

The Senate Ways & Means Budget for FY 2014



May 16, 2013

On Wednesday, the Senate Ways and Means Committee filed its budget proposal for Fiscal Year 2014. Like the proposals that preceded it, it is a statement of priorities, a detailed plan for what the Committee thinks we should do together through state government in the coming year.

The most significant new investment in the Senate Ways & Means proposal involves Transportation, where new revenue would be used to fix and improve our roads, bridges, and transit systems. The budget proposal also increases funding for a variety of smaller initiatives, such as helping low-income seniors get in-home care and increasing the number of rental vouchers available for low-income families, as well as the elderly, and people with disabilities.

Overall, the size and scope of new investments in the Senate Ways & Means budget is somewhat limited—as was true in the House budget (even though the priorities were different.) The basic reason for this similarity is that the two budgets rely on a comparable amount of available revenue. As a consequence, the two bodies face similar constraints in terms of their ability to make the kind of forward-looking investments that would improve the long-term strength of our economy.

The Governor's budget incorporated some broader investments in our families and our communities, including plans to give more kids access to high-quality early education & care, and to combine transportation fixes with more new transportation projects in coming years. To fund these investments, the Governor proposed a revenue package substantial enough to offset much of the long-term effect of the income tax cuts of 1998-2002—which continue to cost the state \$3 billion each year.

The sections that follow describe the Senate Ways & Means budget in greater detail (hereafter SWM). Some of the issues we describe deserve greater space and greater attention than we provide in this document. We plan to release some "Budget Briefs" in the coming weeks which will analyze important issues in greater depth.

Early Education & Care

The SWM proposal directs just over \$500 million for early education and care programs, essentially providing level funding with FY 2013. Although \$14.2 million more than the House proposal which cut funding by about 2 percent, the SWM proposal still comes far short of historical levels. In FY 2001, funding for early education and care was more than \$700 million in inflation adjusted dollars, about \$200 million more than the SWM proposal.

Income Eligible Child Care which provides subsidized child care for the children of low-income parents who are working, disabled or in an education or job training program currently has a wait list approaching 56,000 children. Over 30,000 of these children are infants, toddlers and preschool age children who need full day care to enable their parents to work. In April 2013 alone, the wait list increased almost 2,000 children.

The SWM proposal cuts funding for **Income Eligible Child Care** by \$14.0 million (6 percent) compared to the FY 2013 appropriation, but provides \$15 million for a **Wait List Initiative** to provide care for a little more than 2,000 children currently on the wait list. The Income Eligible program has a projected FY 2013 surplus of around \$13 million. Up to \$7.0 million of that surplus can be carried over into the Income Eligible program in FY 2014. The rest will most likely be used to pay for a FY 2013 deficit in the TANF Child Care program. (Please read the TANF Related Child Care section below for more information about the current deficit) The SWM proposal provides over \$18 million more than the House proposal for Income Eligible Child Care and the wait list. This is just \$1 million more than the FY 2013 appropriation and over \$50 million less than what the Governor proposed.

Overall the SWM proposal provides funding to get some children off of the waitlist, but the majority will continue to wait for care under this proposal.

F U N D I N G F O R I N C O M E E L I G I B L E A

	Line Item #	FY13	Gov	House	SWM
Income Eligible Child Care	3000-4060	\$231,870,452	\$226,697,976	\$214,340,742	\$217,870,452
Pre-School Initiative	3000-4070	\$0	\$25,150,000	\$0	\$15,000,000
Infant and Toddler Initiative	3000-4075	\$0	\$31,600,000	\$0	\$0

The SWM proposal does not include any funding for a rate increase for early education and care providers. The House provided up to \$7.5 million for a one-time rate reserve payment from potential FY 2013 surplus dollars.

Supportive Child Care which provides child care for children involved with the Department of Children and Families receives \$77.0 million, essentially level with FY 2013 and \$3.8 million below the House proposal.

TANF Related Child Care receives \$128.1 million, the same as the House and Governor's proposals, and \$2.6 million more than FY 2013. This is essentially level funded after accounting for inflation. This subsidy account is facing a \$6.1 million deficit in FY 2013 due to higher than anticipated caseloads and will need to be funded before the end of the current fiscal year. Most likely the funding for this deficit will be transferred from the anticipated surplus in Income Eligible child care. The FY 2013 budget allows up to 3 percent of total Income Eligible funds to be transferred to fund the TANF Related Child Care deficit, around \$7 million.

The Governor directed almost \$72 million to programs to improve the quality of early education for children and families. The SWM proposal does not include any funding for these initiatives, but includes \$250,000 for a **Pre-Kindergarten Curriculum Grant** to develop an innovative STEM (Science, Technology, Engineering, and Math) curriculum for children from 2 years 9 months until kindergarten. At the same time, the **Universal Pre-Kindergarten** program sees a \$432,000 cut from FY 2013, \$500,000 below the House proposal.

A few of the quality initiatives not funded by SWM, but proposed in the Governor's proposal include:

- \$30.0 million for quality efforts tied to teacher training and professional development as well as class room grants and funding tied to the Quality Rating and Improvement System (QRIS)
- \$17.6 million to more safely transport children. Providing bus monitors to support drivers transporting a high number of kids.
- Approximately \$13 million to increase reimbursement rates paid to providers which would increase the pool of providers that families receiving a state subsidy could choose between. This would allow families to access higher quality programs for their children.

For a fuller description of all of the quality programs introduced by the Governor, see [Early Education & Care in the Governor's FY 2014 Budget](#).

The SWM proposal includes \$500,000 to hire a nonprofit research organization to undertake a 2 year assessment of the services administered by EEC beginning with an audit of the current system. Goals of the assessment would be to identify efficiencies in the distribution of subsidies, analyze the needs of eligible families by region, and to evaluate the importance of providing quality

programming to children while also providing workforce support to guardians. An initial progress report would be due March 3, 2014 and funding through this line item would be available until June 30, 2015. The House proposal included \$200,000 for an Office of Compliance Management within state government and another \$150,000 for a consultant.

The **Department of Early Education and Care** receives \$12.8 million, level with the Governor, \$732,000 (6 percent) more than FY 2013 and \$491,000 (4 percent) more than the House proposal.

Access Management receives \$5.9 million, \$60,000 below the House and FY 2013, but \$2.0 million below the Governor's proposal. Access Management funds child care resources and referral agencies (CCR&R) which help families with a subsidy attain child care. It remains 79 percent below pre-recession FY 2009 GAA inflation-adjusted funding levels.

K-12 Education

The Senate Ways and Means (SWM) budget provides modest funding increases for K-12 education programs over FY 2013, increases that are slightly above those in the House budget. The Governor's budget went significantly further than these legislative proposals, providing significant new investments in K-12 education, bringing education spending back in line with pre-recession levels. Once fully phased-in, the Governor's proposal would have increased total education spending by about \$1 billion annually. Without a commitment to raise broad-based new revenue, both the House and SWM proposals are unable to fund these future education investments.

The SWM budget funds **Chapter 70 education aid** at \$4.30 billion, about 3 percent above current FY 2013 levels. By contrast, the Governor's budget increased Chapter 70 by \$226.2 million, or 5.4 percent. The Governor's budget fully phased-in many reforms planned in 2007 and also provided increases to pre-kindergarten and out-of-district special education components of the foundation budget.

See the table below for a more detailed comparison.

	Line Item #	FY13	Gov	House	SWM
Chapter 70 Aid	7061-0008	\$4,171,079,892	\$4,397,257,332	\$4,285,945,528	\$4,301,214,591

The House and SWM proposals for Chapter 70 aid are similar in that they both:

- Calculate **foundation budgets** in the same manner, using updated enrollment, inflation, and municipal revenue growth factor measures, helping school districts keep up with the rising cost of providing baseline services.
- Phase-in partially one of the reforms planned through the FY 2007 budget—15 percent **effort reduction** for districts whose preliminary contribution is above their target.
- Provide each school district a guaranteed **minimum \$25 per pupil increase** over their FY 2013 aid allocation.

The SWM proposal goes one step further, adding a provision that directs additional aid to a subset of communities whose actual aid remains below their **target aid**. Because the state's target aid calculation guarantees a minimum amount of aid regardless of local wealth, this provision tends to benefit wealthier communities. Specifically, qualifying districts would receive 25% of the difference between their preliminary aid calculation and their target aid. This SWM proposal does exempt 26 of the very wealthiest districts from this additional aid, doing so by distributing this money only to those districts whose Combined Effort Yield (a uniform measure of local property wealth and incomes available to fund K-12 education) as a percent of their foundation budgets is less than or equal to 140 percent.

Finally, the SWM budget also allows all districts to begin counting **health care costs for retired teachers** towards satisfying their net school spending requirements. Districts that counted retiree health care costs in FY 1994, when the current Chapter 70 formula was first implemented, have been allowed to continue including them towards net school spending every year since. Districts that did not include retiree health care costs in FY 1994, however, have had to count it separately. While this change would equalize district spending requirements, it does have the ultimate effect of allowing many communities to spend less on public education.

