.3 million cut**
  The FY 2012 budget provides $142.5 million for the Department of Youth Services (DYS) and the programs it provides for youth, a cut of $26.3 million when compared to the FY 2009 inflation-adjusted appropriation of $168.8 million. Within this total, Residential Services for Detained Population has seen especially severe cuts; the FY2012 funding level of $18.3 million represents an $8.3 million, or 31 percent, cut from the FY 2009 inflation-adjusted level of $26.6 million.

DISABILITY SERVICES

The FY 2012 budget funds disability services at $1.37 billion. After adjusting for approximately $9.4 million in information technology costs shifted to the Executive Office of Health and Human Services, funding for disability services has been cut by $16.1 million compared to the FY 2009 inflation-adjusted funding level of just under $1.40 billion.

- $2.9 million cut from services for the blind and visually impaired
- $10.5 million cut from rehabilitation services and supports for persons with head injuries
- $1.9 million cut from services for the developmentally disabled
- $724,000 cut from services for the deaf and hard of hearing

Some of the most significant cuts within these departments include:

- **Community Day and Work Programs: $9.4 million cut**
  The FY 2009 budget funded Community Day and Work Programs for adults with developmental disabilities at $129.2 million, or $133.7 million when adjusted for inflation. These community programs focus on skill building and provide important employment support and training. Adjusting for inflation, funding in FY 2010 dropped to $123.0 million, while in FY 2011 funding increased to $124.7 million. The FY 2012 budget funds these services at $124.3 million, a $9.4 million—or 7.1 percent—cut from FY 2009.

- **Respite and Family Supports: $17.1 million cut**
  The FY 2009 budget funded Respite and Family Supports at $56.1 million, or $58.1 million in inflation-adjusted dollars. These services provide are essential for families of children and adults with developmental disabilities; paying for such services as short-term respite care, support groups, as well as integrated summer camps and after school care. Adjusted for inflation, funding was cut in FY 2010 to $47.7 million and then to $47.1 million in FY 2011. In part to address growing waiting lists, the FY 2012budget funds these services at $41.0 million. But adjusted for inflation, this is a $17.1 million cut in funding since FY 2009.

- **Transitional Services for Adults (Turning 22): $3.0 million cut**
  The FY 2009 budget funded Turning 22 services at $7.7 million, or $8 million when adjusted for inflation. This funding provides the bridge between special education and adult services, as young adults with severe disabilities turn 22 and are no longer eligible for school-based services. Although the number of young adults with severe disabilities leaving the school system is increasing, funding for these services has declined. Funding was cut to $5.0 million in FY 2010 and has stayed there since. Adjusted for inflation, FY 2012 funding of $5.0 million represents a funding cut of $3.0 million or 37.3 percent.

- **Community Transportation Services: $3.0 million cut**
  The FY 2009 budget funded community transportation services for the developmentally disabled at $14.1 million, or $14.7 million when adjusted for inflation. Because adults with developmental disabilities often are unable to drive or take public transportation independently, funding for such programs is crucial for ensuring that these adults can get to work or other community activities. In FY 2010 this funding was reduced to $12.3 million, adjusted for inflation, and in FY 2011 it was further reduced to $11.8 million. The FY 2012budget funds transportation at $11.6 million, which is a $3.0 million cut from FY 2009 levels adjusted for inflation. These numbers, of course, understate the impact of the service cut, as they do not account for the increasing caseload at the department, nor do they account for such cost increases—such as increases in gasoline prices—necessary to maintain the original service levels.

ELDER SERVICES

The FY 2012 budget funds elder services at $218.6 million. After adjusting for approximately $1.5 million in information technology costs shifted to the Executive Office of Health and Human Services, funding for elder services has been cut by $26.9 million compared to the FY 2009 inflation-adjusted funding level of $247.0.

Adjusting for inflation, cuts to the elder services budget since FY 2009 include:

- **Elder Home Care: $18.8 million cut**
  Funding for elder home care services in the FY 2009 budget was $147.1 million, $152.3 million when adjusted for inflation. The FY 2012 budget cut the funding to $133.5 million, a cut of $18.8 million. At one point, there was hope that the waiting list for elder home care could be eliminated. With reductions in funding for home care each year since FY 2009, the waiting lists have returned.

