

A First Look: The Conference Committee Budget for FY 2013

OVERVIEW

After several weeks of negotiation, the Conference Committee has managed to produce a single budget for both the House and the Senate. Among other things, it resolves what had been significant differences in their proposals for Education, Health Care, and Human Services.

Education: The Conference Committee largely follows the Senate proposal for K-12 education, including \$16 million more in **Chapter 70 aid** than was allotted in the House version.

Health Care: Funding for **MassHealth** and other health coverage programs is actually higher in the Conference Budget than in either the Senate or House versions.

Human Services: The Senate's proposal for a \$20 million **Human Services Salary Reserve** was adopted by the Conference Committee. It provides wage increases to private human services providers making less than \$40,000 a year.

In terms of the big fiscal issues, there were fewer decisions for the Conference Committee to make. Neither the House nor the Senate budgets included revenue from new taxes; instead, both had filled the \$1.3 billion budget gap chiefly with cuts, savings, and temporary revenue. The Conference Committee does the same, relying on over \$600 million in temporary revenue, \$350 million of which comes from the rainy day fund (the "State Stabilization Fund").

This "First Look" describes these proposals--and others--as part of an overview of the key decisions taken by the House-Senate Conference Committee. We will release our complete *Budget Monitor* in the coming days, and it will provide a more comprehensive analysis of the budget as a whole.

SELECTED BUDGET SUBCATEGORIES:

Higher Education

Total campus appropriations (including tuition retention and collective bargaining accounts) for **UMass**, **State Universities**, and **Community Colleges** were very similar in the House and Senate budgets, and the Conference Budget appears to be in line with these totals.

The House and Senate budgets also proposed similar reforms to governance of the state's community college system, placing a greater emphasis on their job training functions and standardizing the system

statewide. It appears as though the Conference Budget adopted more of the specific reform proposals included the House budget. Please refer to our forthcoming *Budget Monitor* for a more in-depth analysis of these Higher Education provisions in the Conference Budget.

This is a first look at the FY 2013 Conference Committee budget. Please refer to our forthcoming *Budget Monitor* for an in-depth review of Higher Education.

K-12 Education

The Conference Budget adopted the higher Senate proposal of \$4.2 billion for **Chapter 70 Education Aid**. The Senate's proposal increases Chapter 70 by \$180.3 million over current FY 2012 funding levels by: 1) providing additional funding to meet increased costs due to inflation and enrollment growth; 2) guaranteeing each school district a minimum \$40 per pupil increase over FY 2012 levels; and 3) distributing some additional money to a targeted group of non-wealthy districts. For more information please see our [FY 2013 Senate Budget Monitor](#).

The Conference Budget funded the **Special Education Circuit Breaker** account at \$241.9 million, just slightly below the Senate proposal of \$242.2 million. The House proposed \$221.6 million. The conference committee's funding level, which is \$28.8 million above current FY 2012 funding, would likely enable the state to reimburse school districts at close to the full 75 percent statutory reimbursement rate (of costs above four times the state foundation budget per pupil) for the first time since FY 2008.

The Conference Budget adopted the House proposal of \$11.3 million for a new **Homeless Student Transportation** line item. The Senate provided no funding for this program. Federal law provides that homeless students living in temporary housing outside of a city or town where the family lived prior to becoming homeless may choose to remain enrolled in the school district of origin. The federal law requires that transportation be provided so that students can continue attending the school district of origin, and this new line item would help reimburse host and sending school districts for these transportation-related costs.

This is a first look at the FY 2013 HWM budget. Please refer to our forthcoming *Budget Monitor* for an in-depth review of K-12 Education.

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MassHealth (Medicaid) & Health Reform

Faced with a gap of about \$49.9 million dollars between the House and Senate FY 2013 proposals for spending on MassHealth and other health coverage programs that serve low-income patients, the Conference Committee generally chose to adopt the higher proposal for most items, and retained only a small portion of the additional savings and cuts that were proposed by the Senate, beyond those proposed by the Governor and included in the House budget. As a result the Conference budget for these programs totals about \$12.66 billion, higher than either of the totals contained in House (\$12.65 billion) and Senate (\$12.60 billion) budgets. The Conference budget includes the Senate's proposal to

restore a limited set of dental services for adults enrolled in MassHealth and it appears to eliminate the Senate's plan to cut rates for day habilitation programs, while adopting the House's proposal to provide supplemental rate payments to pediatric hospitals with high-acuity patients and to maintain supplemental rate payments to nursing homes at their FY 2012 level (about \$30.0 million higher than in previous years). The Conference Committee adopted the House's lower funding proposals for two new line items that are intended to facilitate more efficient enrollment processes at MassHealth and support activities related to implementation of federal health reform, providing about \$3.4 million less than the amount proposed by both the Senate and Governor.