Under the SWM proposal, districts excluded in FY 1994 would begin a four-year phase-in of counting these costs, allowing communities to begin reducing their school spending by these amounts. It is important to note that the Commissioner of Education would have the authority to exempt Level IV and Level V districts from this provision, effectively prohibiting them from reducing education spending while their academic achievement results remain low.

In addition to providing additional Chapter 70 aid above the House proposal, the SWM budget proposes greater funding for a few other education-related local aid programs. Of note is the SWM **Special Education Circuit Breaker** proposal, which appears to fully fund the statutory reimbursement rate of 75 percent. Also, the SWM proposal funds **Charter School Reimbursements** at \$76.4 million. While well below the estimated \$100 million required to fully fund charter reimbursements, this proposal is \$5.9 million above the House proposal.

O T H E R E D U C A T I O N - R E L A T E D L O C A L

	Line Item #	FY13	Gov	House	SWM
Special Education Circuit Breaker	7061-0012	\$230,432,288	\$230,489,223	\$238,489,224	\$252,819,241
Charter School Reimbursement	7061-9010	\$70,454,914	\$80,270,928	\$70,454,914	\$76,354,914
Transportation of Pupils - Regional School Districts	7035-0006	\$44,521,000	\$44,521,000	\$46,021,000	\$49,521,000
Homeless Student Transportation	7035-0005	\$6,050,000	\$6,050,000	\$6,050,000	\$6,050,000
Non-Resident Pupil Transportation	7035-0007	\$250,000	\$250,000	\$200,000	\$3,000,000

The SWM budget does propose cutting a few K-12 education grant programs below current FY 2013 levels. Funding for these programs is below the House and Governor's FY 2014 proposals. See the table below for more detail:

	Line Item #	FY13	Gov	House	SWM
Kindergarten Development Grants	7030-1002	\$23,948,947	\$23,948,947	\$23,948,947	\$20,000,000
Programs to Eliminate Racial Imbalance - METCO	7010-0012	\$18,142,582	\$18,142,582	\$18,642,582	\$17,142,582
Gateway Cities Career Academies	7009-6402	\$500,000	\$1,008,000	\$500,000	\$0
Extended Learning Time Grants	7061-9412	\$14,168,030	\$19,040,030	\$14,168,030	\$13,768,030
Adult Basic Education	7035-0002	\$30,174,160	\$35,178,721	\$30,174,160	\$30,024,160

Higher Education

The Senate Ways and Means (SWM) budget for FY 2014 increases higher education support by \$22.4 million, a two percent increase roughly in line with annual cost growth. By contrast, the Governor and the House both proposed substantial increases —\$199.3 million and \$100.2 million respectively.

	FY13	GOV	House	SWM
Higher Education	\$1,006,011,273	\$1,205,296,993	\$1,106,185,116	\$1,028,423,444

The SWM budget proposal would reverse only a small portion of the \$453.0 million cut to higher education between FY 2001 and FY 2013 (adjusted for inflation). Cuts during this timeframe were largely driven by state-level income tax cuts phased-in during the late 1990's and early 2000's. For more information about historic funding levels, please see the higher education section of the MassBudget's [Budget Browser](#).

When compared to the House and Governor's budgets, the SWM budget provides lower levels of support overall to the UMass campuses, state universities and community colleges. Specifically, the SWM plan would fund:

- **The UMass System** at \$469.3 million, an increase of \$15.7 million over FY 2013. The SWM proposal is roughly \$24 million below both the House and Governor's proposals. UMass has a goal of creating a 50/50 funding split between state support and student payments. This proposal does not go as far as the House or Governor toward meeting that goal.

Starting in FY 2012, all campuses of public higher education began retaining tuition payments from out-of-state students, rather than remitting that revenue back to the state. The SWM budget goes one step further, including language that allows UMass to begin in FY 2015 retaining all in-state tuition revenue as well.

- **Community Colleges** at \$226.0 million, an increase of \$10.5 million over FY 2013. The SWM budget does not include the additional \$20.0 million that the Governor and the House distributed across campuses using a new performance-based funding formula approved last year. In total, this represents \$22.0 million less funding when compared to the House proposal and \$16.6 million less than the Governor's budget.
- **State Universities** at \$216.1 million, an increase of \$11.8 million over FY 2013, but \$17.0 million less than the House proposal.

Whereas the House appropriated separate funds specifically for collective bargaining increases, the SWM proposal chose to include this in direct appropriations to state universities and community colleges. This means that much of the increases seen in the SWM budget will cover collective bargaining costs, instead of representing new investments for the respective institutions.

A breakdown of how the SWM campus proposals compare to other proposals and FY 2013 is outlined below.

Institution	FY13	GOV	House	SWM
UMass	\$453,556,680	\$493,141,910	\$492,798,410	\$469,268,351
Community Colleges	\$215,599,925	\$242,611,515	\$247,954,632	\$226,070,386
State Universities	\$204,278,972	\$226,512,110	\$233,026,641	\$216,079,826

A major difference between both legislative proposals for higher education and the Governor's proposal is that the Governor provides substantial new support for financial aid.

The SWM budget gives an additional \$2.4 million in funds for the **State Scholarship Program**, including the **MASSGrant program**, which provides need-based financial assistance to Massachusetts undergraduates who enroll in any approved public or independent college, university, school of nursing or any other institution of higher education. As part of a more comprehensive long-term investment package, the Governor's budget more than doubles funding for scholarships, bringing funding up to \$199.6 million for FY 2014. Please see the table below for more detail:

	Line Item #	FY13	Gov	House	SWM
Mass. State Scholarship Program	7070-0065	\$87,607,756	\$199,612,481	\$90,607,756	\$90,000,000

Programs that were proposed by the Governor but not included in the SWM proposal include the **State University Incentive Grant**, a new program to help State Universities advance the goals of the Vision Project, and the **Completion Incentive Grant**, which provides incentive grants of up to \$2,000 annually to low-income students for completing their degree over a maximum of four years.

Programs that were proposed by the House but not included in the SWM proposal include the **Science, Technology, Engineering, and Mathematics (STEM) Starter Academy**, designed to prepare students for college-level courses and career readiness with a focus on STEM education at community colleges.

Environment & Recreation

The state's environment and recreation budget includes funding for environmental protection, protecting wildlife and fish habitats and maintaining and staffing state parks, pools, and beaches.

The Senate Ways and Means Committee (SWM) budget recommends providing \$186.2 million for Environment and Recreation programs in FY 2014 which is \$3.1 million more than the House and \$10.3 million more than the FY 2013 current budget. Even with this increase the SWM budget is still about 36 percent less than funding in FY 2001 in inflation-adjusted dollars. As with many programs funded through the budget, the fiscal crisis combined with income tax cuts adopted in the late 1990s and early 2000s (see [our factsheet](#)), has forced deep cuts in environment and recreation programs which have not been fully restored.

Among the increases in funding for Environment and Recreation programs, the SWM budget recommends a number of increases for the Department of Environmental Protection (DEP) including:

- \$2.3 million more for **DEP Administration** to \$27.9 million. Among other things, DEP is responsible for keeping the state's air, water and land clean and responding to environmental threats like spills or leaks of hazardous materials. Since the onset of the fiscal crisis, funding for DEP has fallen by about \$9 million in inflation adjusted dollars.¹

	Line Item #	FY13	Gov	House	SWM
Department of Environmental Protection	2200-0100	\$25,624,684	\$27,872,469	\$28,104,269	\$27,872,469

- \$2.5 million for a new **compliance and permitting retained revenue** account proposed in the Governor's FY 2014 budget. DEP would use the funding to hire adequate staff to address compliance and permitting in a timely manner. The House budget does not include new this account.

	Line Item #	FY13	Gov	House	SWM
Compliance and Permitting Fee Retained Revenue	2200-0112	\$0	\$2,500,000	\$0	\$2,500,000

In addition to increases in DEP, the SWM budget also recommends providing **state parks** with \$41.0 million, an increase of \$1.1 million above the FY 2013 current budget. With the onset of the fiscal crisis coupled with the adoption of tax cuts, as noted above, funding for state parks has fallen significantly. Some of these cuts have been offset by increases in the amount of revenue that the Department of Conservation and Recreation (DCR) can keep from the fees and fines it collects at its state parks and recreation facilities. Even after accounting for the increase in retained revenue, funding for state parks has fallen by about \$18.0 million in inflation adjusted dollars since the onset of the fiscal crisis.²

	Line Item #	FY13	Gov	House	SWM
State Parks and Recreation	2810-0100	\$39,929,387	\$43,899,928	\$41,801,239	\$41,044,957

The SWM budget does not include the Governor's proposal to expand the 5 cents refundable deposit on non-carbonated beverages not covered under the current bottle deposit law. The Governor's budget recommends using \$4 million from this expansion to provide **recycling and redemption centers** with \$4.4 million in FY 2014. The SWM budget recommends level funding these centers at \$375,000.