- **Enhanced Elder Home Care Program: $4.2 million cut**
  Funding for the enhanced elder home care program in the FY 2009 budget was $48.2 million, $49.9 million when adjusted for inflation. The FY 2012 budget cut the funding to $45.8 million, a cut of $4.1 million.

- **Protective Services: $1.6 million cut**
  Protective services programs, which investigate concerns about the abuse or neglect of elders living in the community, were funded at $16.2 million in the FY 2009 budget, or $16.8 million when adjusted for inflation. These services were cut in FY 2010 and in FY 2011, and the FY 2012 budget funds protective services at $16.3 million. This is a $569,000 budget cut when adjusted for inflation.

- **Elder Housing Programs: $1.3 million cut**
  The FY 2009 budget included $2.8 million for elder congregate housing programs, or $2.9 million when adjusted for inflation. In the FY 2012 budget, congregate housing is funded at $1.6 million. This is a $1.3 million cut when adjusted for inflation.

- **Community-based Support Programs: $822,000 cut**
  Between FY 2009 and the FY 2012 budget proposal, $822,000 in funding for several community-based elder services programs has been eliminated, including:

  - Geriatric Mental Health services, funded at $225,000 in FY 2009, or $233,000 when adjusted for inflation, and then eliminated in FY 2010.
  - Family Caregivers Program, funded at $250,000 in the beginning of FY 2009 (equivalent to $259,000 adjusted for inflation) and eliminated part-way through that same year.
  - Residential Placement for Homeless elders, funded at $450,000 in FY 2009, or $466,000 after adjusting for inflation, cut dramatically in FY 2010, eliminated in the FY 2011 budget, and only partially restored to $136,000 in FY 2012.

TRANSITIONAL ASSISTANCE

Employment Services Program (ESP): $29.0 million cut

In FY 2009, the Employment Services Program (ESP) received a total of $34.7 million in funding, or $36 million, adjusted for inflation. Funding for ESP was reduced through the Governor's 9C cuts in FY 2009, and further reduced to $15 million by FY 2011. The FY 2012 GAA funds ESP at $7.1 million, a cut of nearly $29.0 million compared to FY 2009, after adjusting for inflation.

TAFDC Grant Payments—Children's Clothing Allowance: $11.5 million cut [may be rescinded]
In the FY 2012 budget the clothing allowance for children in families receiving TAFDC (Transitional Aid to Families with Dependent Children) drops from $150 (in the FY 2011 budget) to $40. The budget language stipulates that a $150 clothing allowance will be provided if funds allow, but only guarantees a minimum of $40. Following passage of the FY 2012 GAA the Governor proposed to restore a portion of this cut via a supplemental appropriation; while that proposal awaits action the administration has indicated its intent to pay the full $150 allowance in September. It is important to note that the $150 allowance amount has not been increased since 1986 when it was set, and thus does not reflect increases in the cost of living.

In addition, the grant payments to families are also not adjusted for inflation yearly, which means that the value of the cash assistance decreases because it does not keep pace with rising costs year to year. For example, the maximum benefit for a family of three is $633 per month. Had this been adjusted to reflect increases in the cost of living since FY 2009, the benefit would have increased to $682 per month for a family of four by FY 2012. Thus the benefit has been cut in real terms by about 7.8 percent since FY 2009; measured over the past decade the cut is even larger, because this amount has not been increased since 2000 and has never been adjusted for inflation.

FACTS AT A GLANCE August 9, 2011 (updated)

FISCAL FALLOUT: Cuts to Housing, Fiscal Years 2009 - 2012

The Fiscal Year (FY) 2012 General Appropriations Act (GAA) provides $300.9 million for affordable housing programs, an increase of $12.4 million when compared to the FY 2009 GAA level of $286.4 million after adjusting for inflation and changes in accounting for information technology (IT) expenses at the Executive Office of Housing and Economic Development (for an explanation on how this number is calculated, see last section of this document).