The Conference budget's funding level for these programs represents an increase of about 4.5 percent over current FY 2012 spending, lower than the baseline cost of maintaining programs in their current form in FY 2013, and about \$40.0 million lower than the amount originally proposed by the Governor last January. The Conference Committee was able to achieve a lower rate of growth, while still funding new initiatives, partly because both House and Senate budgets included the Governor's proposal for savings and delivery reform strategies in MassHealth, and also because of aggressive procurement strategies that resulted in a sharp reduction in projected costs for the Commonwealth Care program after the Governor's budget had been released. The apparent slow-down in these costs reflects a more general trend that has affected both publicly-funded programs and private insurance premiums, although it is not at all clear that this slower rate of spending growth can be sustained in the future without additional changes in health delivery systems and payment methods.

This is a first look at the FY 2013 Conference Committee budget. Please refer to our forthcoming *Budget Monitor* for an in-depth review of Housing programs.

Public Health

Funding for public health programs in the FY 2013 Conference budget is slightly above \$529.0 million (after adjusting for transfers among Department of Public Health and other agency line items). This amount is somewhat below the Senate's proposed appropriation total of \$531.7 million, but higher than the House total of \$519.8 million. The fact that the Conference budget for public health programs is closer to the Senate's budget proposal is largely due to the Conference Committee's adoption of spending amounts that are closer or identical to higher Senate proposals for Youth Violence grants, Early Intervention services, and a jail diversion program for substance abusers. However, funding for youth violence programs (including program directly under the Executive Office of Health and Human Services) remains about \$4.5 million below current FY 2012 levels.

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Human Services

Conference deliberations proved very important for several Human Services budget appropriations. Most notably, conference committee members approved the \$20 million Human Services Salary Reserve for employees of private human services providers who make less than \$40,000. The reserve provides wage increases to low wage workers caring for the disabled, elderly and children who have not received publicly funded permanent wage increases since FY 2009.

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Children, Youth & Families

House budget proposals have eliminated DCF's **Regional Administration** the last few years; however, the final budget has provided funding each year. This year the Conference Budget provides only \$6.0 million, \$3.3 million below both the Senate proposal and current FY 2012 funding level. Regional administration funds contracts with nonprofit "lead agencies" across the state that helps coordinate services. The Senate earmark of \$152,000 for additional staff to assist in reducing the backlog of cases pending for over 180 days survived the conference and puts specific funding behind the mandate to speed up the DCF case appeal process.

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Disability Services

Senate (\$41.0 million) and House (\$51.0 million) proposals were \$10.0 million apart on funding for **Respite Family Supports**. The Conference Budget moved toward the higher end providing \$49.5 million, \$3.0 million over FY 2012 spending. For many families with disabled children, the respite program is the only source of support for afterschool recreational programming or for specialized caregiving.

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Transitional Assistance

The Conference committee did not include some of the more controversial Electronic Benefits Transfer (EBT) cards cash assistance restrictions outlined in the House. Products and services restricted by the House, but not by the conference committee include performances, cosmetics, professional services, and rental goods and property. Jewelry is the one product not included by the Senate that is prohibited by the conference committee. Language ensuring that EBT cards will be accepted at electronic fare vending machines for public transportation though the Massachusetts Bay Transit Authority is included in the Conference budget. A new **Public Benefits Fraud Unit** within the state police department receives \$400,000, \$350,000 below the Senate proposal. The unit is charged with investigating the illegal receipt and use of public benefits.

The **employment services program** receives \$7.9 million, much closer to the \$8.1 million proposed by the House and \$800,000 over current FY 2012 spending. The Senate proposed \$4.0 million. This

program provides TAFDC recipients with education, occupational skills and the employment support services needed to acquire and retain jobs.

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Elder Services

The Conference Budget provided the \$186,000 for **Residential Placement Services** for homeless elders proposed by the House. The Senate did not fund these services in its budget proposal.

This is a first look at the FY 2013 Conference Committee budget. Please refer to our forthcoming *Budget Monitor* for an in-depth review of Elder Services.

Economic Development

The Conference Budget adopted the lower Senate proposal of \$3.0 million for **Summer Jobs for At-Risk Youth**. The House proposed \$8.6 million.

This is a first look at the FY 2013 Conference Committee budget. Please refer to our forthcoming *Budget Monitor* for an in-depth review of Economic Development.