	Line Item #	FY13	Gov	House	SWM
Redemption Centers	2200-0107	\$375,000	\$4,375,000	\$475,000	\$375,000

MassHealth & Health Reform

Together MassHealth, the state's Medicaid program, and the Commonwealth Care program, provide health coverage for about 1.6 million Massachusetts residents, including more than one in three children in the state. In FY 2014 these programs will be significantly restructured due to implementation of the federal health reform law, the Affordable Care Act (ACA), which will begin on January 2014, midway through the fiscal year. The Commonwealth Care program will end, as will some smaller health coverage programs, and current enrollees will either shift to MassHealth or to new Qualified Health Plans (QHPs) sold through the Connector and subsidized by the federal government. The state will receive a higher level of federal Medicaid reimbursement for some MassHealth enrollees, and will also realize savings as enrollees in state-subsidized programs move to QHPs; the

combination of enhanced revenue and these savings is expected to yield about \$200 million in FY 2014.

The SWM budget allocates \$13.36 billion for MassHealth, Commonwealth Care, and other health reform programs, an increase of 5.0 percent over FY 2013 spending that is \$65.5 million higher than House, but \$155.4 million lower than the amount proposed by the Governor. The difference between the Governor's and SWM Committee's proposed funding levels can be explained largely by the fact that, unlike the Governor's spending plan, the SWM budget does not include funding for restoration of dental benefits and it also does not fund a variety of rate payments for hospitals and other providers that were included in the Governor's budget. The difference between the SWM and the lower House funding levels appears to reflect, for the most part, different assumptions about enrollment and cost growth.

A C A I M P L E M E N T A T I O N & C O M M O N W

	Line Item #	FY13	Gov	House	SWM
ACA Expansion Populations	4000-0940	\$0	\$366,907,878	\$355,177,060	\$453,877,324
Commonwealth Care Trust Fund	1595-5819	\$740,272,286	\$470,637,393	\$467,346,393	\$339,078,633
Commonwealth Care Trust Fund - Transfer	PB4	\$120,000,000	\$120,000,000	\$120,000,000	\$151,267,760

Like the Governor's and House budgets, the SWM budget reflects the changes that will take place when federal ACA provisions are implemented in January, 2014, creating a new line item to fund costs related to the expansion of MassHealth and reducing funding for the Commonwealth Care Trust Fund to reflect savings as current enrollees transition to other forms of coverage. However, while the SWM budget assumes an overall funding level similar to that proposed in the Governor's and House budgets, it differs somewhat in its assumptions about how funds will flow. All three budgets assume that the Medical Security Program, which uses revenue from an employer assessment to provide health coverage for people eligible for unemployment insurance, will end as current enrollees become eligible for other types of subsidized care. The three budgets also assume that the current assessment will be reconfigured starting in January, 2014 and that \$94.0 million will be available to support the costs of subsidized health coverage in the second half of the FY 2014 fiscal year. However, while the Governor's and House budgets assumed that this revenue would flow through the General Fund, the SWM budget assumes that it will be deposited directly into the Commonwealth Care Trust Fund (CCTF). The SWM budget also assumes that \$31.3 million in new tobacco tax revenue will be deposited in the CCTF, in addition to the approximately \$120.0 million transfer that is already expected (see PB4 in table above).

The new revenue would come from an increase in the tobacco tax included in separate legislation currently being reconciled by a conference committee.

After accounting for these differences in financing methodology, the SWM budget's proposed funding for the new ACA line item and the CCTF transfer together is \$13.3 million lower than the level proposed by the Governor. The difference is due to the fact that the Senate a) does not include funding for dental coverage restoration in its CCTF transfer (\$3.3 million); b) assumes that \$3.0 million in surplus CCTF funds will be carried forward from FY 2013 for use in FY 2014; and c) does not include funding to cover a provision that would change the timing of coverage terminations to reduce lapses in MassHealth coverage (\$7.0 million). The House budget funded the extension of coverage terminations, but did not include funding for coverage of certain legal immigrants and extension of MassHealth eligibility to a small group of disabled adults that the SWM budget, like the Governor's proposal, does include.

ADULT DENTAL COVERAGE

The SWM budget does not adopt the Governor's proposal to restore dental coverage (starting in January, 2014) for adults enrolled in MassHealth and Commonwealth Care programs at a cost of \$68.8 million for MassHealth and \$3.3 million (as noted above) for Commonwealth Care. The budget initially proposed by the House Ways & Means (HWM) Committee also did not include funding for restoration of dental coverage, but an amendment added language to the final House budget setting aside \$17.2 million of any FY 2013 surplus revenue for a partial coverage restoration.

PROVIDER RATES

The SWM budget follows the Governor and House in providing about \$51.4 million for an increase in base hospital rates. However, it does not include \$10.0 million in funding for incentive payments to support primary care providers who accept global payments as part of a MassHealth payment reform initiative, and it does not include \$14.8 in funding for rate adjustments for hospitals that serve high-risk pediatric patients. It sets aside \$10.0 million for Infrastructure and Capacity Building grants that will go to hospitals and community health centers, \$16.0 million less than the Governor proposed. Finally, the SWM budget provides \$298.6 million for supplemental rate payments for nursing homes, the same amount that the Governor proposed and \$5.0 million more than the current FY 2013 funding (after taking into account mid-year budget reductions implemented in December), but \$20.7 million less than the House's appropriation.

OPERATIONS AND HEALTH REFORM IMPLEMENTATION

The FY 2013 budget created two new line items, one to fund MassHealth operations in order to address a backlog in application processing (4000-1602) and another to support implementation of ACA provisions (4000-1604). The SWM budget proposes \$2.3 million in funding for the operations account, a \$1.3 million increase over FY 2013, but \$1.1 million less than the Governor's proposal. The Senate proposes funding of \$950,000 for reform implementation, and amount similar to the Governor's proposal and \$600,000 more than the amount proposed in the House budget.

Public Health

The Senate budget proposes spending of \$534.6 million for Department of Public Health programs (including a youth violence program that is located in the Office of Health and Human Services, but that is similar to two other programs within the Department of Public Health). This total reflects an adjustment to account for a shift on budget of \$14.0 million in spending for pharmacy services provided to, and reimbursed by, the Department of Corrections that had previously occurred off budget. The proposed appropriation represents an increase of \$13.6 million, or 2.6 percent, compared to FY 2013—essentially level funding once inflation is taken into account.

The SWM Committee's proposed appropriation for public health programs overall is slightly higher than the amount included in the House budget and about \$10.4 million lower than the Governor's proposed appropriation. Of course, this is a net difference—the SWM budget funds some public health activities at higher levels, and others at lower levels, than did the Governor's and House budgets (see below for detail on key differences). More striking than these differences, however, is the extent to which support for public health activities has been cut over the past decade. Since FY 2001, funding has dropped by about 25 percent, after adjusting for inflation, a decline that has hampered the ability of the Department of Public Health to protect the health of the public through regulation of health facilities and other potential hazards. Cuts have also affected a variety of programs—such as smoking cessation and disease prevention—designed to promote health and wellness and reduce long-term health costs. The Governor's FY 2014 budget proposal drew on new revenue to make a modest step towards restoring these cuts; the lower House and Senate appropriations reflect the tighter revenue constraints under which the legislature is operating.

HEALTH REGULATION

	Line Item #	FY13	Gov	House	SWM
Division of Health Care Quality and Improvement	4510-0710	\$6,341,939	\$7,826,326	\$6,974,392	\$6,526,782

Div. of Health Care Quality Facility Licensing Revenue	4510-0712	\$2,481,081	\$2,481,081	\$2,481,081	\$2,481,081
Board of Registration in Pharmacy	4510-0722	\$182,623	\$1,300,527	\$1,300,527	\$227,065
Environmental Health Services	4510-0600	\$3,386,819	\$4,391,414	\$3,733,538	\$3,443,439
Food Protection Program Retained Revenue	4510-0020	\$375,000	\$233,000	\$233,203	\$0

The SWM budget provides an increase of about \$44,000 above current FY 2013 spending for the Board of Registration in Pharmacy, in contrast to the Governor's and House budgets, which both proposed a substantial new investment of \$1.1 million intended to support increased inspections of compounding pharmacies and increased training of inspectors. Likewise, the SWM budget proposes to essentially level fund the Division of Health Care Quality and Improvement; the Governor proposed an increase of \$1.5 million to help restore the agency's ability to inspect facilities and respond to consumer complaints. The SWM budget also proposes a lower appropriation than the Governor and House for Environmental Health Services (whose programs include inspection of food manufacturers and indoor air quality assessments at elementary and middle schools).