Within this total amount, however, most housing programs have been cut or level-funded, while funding for the Emergency Assistance (EA) program, which provides shelter to eligible homeless families, has increased as the number of these families seeking assistance has surged since the onset of the recession (see discussion below). Thus if one only looks at overall state spending for housing in Massachusetts, the rising cost of EA, which results from the increased demand for shelter among homeless families, masks some of the cuts that have been made in other affordable housing programs.

Since the passage of the FY 2009 GAA, the state has also begun implementing the Housing First model, which was recommended by the state's Commission to End Homelessness to help families and individuals find permanent housing. As part of this effort, the FY 2010 GAA shifted homelessness services from the Department of Transitional Assistance to the Department of Housing and Community Development (DHCD) to provide these families and individuals with better access to affordable housing resources. As part of this effort, the state has tried to preserve funding for the **Massachusetts Rental Voucher Program (MRVP)** which provides mobile vouchers that recipients use to help pay for rent in the open market or project-based vouchers which are distributed by local housing authorities to subsidize rents in public housing. The FY 2009 GAA provided $33.0 million, or $34.2 million in inflation-adjusted dollars. The FY 2012 GAA provides $36.0 million for MRVP, an increase of $1.8 million above the FY 2009 GAA in inflation-adjusted dollars.

The state was able to preserve funding for these vouchers during the fiscal crisis in part by moving funding out of Residential Assistance to Families in Transition (RAFT) into MRVP (see below for discussion of RAFT funding). Despite this shift, however, demand for these vouchers has far exceeded supply. Because funding has not kept pace with demand, DCHD is currently not issuing new mobile based vouchers. [1]

In addition to state funding, the Massachusetts Housing Finance Authority (MassHousing), a quasi-state agency, has contributed $2.7 million to MRVP since the onset of the fiscal crisis. The FY 2010 and 2011 GAAs included language requiring that MassHousing contribute to MRVP. The FY 2012 GAA does not include the same requirement, although the Governor has requested that MassHousing continue its contribution in FY 2012. (Note: MassBudget does not include contributions by quasi-state agencies in its funding total since they are not direct state appropriations.)

[1] Information on MRVP application process is available on DHCD's website at: http://tinyurl.com/4hmpwe2

While the Legislature and Governor have tried to protect housing services for homeless families and individuals, the fiscal crisis has forced the state to make deep cuts in some programs including:

Residential Assistance for Families in Transition (RAFT): $5.4 million cut
RAFT, which gives one-time housing assistance to families who are homeless or are at risk of becoming homeless, received $5.5 million in the FY 2009 GAA, or $5.7 million in inflation-adjusted dollars. The federal American Recovery and Reinvestment Act (ARRA), passed in February of 2010, provided $44.8 million in temporary funds to provide low-income families in Massachusetts with the types of assistance that RAFT provided. Because these federal dollars could be used to temporarily provide these services (though it was outside the RAFT program itself), in FY 2010 the Governor shifted most of RAFT's funding to MRVP (see above for description of MRVP). Despite the fact that the federal recovery money for vouchers ran out in early 2011, the FY 2012 budget provides RAFT with $260,000, a cut of $5.4 million from the FY 2009 GAA, after adjusting for inflation.

Subsidies for Public Housing Authorities: $6.3 million cut
The FY 2009 GAA provided $66.5 million, or $68.8 million in inflation-adjusted dollars, for the state's 234 housing authorities. This funding subsidizes the rent of low-income tenants and provides money for maintenance of public housing units managed by local housing authorities throughout Massachusetts. The FY 2012 budget allocates $62.5 million in subsidies for these housing authorities. The budget also includes language requesting that DHCD use some of the funds to make repairs to family units, if those repairs cost $10,000 or less. The intent of this language is to make more units available for families served through the EA and HomeBase programs (see below). It is unlikely, given that public housing authorities have received level funding since the onset of the recession while costs have increased due to inflation, that they will have any extra funding to renovate family units that are in need of repair. After adjusting for inflation, state assistance to public housing authorities has fallen $6.3 million below the FY 2009 GAA.