Housing

The Conference Committee's FY 2013 budget for housing cuts funding below the FY 2012 current budget for the Emergency Assistance (EA) program and restricts low-income homeless families' access to shelter. The Conference budget does provide some increases in funding above the FY 2012 current budget to help these families secure permanent housing. (For a more detailed description of the House and Senate housing budgets please see [Budget Monitor: The Senate Budget Proposal for FY 2013](#).) In cases where there was difference in funding between the House and the Senate's final budgets for housing programs, the Conference Committee generally adopted the lesser amount. The Conference budget provides \$96.7 million in funding for EA family shelters, which includes the House's separate \$16.6 million account for families who are sheltered in hotels and motels. The total funding for EA is identical to the Senate budget and is \$8.9 million less than the House amount. The Conference budget does not include the House proposal to limit a family's stay in EA shelter to 9 months but it does follow the Senate's restriction preventing families from receiving HomeBASE housing assistance if they have lived in shelter longer than 32 weeks.

As the Conference budget reduces funding for EA and restricts low-income families' access to shelter, it does increase funding for various housing programs. As noted above the Conference budget generally chose the lesser of the two amounts proposed by the House or Senate. The Conference Committee provides \$83.4 million for HomeBASE which is \$7.4 million less than the Senate budget and identical to the House recommendation. The Conference budget provides the Massachusetts Rental Voucher Program (MRVP) with \$42.0 million which is \$4.0 less than the House budget and identical to the Senate recommendation. Overall, while decreasing funding for shelters by \$40.8 million below the FY 2012 current budget, the Conference budget increases total funding for housing assistance programs,

including HomeBASE, MRVP, subsidies to local housing authorities and Residential Assistance to Families in Transition, by \$33.4 million above the FY 2012 budget.

This is a first look at the FY 2013 Conference Committee budget. Please refer to our forthcoming *Budget Monitor* for an in-depth review of Housing programs.

Local Aid

The Conference Budget adopted the very slightly lower House proposal of \$899.0 million for **Unrestricted General Government Aid**. The Senate had proposed funding this primary source on non-education local aid at \$900.0 million.

This is a first look at the FY 2013 Conference Committee budget. Please refer to our forthcoming *Budget Monitor* for an in-depth review of Local Aid.

Law & Public Safety

Headed into conference, the House and Senate had a number of differences to resolve regarding funding for various law and public safety accounts.

One such difference involved proposed funding levels for Shannon Grants, which the Senate funded at \$7.0 million and the House funded at \$5.5 million. The Conference Budget splits the difference, providing \$6.3 million. The Senate also provided \$2.0 million to train a new class of state police officers. The House did not provide funding for this purpose. The Conference Budget provides \$596,000 for "hiring, equipping, and training 150 state police recruits."

The Senate established a new Public Benefits Fraud Unit within the Department of State Police, funding the unit at \$750,000. The House did not establish or fund such a unit in its budget. In the Conference Budget \$400,000 is provided for this purpose. The unit is charged with investigating the illegal receipt and use of public benefits and is directed to work with the Attorney General and Auditor's Office, as well as other state and federal authorities as appropriate.

Both the Senate and House maintained the effort undertaken in the FY 2012 budget to shift indigent defense funding toward public defenders (PDs) and away from the use of private bar attorneys (PBAs), with a goal of decreasing and controlling overall indigent defense costs. The House Budget, however, provided slightly less funding for PBAs (\$98.9 million total through the Private Counsel Services account) and slightly more for PDs (\$63.7 million total through the Committee for Public Counsel Services) than did the Senate. The Conference Budget adopts the House totals for these accounts.

This is a first look at the FY 2013 Conference Committee budget. Please refer to our forthcoming *Budget Monitor* for an in-depth review of Law & Public Safety.

Revenue

The Conference Committee includes approximately \$615 million in temporary revenues in order to balance its budget. Because neither the House nor the Senate included any of the Governor's major new tax initiatives in their own budget proposals, there were only a few revenue differences to be resolved by the Conference Committee. The most significant revenue item under contention was how much to withdraw from the state's Stabilization ("Rainy Day") Fund. The Conference budget includes \$350 million withdrawn from the fund – a compromise between the House and Senate proposals – as well as the transfer of approximately \$9.1 million estimated interest earned by that fund.

Other major revenue initiatives included in the Conference Committee budget are the Senate's proposal to direct an estimated \$32 million in tax settlements into the General Fund, and the Senate's higher estimate of \$36.3 million associated with enhanced tax revenue enforcement. The Conference Committee followed the Senate's proposal to budget an anticipated \$20 million from abandoned property and unclaimed checks, and also relies on the use of \$6.0 million from balances in existing trust funds to pay for FY 2013 costs.

Although not debated during conference, the budget proposal also includes \$45.9 million associated with the delay (for another year) of the implementation of the "FAS 109" tax break provided to certain publically-traded companies as part of the 2008 combined reporting corporate tax reform package (included in both chambers' budget proposals.) Also not under contention in the Conference Committee budget proposal is the decision to forgo for FY 2013 a statutory carry-forward of slightly more than \$100 million of tax revenue to be made available for use in FY 2014, in effect "saving" revenue in FY 2013.

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