YOUTH VIOLENCE

	Line Item #	FY13	Gov	House	SWM
Safe and Successful Youth Initiative	4000-0005	\$4,000,000	\$10,000,000	\$0	\$4,000,000
Youth Violence Prevention Grants	4590-1506	\$1,501,178	\$1,501,178	\$1,501,178	\$1,501,229
Youth-At-Risk Matching Grants	4590-1507	\$2,700,000	\$2,700,000	\$2,950,000	\$2,950,000

The SWM budget proposes total spending of \$8.5 million for three grant programs that address youth violence, the Safe and Successful Youth Initiative (located in the Office of Health and Human Services), the Violence Prevention Grant program, and Youth-at-Risk Matching Grants. This total represents a slight increase, in line with expected inflation. The proposed total appropriation is \$5.7 million lower than that proposed by the Governor, but \$4.0 million higher than the amount included in the House budget; the differences are largely due to differences in funding for the Safe and Successful Youth Initiative (see above). The budget also contains language (outside section 116) requiring an independent program evaluation of grant applications and

grantee programs under the Safe and Successful Youth Initiative.

SUBSTANCE ABUSE

	Line Item #	FY13	Gov	House	SWM
Substance Abuse Services	4512-0200	\$77,029,178	\$83,858,094	\$84,633,094	\$81,050,683
Substance Abuse Step-Down Recovery Services	4512-0201	\$4,800,000	\$4,800,000	\$4,800,000	\$4,800,000
Secure Treatment Facilities for Opiate Addiction	4512-0202	\$2,000,000	\$2,000,000	\$1,000,000	\$2,000,000
Substance Abuse Family Intervention Program	4512-0203	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000

The SWM budget proposes a total of \$89.4 million for substance abuse programs. The proposed appropriations for three smaller line items that fund specific services are generally in line with the amounts proposed in the Governor's and House budgets (see above), but the SWM budget's proposed appropriation for the main substance abuse account, which funds most Bureau of Substance Abuse Services, is lower than proposed by the Governor and House. This difference is due to the Senate's assumption that revenue in a Substance Abuse Trust Fund will carry forward from the current fiscal year and supplement funding for this line item, rather than a difference in expected spending.

PUBLIC HEALTH HOSPITALS

The SWM budget proposes total funding of \$176.9 million for hospitals operated by the Department of Public Health, a 4.5 percent increase over FY 2013. The SWM proposal is about \$4.0 million higher than the amount included in the House budget, and \$2.0 million higher than the Governor's proposal. The difference is largely due to the SWM budget's inclusion of \$2.9 million in funding for hospital expansion in western Massachusetts that was not included in the Governor's or House budgets. Funding will support a new hospital wing (costs will partly covered by federal reimbursement revenue for services provided in the new wing).

Other noteworthy items include:

- The SWM budget includes \$500,000 in a reserve account for a new DPH grant program that would fund evaluations of the costs and benefits of public health programs (including school-based health programs, obesity prevention, smoking

cessation, HIV/AIDS prevention and treatment, and child nutrition programs).

- The SWM budget appropriates \$4.0 million for **Smoking Prevention and Cessation** programs, a slight decrease compared to FY 2013.
- The SWM budget proposes an increase of \$154,000 over current FY 2013 spending for **Teen Pregnancy Prevention** services. The Governor proposed level funding for these services, and the House proposed a slight decrease in funding.
- The SWM budget includes an appropriation of \$500,000 for an **Academic Detailing** program designed to promote cost-efficient drug prescribing practices among providers who serve high numbers of MassHealth members (the budget also assumes savings to the MassHealth program of \$3.0 million from this initiative).
- The SWM budget proposes an appropriation of \$26.2 million for **Early Intervention** services, similar to the amounts proposed in the Governor's and House budgets. The proposed funding represents a decrease of \$1.8 million compared to FY 2013. The difference is partly due to the end of a one-time salary bonus for direct care workers in FY 2013.

Human Services

Human Services programs and services form a crucial part of the Commonwealth's "safety net" for the state's most vulnerable residents. The services help provide families and individuals with access to food, provide support for individuals with disabilities, care for our children and youth in foster care, and offer many other services that provide stability and support to the residents of Massachusetts.

The SWM proposal increases funding by around \$109 million (3 percent) compared to FY 2013 spending, \$8.5 million more than the House, but about \$35 million less than the Governor's proposal. In FY 2014, implementation of a standardization and adjustment of rates paid to contracted human and social service providers, as instructed by Chapter 257 of the Acts of 2008 will cost approximately \$109.8 million according to SWM calculations. Before Chapter 257, many individual providers negotiated rates separately. Chapter 257 standardizes rates according to the services delivered by providers to make the system more efficient and fair. SWM fully funds annualized costs from FY 2013 (year 2) rates and funds current year (year 3) rate adjustments at 80 percent believing that actual costs will be 80 percent of projected costs. SWM also provides a provision which would provide the necessary funding (up to 100 percent of projected costs) for those programs where Chapter 257 costs exceed the recommended appropriation.

The SWM proposal does not fund the one-time rate reserve payment included in the House proposal of up to \$7.5 million in

potential FY 2013 surplus dollars to human service workers.

CHILDREN, YOUTH & FAMILIES

Programs and services administered by the Department of Children and Families (DCF), the primary child welfare agency in Massachusetts protecting children from abuse and neglect, and the Department of Youth Services (DYS), which provides programming and detention services for children and youth detained by law enforcement, receive \$939.1 million, remaining 14 percent below pre-recession funding levels. Overall, programs administered by the two departments receive an increase of \$29.9 million, but are essentially level funded after accounting for inflation. SWM assumes that FY 2014 Chapter 257 costs (year 2 annualized and year 3) will be \$44.2 million accounting for more than the \$29.9 million increase and potentially decreasing service availability.

Group Care Services, which funds DCF contracted congregate care programs, including residential and group care placements as well as intensive community-based services for some children, receives \$206.5 million, an increase of \$13.4 million over FY 2013. According to SWM calculations, Chapter 257 implementation requires an increase of over \$30 million, 100 percent for this year 2 rate.

Other programs with funding levels that don't cover Chapter 257 rate increases include:

- **Residential Services for Detained Population** —funded at \$21.7 million, approximately \$300,000 below SWM assumed Chapter 257 needs
- **Residential Services for Committed Population** —funded at \$106.6 million, \$3.5 million below Chapter 257 needs
- **Services for Children and Families** —funded at \$249.3 million, \$1.9 million below Chapter 257 needs

SWM provides funding for **DCF regional administration** which was eliminated in the House budget. This line item, funded at \$6.0 million, level with FY 2013 and the Governor funds contracts for "lead agencies" across the state that have specific oversight and service coordination responsibilities within the social service system.

The **Department of Children and Families** (DCF) administration receives \$68.8 million, a \$1.9 million increase over FY 2013, essentially level funding after accounting for inflation. Funding for DCF remains 19 percent below pre-recession levels. The **Department of Youth Services** administration receives \$4.1 million, identical to the House and Governor and an increase of \$183,000 compared to FY 2013. However, funding remains 34 percent below pre-recession levels.

Family Access Centers, introduced by the Governor at \$1.5 million is not funded under the SWM proposal. These centers would have made it easier for children and families to access many public services including Transitional Aid to Families with Dependent Children (TAFDC), Supplemental Nutrition Assistance Program (SNAP), Women, Infants, and Children's Program (WIC), Fuel Assistance, and MassHealth. The House proposal also did not provide funding for these centers.

SWM introduces a commission studying the criminal justice system. The commission would look at sentencing guidelines, probation, pretrial diversion and other parts of both the adult and juvenile systems. Annual reports would be due on March 31.

DISABILITY SERVICES

Disability services receives \$1.52 billion, an increase of \$77.2 million (5.4 percent) compared to FY 2013, but is slightly below the House proposal. SWM assumes that Chapter 257 costs for disability services will be \$59.0 million. **Community Residential Services for the Developmentally Disabled** receives \$844.2 million and the bulk of the total increase in this category, \$61.1 million over FY 2013. Approximately \$43 million is needed for Chapter 257 to fund SWM's assumed year 3 rate at 80% of projected cost.

Community Day and Work Programs for the Developmentally Disabled receives \$149.5 million, an increase of \$16.0 million compared to FY 2013, but \$500,000 less than the House and Governor's proposals. Over \$15 million of the increase is required through Chapter 257.

Other line items in this category are level funded or receive small increases, but remain well below pre-recession levels.

ELDER SERVICES

The SWM proposal funds Elder Services at \$235.1 million, \$12.5 million (5.6 percent) more than FY 2013 spending and \$5.8 million higher than the House.

- **Elder Enhanced Home Care Services** receives \$52.9 million, a \$5.5 million increase over FY 2013 and \$4.2 million higher than the House.
- **Elder Home Care Purchased Services** receives \$98.8 million, a \$972,000 increase over FY 2013 and the House.

These two programs allow seniors to remain at home instead of living in a nursing home. SWM is projecting that the combined increase would be enough to eliminate the need for wait lists in FY 2014.

Elder Protective Services receives \$22.1 million, a \$4.9 million increase over FY 2013 and slightly above the House. Approximately \$4.8 million would be needed to fully fund Chapter 257. This service investigates elder abuse and neglect, and provides money management supports to prevent financial exploitation.