Emergency Assistance (EA) for Homeless Families: $15.8 million cut from FY 2012 maintenance
The FY 2009 GAA appropriated $87.2 million, or $90.3 million in inflation-adjusted dollars, for EA, which provides shelter and services to eligible homeless families. Since the onset of the recession, the number of families served by EA has increased from about 2,000 in late 2007 to over 3,000 by July of 2010.[2] In an effort to reduce spending on EA, the state has made two changes to the program. First, the FY 2010 GAA lowered eligibility for homeless families from 130 percent to 115 percent of poverty. While it is unclear how much the state may have reduced costs for EA by eliminating services for those families, demand for the program continued to increase and by the end of that fiscal year the state had spent $151.7 million on EA services.

The FY 2012 GAA implements the second change by reorganizing how services are provided to families eligible for EA (see explanation below). The FY 2012 budget provides a total of $137.6 million for both EA and for the newly-created HomeBase program[3]. This level is $15.8 million less than the amount the state would have to spend in FY 2012 to provide the same level of services as it did in FY 2011.[4]

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[2] The most recent EA Legislative report from September 2010 submitted by the Department of Housing Community Development is available at: http://www.mass.gov/Ehed/docs/dhcd/hs/2010sep.pdf
[3] This includes $1.2 million provided to the HomeBase program in a June 2011 Supplemental Budget that was transferred into FY 2012.
[4] In documents accompanying his budget, the Governor estimated the state would need to spend $153 million to provide the same level of EA services in FY 2012 as it did in FY 2011. Because of the new HomeBase program proposed in his FY 2012 budget, which was ultimately adopted in the FY 2012 GAA, the Governor's budget assumes the state will spend less in FY 2012 because the new HomeBase program will shift families away from shelters and into permanent housing. http://www.mass.gov/bb/h1/fy12h1/exec_12/hbudbrief19.htm

State Funding for Homeless Families

Program	FY 2009 GAA	FY 2010 Current	FY 2011 Current	FY 2012 Budget
EA	$87,224,342	$151,693,012	$161,360,773	$97,797,200
HomeBase	------	------		$39,761,732
Total	**$87,224,342**	**$151,693,012**	**$161,360,773**	**$137,558,932**

The reorganization of shelter and services for eligible families who are homeless or at risk of becoming homeless is the next step that the state is taking in implementing its Housing First model. The FY 2012 budget creates the HomeBase program to provide rental subsidies and other assistance to keep families from entering costly shelters and help them find and stay in permanent housing. In the FY 2012 budget EA receives $97.9 million of the $137.6 provided in the FY 2012 budget and the remaining $39.8 million funds HomeBase. Under the reorganization, EA will primarily provide shelter to families whose head of household is under 21, for families who have left their housing due to domestic violence or have lost it because of fire or other natural disaster. The remaining families, who were previously eligible for EA, would be provided with three years of rental subsidies and other assistance through HomeBase to either stay in current housing or move to permanent housing. The FY 2012 GAA does allow families served through HomeBase to stay in EA-funded family shelters until they find permanent housing.[5]

Soft Second Mortgage Program: $6 million cut

The FY 2009 GAA provided the Soft Second Mortgage loan program with $5.8 million, or $6.0 million in inflation-adjusted dollars. This program helps low- and moderate- income residents purchase their first house. When the fiscal crisis hit in the fall of 2008, the Governor announced that funding for soft second would be reduced by $2 million as part of his cuts under Chapter 9C of the Massachusetts General Laws. Since the beginning of FY 2010, Soft Second has received no funding in the state budget, although the Massachusetts Housing Partnership (MHP), a quasi-public agency, contributed $2 million to this program in both FY 2010 and FY 2011. The FY 2010 and 2011 GAAs included language requiring that MHP contribute to the Soft Second program. The FY 2012 GAA does not include the same requirement though the Governor has requested that MHP continue its contribution in FY 2012. (Note: MassBudget does not include contributions by quasi-state agencies in its funding total since it is not a direct state appropriation.)

[5] For a full explanation of this reorganization please see the Housing section of MassBudget's *Budget Monitor: The Fiscal Year 2012 General Appropriations Act* available at: http://www.massbudget.org/documentsearch/findDocument?doc_id=141&dse_id=1638