

The House Fiscal Year 2012 Budget

OVERVIEW

The Fiscal Year 2012 budget approved by the House of Representatives on April 28th includes modestly more funding than recommended by the House Ways & Means (HWM) Committee in several areas, but largely follows the HWM proposal in implanting deep cuts across state government.

The most significant amendments adopted were in health care accounts, specifically funding for a half year of the Commonwealth Care Bridge program, which provides health insurance for 19,000 legal immigrants, and adult day health services for the elderly and disabled.

The House also adopted \$5.7 million in amendments to reduce the magnitude of cuts in a number of education grant programs, and \$11.3 million to reduce cuts in public health. In addition, the House adopted a \$5 million amendment to increase funding for local tourism councils. These and many smaller amendments affecting areas throughout the state budget are described in more detail in this *Budget Monitor*.

This *Monitor* also compares the final House budget to the Governor's proposal and to the current budget (FY 2011). Like the Governor's budget, the final House budget calls for cuts across state government, including in local aid and education, health care and public health, human services and public safety. These cuts are on top of cuts implemented in fiscal years 2009, 2010, and 2011.

In recent months, tax revenue growth has begun to pick up as the economy emerges from the Great Recession. The Commonwealth continues to struggle, however, with the effects of ongoing structural budget problems dating from the large tax cuts of the late 1990s, with the continuing effects of the recession, and now with the loss of federal aid that the state received in 2009, 2010 and 2011 to help cope with the impacts of the recession.

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HOW TO READ THE TABLES

The tables included at the beginning of each section provide an overview of the funding for each category and how it compares to funding in FY 2011. Here is an explanation of each item presented in these tables.

MassBudget Adjusted Totals: To allow for accurate comparisons of FY 2012 budget proposals to FY 2011 budget totals, MassBudget “adjusts” budget totals when the FY 2012 proposal recommends departmental reorganizations or accounting changes. These adjustments allow the user to differentiate between changes in funding due to proposed cuts or expansions, rather than changes due to organizational or accounting shifts.

FY 2012 House (Adjusted): For the final FY 2012 budget proposal, MassBudget adjusts funding levels for the University of Massachusetts, state universities, and community colleges to include projected FY12 retained revenue amounts for each campus. The specific amounts are listed in the table below.

Account	Campus	Projected Retained Revenue
7100-0200	University of Massachusetts	\$11,557,889
7109-0100	Bridgewater State University	\$767,750
7110-0100	Fitchburg State University	\$836,941
7112-0100	Framingham State University	\$460,887
7114-0100	Salem State University	\$286,000
7115-0100	Westfield State University	\$257,240
7116-0100	Worcester State University	\$814,801
7502-0100	Berkshire Community College	\$86,883
7503-0100	Bristol Community College	\$58,298
7504-0100	Cape Cod Community College	\$137,687
7505-0100	Greenfield Community College	\$140,877
7506-0100	Holyoke Community College	\$67,806
7507-0100	Massachusetts Bay Community College	\$219,200
7508-0100	Massasoit Community College	\$144,927
7509-0100	Mount Wachusett Community College	\$40,480
7510-0100	Northern Essex Community College	\$196,539
7511-0100	North Shore Community College	\$107,685
7512-0100	Quinsigamond Community College	\$136,556
7514-0100	Springfield Technical Community College	\$186,167
7515-0100	Roxbury Community College	\$58,417
7516-0100	Middlesex Community College	\$163,087
7518-0100	Bunker Hill Community College	\$467,809

FY 2011 Current: This is the funding amount included in the current year (FY 2011) budget, which incorporates any changes to funding levels that may have occurred after the budget was enacted at the beginning of the fiscal year (the General Appropriations Act).

FY 2012 Governor (Adjusted): This is the funding amount proposed by the Governor for FY 2012, with MassBudget adjustments. For an explanation of the adjustments made to the FY 2012 Governor’s proposal, please see the *Budget Monitor* for the Governor’s Fiscal Year 2012 Budget at <http://massbudget.org/doc/775>.

EDUCATION

During floor debate, the House added \$10.8 million to House Ways & Means (HWM) proposals relating to education, bringing the House final Fiscal Year (FY) 2012 budget for these programs up to a total of \$6.64 billion. This total encompasses all funding for programs within early education and care, elementary and secondary education, and public higher education. House floor increases were spread across 10 K-12 grant programs and four higher education grant programs. No programs within Chapter 70 education aid, early education and care, and school building were amended during House floor debate.

The House final FY 2012 proposal represents a decrease of \$29.0 million, or 0.4 percent, from the current FY 2011 budget, and it is \$3.5 million lower than the Governor's FY 2012 proposal. Generally speaking, the House's FY 2012 education proposals mirror the Governor's. Both budgets propose cutting Chapter 70 aid by about \$80 million, although the effect of this cut may be mitigated for districts that do not spend all of their federal Education Jobs Fund allocation in FY 2011. They also propose modest increases in many K-12 grant programs and continue the trend of significant cuts to public higher education campuses since the onset of the fiscal crisis in FY 2009.

It is important to note that in FY 2011, \$296.5 million in temporary federal recovery money is being used to help fund K-12 education and the state's public institutions of higher education (federal recovery money is included in all MassBudget totals). Since there are no new sources of federal recovery dollars available for FY 2012, an increase in the state's own contribution to education spending is proposed for FY 2012 in order to fend off deeper cuts.