TRANSITIONAL ASSISTANCE

The SWM proposal does not make significant changes in the administration of public assistance in Massachusetts. It provides \$773.6 million for Transitional Assistance programs. The **Department of Transitional Assistance Administration** receives an increase of \$6.2 million (11 percent) over FY 2013, but is \$2.0 million below the House proposal. **Transitional Aid to Families with Dependent Children (TAFDC)** receives \$302.0 million, \$13.4 million below FY 2013 and \$4.3 million below the House proposal. For entitlement programs like transitional assistance, funding levels are significantly affected by anticipated caseload levels. In April, the caseload level was at 50,846, its lowest level since June 2012 and more than 2,500 below its recent high in October 2012. The \$40 rent allowance and the \$150 children's clothing allowances are included in the SWM proposal. The SWM proposal also includes a stipulation that the department must notify the legislature 60 days prior to any changes in eligibility or benefit levels.

The **Employment Services Program** receives just \$4.3 million, \$2.8 million below FY 2013 and \$2.2 million below the House proposal. The SWM funding level amounts to a cut of 86 percent since pre-recession levels. This program provides TAFDC recipients with education, occupational skills and the employment support services needed to acquire and retain jobs, moving them out of poverty.

E M P L O Y M E N T S E R V I C E S P R O G R A M

	Line Item #	FY13	Gov	House	SWM
Employment Services Program	4401-1000	\$7,109,035	\$7,403,855	\$6,530,000	\$4,284,733

Transportation

The SWM budget for transportation reflects details from the transportation funding bill that recently passed the full Senate. In its first year, FY 2014, revenue raised under the Senate bill is identical to that in a companion House bill. The Senate bill raises a bit

more revenue in future years and related differences are currently being reconciled by a conference committee.

These legislative plans are quite similar to the Governor's FY 2014 proposal for transportation, with all three plans increasing transportation support by between \$250 and \$260 million over FY 2013 levels. Legislative proposals fund greater spending through increased taxes, but the Governor raises more new revenue, primarily through an increase in the state income tax, enabling greater increases to transportation in future years. Over the long-term, lower funding levels reflected by legislative plans would likely lead to fewer infrastructure investment projects such as bridge renovations, road resurfacing projects, highway interchange rehabilitations, and rail line extensions.

For FY 2014 the SWM budget would provide:

- \$1.07 billion for the **Massachusetts Bay Transportation Authority (MBTA)**, an increase of \$127.7 million over FY 2013. This funding comes from two budgeted sources: \$799.3 million from an automatic pre-budget transfer from sales tax revenue and \$275.2 million from the Commonwealth Transportation Trust Fund.
- \$294.1 million for the **Massachusetts Transportation Trust Fund (MTTF)**, an increase of \$132.2 million over FY 2013. The MTTF helps fund Massachusetts Department of Transportation (MassDOT) functions, which include supporting the Regional Transit Authorities; maintaining and improving state roads, highways, and bridges; maintaining and improving airports and rail and transit lines; administering the Registry of Motor Vehicles (RMV); and covering specific transportation-related debt service costs.
- \$18.5 million for **Regional Transit Authorities (RTAs)**, level funding from FY 2013. Additionally, line item language dedicates at least \$80.0 million of MTTF funding (described above) to go towards **forward funding** of the RTAs. Currently, the state reimburses RTAs at the end of the year, rather than providing that support in advance, forcing them to borrow money to cover the coming year's budget. This FY 2014 proposal reflects a large one-year increase to forward-fund the RTAs so that they would no longer have to borrow this money to fund operations.

The House's FY 2014 budget distributes the above funding to the MBTA, the MTTF, and the RTAs in somewhat different ways, but total combined support for FY 2014 is just slightly below SWM funding levels—\$1.38 billion combined for the House compared to \$1.39 billion for the Senate.

It is important to note that a significant portion of the state's transportation-related capital spending shows up in separate debt service accounts, the largest of which is the **Consolidated Long-Term Debt Service** line item. For FY 2014, the SWM budget projects that 43.7 percent of this \$1.98 billion account would cover transportation-related debt.

Housing

The state budget provides housing assistance, including shelter for homeless families, to low- and moderate-income people in Massachusetts. The SWM FY 2014 budget continues the changes made in FY 2013 that limit low-income homeless families' access to shelter and it cuts funding for shelter and short-term housing assistance for these families. The budget does include a provision to provide very short-term accommodations to families who become homeless but are not eligible for emergency shelter (see section below on RAFT). The FY 2014 SWM budget also recommends significant increases in several housing programs to help low-income people find and keep affordable housing.

The state budget primarily supports low-income homeless families through two programs, Emergency Assistance (EA) and HomeBASE. **EA** provides shelter to homeless families with children under 18 who live at or below 115 percent of poverty. Based on changes made in the FY 2013 budget and implemented by the Department of Housing and Community Development (DHCD), only families who lose their housing for specific reasons are immediately eligible for shelter.³ The SWM budget recommends spending \$96.8 million on EA, including funding for families sheltered in hotels and motels, a reduction of \$38.9 million below FY 2013 current spending. The SWM budget is \$9.7 million less than the FY 2014 House budget largely because the House recommends providing \$8.7 million more for families sheltered in **hotels and motels**.

HomeBASE provides \$4,000 in assistance for up to 12 months to help low-income families who are eligible for EA to secure housing. When it was created in FY 2012, HomeBASE provided up to 3 years of rental assistance to help low-income families who were homeless or at risk of becoming homeless to secure housing. As demand quickly exceeded available funds the state closed the program to new families in October of 2011. Currently HomeBASE provides 1 year of assistance to new families. It has also cut its rental assistance program, for the 2,000 families who had already signed up, from 3 to 2 years—many of these families will lose their assistance sometime in FY 2014. The SWM budget recommends reducing funding for HomeBASE by \$29.9 million below the FY 2013 current budget to \$58.8 million. This level is slightly less than the House budget and identical to the Governor's recommendation. Much of this reduction reflects the fact that many families receiving rental assistance will run out of their benefits in FY 2014.

	Line Item #	FY13	Gov	House	SWM
Emergency Assistance - Family Shelters & Services	7004-0101	\$118,992,354	\$91,771,700	\$91,476,700	\$90,406,700
Emergency Assistance - Hotels & Motels	7004-0103	\$16,636,800	\$9,978,990	\$15,000,000	\$6,347,538

HomeBASE	7004-0108	\$88,674,371	\$58,788,556	\$58,963,556	\$58,788,556
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While the SWM budget cuts funding for EA and HomeBASE, it provides significant increases above the FY 2013 current budget for several housing programs including:

- \$15.5 million more for the **Massachusetts Rental Voucher Program (MRVP)**, which provides vouchers to low-income renters, to \$57.5 million. Both the House and the Governor increased MRVP by \$4.5 million over the FY 2013 current budget to allow DHCD to fully-fund the 900 new vouchers created in FY 2013. The SWM Committee estimates its additional funding will create 1,000 new vouchers in FY 2014 to help families' secure permanent housing. The SWM budget includes language directing DHCD to develop a plan to provide vouchers to families with disabilities, who are losing their HomeBASE rental assistance.
- \$2.3 million more for **Residential Assistance for Families in Transition (RAFT)** to \$11.1 million. RAFT provides \$4,000 for up to 12 months to help families avoid homelessness. Both the House and the Governor recommend level-funding RAFT at \$8.8 million. Included in the SWM budget's proposal is an earmark of \$500,000 to provide up to 7 days of temporary accommodations for low-income families, not eligible for EA, who may be at risk of becoming homeless. This provision is intended to give families time to find housing or other services so that they do not need to live in places not meant for human habitation.
- Doubling funding for **housing services and counseling** to \$3.0 million. This program provides housing counseling and services, such as foreclosure assistance and mediation, to prevent homelessness.

	Line Item #	FY13	Gov	House	SWM
Mass. Rental Voucher Program	7004-9024	\$42,000,000	\$46,500,000	\$46,500,000	\$57,500,000
Residential Assistance for Families in Transition (RAFT)	7004-9316	\$8,760,000	\$8,760,000	\$8,760,000	\$11,106,000
Housing Services and Counseling	7004-3036	\$1,445,996	\$1,395,996	\$1,395,996	\$3,000,000

The SWM budget recommends reducing funding for **public housing authorities**, which manage over 45,000 state-supported units for low-income renters, by \$2.1 million to \$62.4 million. In addition the SWM budget, like the House budget, does not include

\$5.0 million proposed in the Governor's FY 2014 budget to consolidate the state's 240 housing authorities into 6 regional authorities.⁴

	Line Item #	FY13	Gov	House	SWM
Subsidies to Public Housing Authorities	7004-9005	\$64,450,000	\$64,400,000	\$64,500,000	\$62,400,000

The SWM budget provides \$40.3 million for services to **homeless individuals** a cut of \$100,000 below the FY 2013 current budget. It also recommends level funding the **Home and Healthy for Good** program for chronically homeless individuals at \$1.4 million.

	Line Item #	FY13	Gov	House	SWM
Homeless Individuals Assistance	7004-0102	\$40,350,335	\$40,250,335	\$40,450,335	\$40,250,335
Home and Healthy for Good	7004-0104	\$1,400,000	\$1,400,000	\$1,800,000	\$1,400,000

Unlike the Governor and the House, the SWM budget does not include the **Housing and Preservation Stability Trust Fund**. The House funds this trust with up to \$10 million of the FY 2013 surplus, should one exist, as well as any surpluses from the EA, HomeBASE, MRVP and RAFT programs rather than having them revert to the General Fund at the end of the fiscal year.

Local Aid

The Senate Ways and Means (SWM) budget funds **Unrestricted General Government Aid (UGGA)** at \$899 million, level with FY 2013 funding. UGGA is a form of general local aid, money that flows from the state budget to city and town budgets, helping them fund vital local services such as police and fire protection, parks, public works, and schools. UGGA is separate from direct school support that districts receive from Chapter 70 education aid. Please see the table below for a comparison to the House and Governor's budgets, both of which proposed modest increases, roughly in line with annual cost growth.

	Line Item #	FY13	Gov	House	SWM
Unrestricted General Government Local Aid	1233-2350	\$898,980,293	\$929,990,490	\$920,230,293	\$898,980,293

General local aid has been cut dramatically since FY 2001, by about \$780 million, or 46 percent, when adjusted for inflation. These cuts were driven largely by the combined effect of state-level tax cuts fully implemented in the early 2000's and the economic downturn that began in 2007. For more detail on historic funding levels, please see the General Local Aid page in MassBudget's [Budget Browser](#).

The SWM budget also proposes a small increase for the Municipal Regionalization and Efficiencies Grant Program, whereas the House budget proposed a significant cut. See the table below for detail:

	Line Item #	FY13	Gov	House	SWM
Municipal Regionalization and Efficiencies Incentive Reserve	1599-0026	\$6,890,000	\$7,000,000	\$2,800,000	\$7,000,000

Libraries

The state budget supports libraries by providing direct aid to local libraries, supporting the regional library network that includes the interlibrary loan program, and funding the two talking book programs for the visually impaired located in Worcester and Watertown. As with many programs funded through the budget, the fiscal crisis combined with income tax cuts adopted in the late 1990s and early 2000s (see [our factsheet](#)), has forced deep cuts that have not been restored. Since the adoption of the FY 2001 budget, funding for libraries has fallen by over 50 percent in inflation-adjusted dollars.

In its FY 2014 budget, the Senate Ways and Means Committee (SWM) budget recommends level funding library programs with the exception of a few slight increases including:

- \$20,000 more for the **Board of Library Commissioners** to \$1.0 million
- \$66,000 in additional funding for the **talking book programs** to a total of \$2.9 million. \$11,000 of the increase would go to the Talking Book Program in Worcester and the remaining to the Perkins School for the Blind in Watertown.

	Line Item #	FY13	Gov	House	SWM
Board of Library Commissioners	7000-9101	\$998,778	\$1,018,754	\$1,012,047	\$1,018,754
Talking Book Program - Worcester	7000-9402	\$430,628	\$430,628	\$441,394	\$441,394
Talking Book Program - Watertown	7000-9406	\$2,400,000	\$2,400,000	\$2,455,408	\$2,455,408

Youth Empowerment

In FY 2014, the Senate Ways and Means (SWM) budget proposes \$29.1 million in funding for Youth Empowerment programs. These programs help disadvantaged and at-risk youth transition into adulthood through the aid of career training and violence prevention programs. While lower than the Governor's proposal, which called for \$38.0 million in spending, the SWM plan increases funding by \$4.3 million over FY 2013 levels. The chart below shows how the SWM proposal compares both to FY 2013 and to other FY 2014 proposals.

	Line Item #	FY13	Gov	House	SWM
Safe and Successful Youth Initiative	4000-0005	\$4,000,000	\$10,000,000	\$0	\$4,000,000
Youth Violence Prevention Grants	4590-1506	\$1,501,178	\$1,501,178	\$1,501,178	\$1,501,229
Youth-At-Risk Matching Grants	4590-1507	\$2,700,000	\$2,700,000	\$2,950,000	\$2,950,000
Transitional Employment Program (Roca)	4800-0016	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
YouthWorks	7002-0012	\$3,000,000	\$10,000,000	\$5,000,000	\$8,000,000
Gateway Cities Career Academies	7009-6402	\$500,000	\$1,008,000	\$500,000	\$0
School-to-Career Connecting Activities	7027-0019	\$2,870,000	\$2,871,370	\$2,000,000	\$2,870,000
Youth-Build Grants	7061-9626	\$2,000,000	\$2,000,000	\$2,000,000	\$1,500,000
Gang Prevention Grant Program (Shannon Grants)	8100-0111	\$6,250,000	\$6,250,000	\$4,500,000	\$6,250,000

Programs that are funded above levels proposed by the House budget include:

- **Youth Works (Summer Jobs Program for At-Risk Youth)**. Funded at \$3.0 million in FY 2013, the SWM proposal increases funding to \$8.0 million in FY 2014, \$3.0 million more than the House proposal. The Governor's proposal allocates the program \$10.0 million dollars in FY 2014.

Tracking funding changes for Youth Works can be challenging because this program runs over the summer, across Massachusetts's fiscal years. The Legislature often allows funding allocated in one fiscal year to actually be spent in the next. [Children's Budget Link](#).

- **School to Career Connecting Activities**. The SWM proposal proposes funding for this program at \$2.9 million in FY 2014, essentially level funding from FY 2013 and the Governor's proposal. This is down significantly from a high of \$8.2 million allocated in FY 2007 (adjusted for inflation). [Children's Budget Link](#).
- **The Safe and Successful Youth Initiative** would be funded at \$4.0 million, whereas the House eliminated the program. [Children's Budget Link](#).
- **Gang Prevention Grant Program (Shannon Grants)** The SWM proposal allocates \$6.3 million in FY 2014, equal to FY 2013 levels and to the Governor FY 2014 proposal. The House proposed \$4.5 million in funding. [Children's Budget Link](#).

One program where the SWM proposal is less than the House is **Youth-Build Grants**. The SWM plan proposes \$1.5 million for FY 2014, \$500,000 less than what the House proposed. [Children's Budget Link](#).

Revenue

The Fiscal Year 2014 consensus tax revenue figure agreed to by the Administration, the House and the Senate is \$22.334 billion, an amount 3.9 percent above the revised FY 2013 revenue estimate of \$21.496 billion. The Senate Ways and Means (SWM) FY 2014 budget proposal, like the House and the Governor's budget proposals, exceeds this consensus figure by relying on a combination of new tax and non-tax revenues. Some of these revenues would come from ongoing sources while others would be one-time.

Because the Governor's proposed tax increases were considerably larger than the tax package upon which either the House or the SWM budget is built, the SWM budget has less revenue available to close the state's estimated \$1.28 billion FY 2014 budget gap and makes significantly more limited investments in education and other areas than does the Governor. (For a detailed

description of the revenue proposals, see [our Budget Brief](#).)

In the sections below, we examine in closer detail the tax and non-tax revenue proposals included in the SWM FY 2014 budget proposals.

FY 2014 REVENUE INITIATIVES	FY 2014 Governor		FY 2014 House		FY 2014 SWM	
	Temporary Source	Ongoing Source	Temporary Source	Ongoing Source	Temporary Source	Ongoing Source
TAX REVENUES						
PERSONAL INCOME TAX						
Increase rate from 5.25% to 6.25%		1,163,000,000				
Double value of personal exemption		(487,000,000)				
Eliminate more than 40 tax breaks		332,000,000				
SALES AND EXCISE TAX						
Decrease rate from 6.25% to 4.5%		(591,000,000)				
Eliminate exemptions for candy and soda		22,000,000				
Increase cigarette tax by \$1.00/pack; qualize tax rates for cigars & smokeless tobacco with cigarettes		70,000,000		152,250,000		144,200,000
Eliminate exemption for custom modifications of software and related services		65,000,000		150,000,000		141,000,000
Raise motor fuels tax by \$0.03/gallon				95,000,000		95,400,000
Index motor fuels tax to inflation		13,000,000				
Eliminate hotel tax exemption for corporate executive apartment rentals		2,600,000				
CORPORATE TAX						
Eliminate FAS 109 deduction		45,900,000				
Delay FAS 109 deduction			45,900,000		45,900,000	
Clarify market sourcing rules for corporate excise sales factor		21,000,000		21,000,000		21,000,000
Reclassify utility businesses		29,000,000		29,000,000		29,000,000
Reclassify certain securities investment businesses		21,000,000				
OTHER TAX INITIATIVES						
Implement enhanced tax enforcement (DOR software upgrades, etc.)			36,300,000			
Implement enhanced tax reporting (liquor wholesalers, franchisees, electronic reporting, pass-through entities, etc.)		27,000,000				25,000,000
Implement Amazon.com sales tax agreement		26,200,000		32,600,000		36,700,000
DEPARTMENTAL REVENUES*						
Sale or rent of state assets	32,500,000		41,600,000		36,600,000	
Expanded bottle redemption		24,200,000				
Gaming licenses	83,100,000		83,125,000		83,100,000	
OTHER SOURCES OF FUNDS						
Stabilization ("Rainy Day") Fund withdrawal	400,000,000		350,000,000		350,000,000	
Stabilization ("Rainy Day") Fund interest transfer	5,650,000		5,650,000		11,000,000	
Proceeds from various trusts	46,000,000		46,000,000		40,000,000	
Revenue anticipation notes (RANs)/Revenue from tax phase-in		400,000,000				
TOTAL REVENUE INITIATIVES	567,250,000	1,233,900,000	608,575,000	479,850,000	566,600,000	492,300,000

*Does NOT include new departmental revenues specific to their respective transportation funding packages. For more details on these proposals see MassBudget's report: http://www.massbudget.org/report_window.php?loc=comparing_investments_fy14.html

TAX REVENUE

Prior to the release of the SWM FY 2014 budget, the House and Senate each approved its own revenue package. Either of these packages would generate new, ongoing tax revenue in FY 2014 and beyond, a substantial portion of which is dedicated in each case to transportation funding (see MassBudget's [report on the transportation bills.](#)) The SWM budget assumes \$430.6 million in additional tax revenue will be available in FY 2014 from the tax changes included in the Senate's package. The SWM budget incorporates this revenue while also increasing funding to the principal transportation line items by a combined \$260 million. This leaves \$170.6 million in new revenue from the Senate's tax package for other non-transportation budgetary purposes (\$430.6 million - \$260 million = \$170.6 million).

This differs only somewhat from the House proposal. The House tax package would raise an identical amount of new revenue in FY 14, though the House budget would increase spending on the principal transportation line items by about \$7 million less than SWM.

By contrast, in his FY 2014 budget, the Governor proposes a package of changes to the Commonwealth's tax laws that would raise an estimated \$1.9 billion in new, ongoing tax revenue once fully implemented (see MassBudget's [earlier report on this.](#)) The Governor, like the Senate, dedicates a substantial portion of his new tax revenues to investments in transportation, and then he proposes additional investments in education (see MassBudget's [earlier reports on this.](#)) But even taking these expenditures into consideration, the Governor still would have some \$580 million of new tax revenue available for other uses in his FY 2014 budget (see MassBudget's [earlier reports on this.](#))

Beyond the revenue related directly to the new tax package, the SWM budget generates an additional \$46 million in FY 14 revenue by delaying for one year the FAS 109 business tax break (as do both the House and Governor). The SWM budget also assumes \$36.7 million from increased sales tax collections (due to an agreement with Amazon.com to collect this tax from its Massachusetts customers for their online purchases) and \$25 million from various tax reporting, data sharing, auditing and collection enhancements at the Department of Revenue. The House and Governor each assume additional revenue from some combination of these sources (see table below).

Of the \$25 million in additional revenue that SWM assumes will come from enhanced reporting, auditing and collecting (see above), some \$8 million is expected to come from increasing the number of auditors and collectors working at the Department of Revenue (DOR). To fund these staff positions, the FY 2014 SWM budget recommends providing the DOR administrative account (which includes Tax Administration staff) with \$89.7 million, an increase of \$3.6 million above the FY 2013 current budget and \$1.4 million above the amount requested by the Governor. The SWM budget also proposes increasing funding for the retained revenue account that DOR uses to pay for additional auditors by \$1.5 million above current FY 2013 levels to \$27.9 million.

The House budget, by contrast, provides \$5.0 million less than the SWM budget and \$3.6 million less than the Governor's request for the combined DOR administration and retained revenue accounts. DOR estimates that the lower funding amount in the House budget will prevent it from collecting significant amounts of revenue that is owed to the state but has not yet been paid.

	Line Item #	FY13	Gov	House	SWM
Department of Revenue	1201-0100	\$86,038,100	\$88,268,584	\$85,685,473	\$89,668,584
Additional Auditors Retained Revenue	1201-0130	\$26,452,257	\$27,938,953	\$26,940,257	\$27,938,953

Finally, the SWM budget proposes creation of a Tax Fairness Commission to "review and evaluate the equity of historical tax rates and methods in relation to the changing income and wealth of residents of the Commonwealth since 1990." Specifically, the commission would report back to the legislature by March 1, 2014 with findings and recommendations related to the equity of tax costs paid by taxpayers of differing income levels, the adequacy of tax revenues to fund investments in public infrastructure and to generate prosperity for all residents, and the best practices of other states.

NON-TAX REVENUE

The Senate Ways and Means budget proposal also relies on several sources of non-tax revenues to balance the budget.

There are three main types of non-tax revenue: federal revenues, which are mostly reimbursements from the federal government for state spending on the Medicaid (MassHealth) program; departmental revenues, which are fees, assessments, fines, tuition, and similar receipts; and other revenues, which are mostly funds that the state draws from an assortment of non-budgeted trusts.

FEDERAL REVENUE

The SWM budget proposal counts on approximately \$8.59 billion in federal revenues, less than the \$8.66 billion assumed in the Governor's budget proposal, and slightly more than the \$8.58 billion assumed by the House. The largest share of federal revenue comes in to the state as reimbursement for state spending on MassHealth and other health programs. The federal government generally reimburses the Commonwealth for approximately 50 percent of its spending on the Medicaid program. With the passage of the Affordable Care Act of 2010, however, the state will now receive an enhanced reimbursement rate for some share of increased health care spending. The differences in federal revenue are largely a function of differences in the proposed budget

for MassHealth.

DEPARTMENTAL REVENUE

The SWM budget proposal relies on \$3.03 billion in departmental revenues, more than anticipated by either the Governor or the House. (MassBudget adjusts revenue totals to align with adjustments made to budget totals. These adjustments allow for more accurate across-year comparisons.)

Some of the highlights in the SWM departmental revenue estimates are:

- \$36.6 million in revenue from the sale of certain state assets or properties. This is between the Governor's estimate of \$32.5 million and the House estimate of \$41.6 million in revenues from these sales.
- \$24.2 million less than the Governor in unclaimed bottle deposits. The SWM budget does not include the Governor's proposal to expand the "bottle bill" to include other bottled drinks such as bottled water, juices, sports drinks or coffee drinks. The House budget also did not include an expansion of the bottle bill. The state retains the revenue when eligible bottles are not redeemed.

With the expansion of gaming (gambling) in the Commonwealth, there is projected to be \$83.1 million in new revenues associated with gaming licenses.

OTHER REVENUES

There are other significant revenues assumed in the SWM budget, some of which are one-time resources.

Like the House, SWM proposes a withdrawal of \$350 million from the state's Stabilization ("Rainy Day") Fund. The Governor's budget proposed a withdrawal of \$400 million. SWM also withdraws approximately \$11 million in interest earned by the balance in the fund. The net withdrawal from the fund is closer to \$207 million because of required deposits (described below.)

The SWM budget assumes that there will be \$40 million in unused funds from a variety of non-budgeted trusts would be available to balance the FY 2014 budget. Both the House and Governor's budgets assumed \$46 million available from these trusts.

A recent change to state law requires that capital gains tax revenue above a certain threshold be deposited in the Rainy Day Fund (\$1.023 billion in FY 2014.) The Administration estimates that in FY 2014 there will be approximately \$37 million in capital gains taxes above this threshold that will be deposited into the Rainy Day Fund. In addition, a recent state law requires that one-time

settlements above \$10 million also be deposited in the Rainy Day Fund. SWM, the House, and the Governor estimate that there will be approximately \$125 million in one-time tax or other settlements in FY 2014. The House and Governor's budgets deposit this revenue into the Rainy Day Fund, while the SWM budget deposits \$90 million of this total into the Rainy Day Fund and the remaining \$35 million into the General Fund. Finally, both budget proposals assume that with the expansion of gaming (gambling) in the Commonwealth, there will be \$20 million in revenue from licensing of gaming facilities to repay the Rainy Day Fund for money withdrawn to finance the start-up of gambling oversight.

In addition, the SWM budget permanently repeals the requirement that one-half of one percent of tax revenue each year be deposited into the Rainy Day Fund. The Governor's budget also repealed this requirement, while the House budget only suspended the requirement for FY 2014. (In this current budget year, this would be approximately \$110 million.) In FY 2014, we do not treat the elimination of this deposit as a savings to balance the budget primarily because the required deposits into the Rainy Day Fund of certain capital gains tax revenues and tax settlements (described above) now serve to build up the Rainy Day fund balance, a purpose previously served by this deposit of one-half of one percent of tax revenue.

The SWM budget also—similarly—repeals the requirement that one-half of one percent of tax revenue be available to carry forward into the next fiscal year. The House budget would have suspended it, and the Governor's budget would have repealed this requirement as well. Because this requirement was also suspended during the last fiscal year, repealing this carry-forward does not provide one-time budgetary savings. If \$110 million had been carried forward from FY 2013 to FY 2014, then eliminating the carry-forward from FY 2014 to FY 2015 would have created one-time revenue in FY 2014. Since there will be no carry-forward of revenue from FY 2013 to FY 2014, there will be no one-time savings in FY 2014 from the proposed elimination of the carry-forward out of FY 2014 into FY 2015.

In the past, a "balanced budget" in Massachusetts included the required deposit of one-half of one percent of tax revenue into the Rainy Day Fund, and required that one-half of one percent of tax revenue be available to carry forward into the following year. In many years, one or both of these requirements have been suspended, and in those years we have often treated forgoing these requirements as one-time savings solutions to help balance the budget. In addition to proposing the elimination of these two requirements, the SWM budget includes language that defines a "balanced budget" as an annual appropriation act "resulting in a consolidated net surplus that is not less than 0." This clarifies that "balance" no longer requires allocating money for this deposit or for the carry-forward.

ONE-TIME REVENUES AND SAVINGS USED TO BALANCE THE BUDGET

The SWM budget relies on about \$566.6 million in one-time revenues and \$71.0 million in one-time savings, for a total of \$637.6

million in one-time funds. These are resources that are only available for use in the current fiscal year, and will likely have to be made up for in the following year.

The most significant source of one-time revenue in the HWM budget is the \$350 million withdrawal from the Rainy Day Fund. Other one-time or temporary revenues include:

- \$36.6 million from the sale of state-owned assets such as land or property
- \$83.1 million in one-time receipts from gaming licenses
- \$40.0 million that will be available from previously-unused funds "swept" from non-budgeted trusts

In addition to these one-time revenues, the SWM, House and Governor also rely on one-time savings. SWM, the House and Governor rely on \$41.0 million in one-time savings by adjusting the timing of MassHealth payments to hospitals providing care to low-income patients. It is possible that the House budget anticipates saving more than \$41 million, although this is not clear from the materials provided. The SWM budget, along with the House budget, also counts on \$30.0 million in anticipated savings from a variety of procurement reforms across the budget.

It is important to underscore the difference between "temporary" and "ongoing" revenues and to be aware of the impact each has on the state's budget gap. The best example of temporary revenue is the money taken out of the state's Rainy Day Fund, but other examples include putting off the payment of liabilities, or selling off state property. Once these revenues are tapped for use in a given fiscal year, those funds are gone. In general, temporary revenues are best used to close temporary gaps occurring during economic downturns.

By contrast, ongoing revenue sources are those which reliably can be expected to deliver new revenue in future years. The best example of an ongoing revenue source is taxes. Revenues from ongoing are generated year after year, and are useful for funding the state's ongoing costs.

When the state has recurring costs that cannot be supported by recurring revenues, a gap occurs in the budget. To fill that gap, the state must either increase ongoing revenues, cut the budget to reduce ongoing expenses, or turn to the state's limited one-time funding sources to close this gap. The use of one-time funds, of course, only solves the problem for a single year; the budget gap would re-emerge in the next year.

Due both to the lingering effects of the Great Recession and to large income tax cuts enacted in the late 1990s, the state's ongoing revenues have repeatedly fallen short of ongoing expenses. The result is that the Commonwealth faces an estimated

\$1.28 billion budget gap headed into FY 2014. In choosing among the three available options—increasing ongoing revenues, cutting ongoing expenses, or relying on one-time revenues—both SWM and the House rely more on reducing ongoing expense than does the Governor.

Breakdown By Category

The table below shows how the Senate Ways and Means FY 2014 budget compares to other recent budgets and budget proposals. We have adjusted the numbers for FY 2001 and FY 2009 GAA to account for inflation, but the numbers for FY 2013 have *not* been adjusted.

BUDGET BY CATEGORY AND SUBCATEGORY (millions)	FY 2001 (adjusted for inflation)	FY 2009 GAA (adjusted for inflation)	FY13 Current (not adjusted)	FY 2014 Governor	FY 2014 House
Education	7,300.5	7,614.5	6,909.2	7,528.2	7,160.0
Early Education & Care	703.9	646.6	499.3	630.9	480.0
Higher Education	1,474.9	1,196.8	1,006.0	1,205.3	1,100.0
K-12: Chapter 70 Aid	4,018.7	4,327.0	4,173.5	4,397.3	4,280.0
K-12: Non-Chapter 70 Aid	665.7	674.9	548.0	586.9	550.0
K-12: School Building	437.2	769.3	682.3	707.8	720.0
Environment & Recreation	291.7	235.2	175.9	194.7	180.0
Environment	129.9	100.4	78.1	90.6	80.0
Fish & Game	23.6	23.3	21.2	21.5	20.0
Parks & Recreation	138.2	111.5	76.6	82.6	70.0
Health Care*	9,708.6	14,067.1	15,159.8	16,081.4	15,830.0
MassHealth (Medicaid) & Health Reform	7,341.7	11,384.8	12,722.1	13,515.6	13,290.0
Mental Health	801.3	751.1	673.9	696.5	690.0
Public Health	703.6	651.4	521.0	545.0	530.0
State Employee Health Insurance*	862.1	1,279.8	1,242.8	1,324.4	1,310.0
Human Services	3,624.3	3,844.7	3,507.9	3,652.5	3,600.0
Children, Youth & Families	935.4	1,095.3	909.3	951.5	930.0
Disability Services	1,304.6	1,479.1	1,441.1	1,532.9	1,510.0

Elder Services	252.8	261.5	222.6	226.3	22
Transitional Assistance	1,007.7	850.7	773.2	790.4	770
Other Human Services	123.8	158.1	161.7	151.4	14
Infrastructure, Housing & Economic Development	2,019.4	1,611.9	1,697.6	1,972.3	1,940
Commercial Regulatory Entities	58.1	56.4	50.9	54.1	5
Economic Development	291.2	189.5	103.1	175.6	149
Housing	329.0	303.1	407.8	353.2	35
Transportation	1,341.1	1,062.8	1,135.7	1,389.3	1,38
Law & Public Safety	2,511.3	2,784.6	2,448.1	2,493.0	2,449
Courts & Legal Assistance	760.3	717.9	645.8	659.6	63
Law Enforcement	367.3	456.9	369.4	367.7	35
Prisons, Probation & Parole	1,184.2	1,400.5	1,242.9	1,274.3	1,27
Prosecutors	155.3	160.0	143.1	147.3	14
Other Law & Public Safety	44.2	49.3	46.9	44.0	4
Local Aid	1,717.8	1,475.7	933.3	963.3	950
General Local Aid	1,691.5	1,440.7	899.0	930.0	92
Other Local Aid	26.3	34.9	34.3	33.3	2
Other	4,476.6	4,613.9	4,483.3	4,636.5	4,570
Constitutional Officers	105.8	98.0	75.5	72.9	7
Debt Service	2,085.5	2,274.2	2,360.9	2,422.7	2,42
Executive & Legislative	81.5	75.8	70.8	71.0	7
Libraries	46.5	37.4	21.8	21.8	2
Pensions	1,399.1	1,605.3	1,552.0	1,630.0	1,630
Other	758.1	523.3	402.4	418.1	35
Total Appropriations and Transfers	31,650.1	36,247.6	35,315.1	37,521.8	36,702

* MassBudget's budget total is higher than other commonly-presented budget totals. We make a number of adjustments in order to allow for more accurate across-year comparisons of budget totals.

We include "pre-budget" transfers in our budget totals. In FY 2014, these amount to approximately \$3.35 billion added to the budget total (\$3.38 billion for SWM). They are the tax revenues dedicated to the MBTA and to school building assistance, the cigarette tax excise dedicated to the Commonwealth Care Trust, the state contribution to the pension system, and the transfers to the Workforce Training Trust and to the State Retiree Benefits Trust.

We also make three additional adjustments. In FY 2014, these amount to approximately \$632.9 million subtracted from the budget total (\$517.0 million for SWM). We add approximately \$17.7 million to make up for budget reductions made when public higher education campuses were allowed to retain a greater share of the student tuition; we subtract approximately \$542.7 million (\$520.8 million for SWM) to account for budget increases that simply reflect increased funding "passing through" the Group Insurance Commission from municipalities, we adjust for the shifting in funding of the State Office Pharmacy Services (\$14 million) and we temporarily subtract \$94 million in health care spending (Gov., House, HWM) to account for the mid-year addition of on-budget costs that in prior years had been accounted for off-budget.

¹ This accounts for the transfer of approximately \$3 million from DEP to a new IT account at the Executive Office of Energy and Environmental Affairs (EOEEA) in FY 2010.

² As noted above with DEP, the FY 2010 budget transferred approximately \$525,000 from parks and recreation accounts to the new IT account at EOEEA.

³ Please see [Shelter, Housing and Homelessness Policy in Massachusetts](#) for more explanation of state programs that help low-income families who are homeless or at risk of becoming homeless.

⁴ The Governor's January 11, 2013 [press release announcing the public housing consolidation](#).

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