Education has been cut steadily over the course of the ongoing fiscal crisis, with the House final FY 2012 proposal representing a cut of 7.9 percent when compared to FY 2009 GAA inflation-adjusted funding levels.¹

FY 2012 House (Adjusted)*	\$6,635,644,651
FY 2011 Current	\$6,664,644,226
<i>Change from FY 2011 Current</i>	<i>-\$28,999,575</i>
<i>Percent Change</i>	<i>-0.4%</i>
FY 2012 Governor (Adjusted)*	\$6,639,109,325

* When budget proposals shift line items between categories, we make adjustments in order to provide more accurate across-year comparisons. See "How to Read the Tables."

Early Education & Care

The House final FY 2012 budget proposes to fund programs within Early Education and Care at \$512.6 million, an increase of \$2.3 million, or 0.5 percent, from the current FY 2011 budget. During floor debate, the House did not alter any of the HWM funding levels within Early Education & Care. The Governor proposed very close to level funding from the current FY 2011 budget.

¹ Since Chapter 70 education aid is funded through a formula designed to ensure adequate resources for every district, fully funding the formula often requires greater resources than simply inflating nominal dollar amounts from prior years. For more information on cuts to Chapter 70 since the onset of the Great Recession in the fall of 2008, please see the MassBudget paper *Fiscal Fallout* available online at: <http://massbudget.org/doc/781>

This FY 2012 House proposal represents a cut of \$99.0 million, or 16.2 percent, when compared to FY 2009 inflation-adjusted funding levels.

The House proposal maintains three dedicated line items for child care subsidies for different types of children: 1) children of low-income families; 2) children of families served by, or transitioning from, Transitional Aid for Families with Dependent Children (TAFDC); and 3) children under Department of Children and Families (DCF) custody. The Governor's proposal, by contrast, consolidated all three of these programs into the Low-Income Child Care line item without earmarks. Taken together, the House proposes to fund these child care subsidies at \$448.2 million, \$2.1 million higher than the Governor's proposal. For these three child care support subsidies, the FY 2012 House final budget proposes:

- \$237.4 million for **Low-Income Child Care**, an increase of \$3.9 million, or 1.7 percent, from the current FY 2011 budget.
- \$133.4 million for **TANF Related Child Care**, an increase of \$6.0 million, or 4.7 percent, from the current FY 2011 budget.
- \$77.4 million for **Supportive Child Care** (children of DCF custody), a decrease of \$8.3 million, or 9.6 percent, from the current FY 2011 budget.

Also within Early Education & Care, the FY 2012 House final budget proposes:

- \$19.0 million for **Family Support and Engagement**, which is the result of rolling Quality Program Supports into the Family Support and Engagement line item. The Governor's FY 2012 budget did not propose this consolidation. Taken together, this funding level represents a decrease of \$25,000 from the current FY 2011 budget, essentially level funding. The Governor's budget proposed level funding.
- \$10.5 million for the **Healthy Families Home Visiting Program**, a decrease of \$75,000, or 0.7 percent, from the current FY 2011 budget. The Governor's FY 2012 budget proposed level funding.
- \$7.5 million for **Head Start**, level funding from the current FY 2011 budget. This proposal is identical to the Governor's FY 2012 proposal.
- \$7.5 million for **Universal Pre-Kindergarten**, level funding from the current FY 2011 budget. This proposal is identical to the Governor's FY 2012 proposal.
- \$500,000 for the creation of a new line item, **Reach Out and Read**, for early literacy education.

Total State Funding for K-12 Aid

The following three MassBudget subcategories—Chapter 70 Aid, Non-Chapter 70 Aid, and School Building—together represent the state's contribution to K-12 education.

Total State Funding for K-12 Education

Subcategory	FY 2011 Current	FY 2012 Governor	FY 2012 House Final
Chapter 70 Aid	\$4,072,341,440	\$3,990,519,337	\$3,990,812,681
Non-Chapter 70 Aid	\$425,501,546	\$506,949,036	\$505,378,764
School Building	\$644,348,851	\$678,100,000	\$678,124,324
TOTAL	\$5,142,191,837	\$5,175,568,373	\$5,174,315,769

The FY 2012 House final budget proposes to fund K-12 education at \$5.17 billion, an increase of \$32.1 million, or 0.6 percent, from the current FY 2011 budget. This proposal is \$1.3 million below the Governor's FY 2012 budget.

K-12 Chapter 70 Aid

The FY 2012 House final budget proposes to fund **Chapter 70 education aid** to local and regional school districts at \$3.99 billion, a decrease of \$81.5 million, or 2.0 percent, from current FY 2011 funding levels (which include \$221.1 million in federal recovery money that was available to districts in FY 2011). During floor debate, the House did not alter the HWM Chapter 70 proposal. This proposal is virtually the same as the Governor's proposal, except that the House used updated district enrollment estimates that changed slightly Chapter 70 allocations for 8 districts. Chapter 70 aid has seen less severe cuts over the last several years than many other state programs, with the House proposal representing a somewhat modest 2.5 percent decrease from FY 2009 inflation-adjusted levels.

Not counting federal recovery money, state funding for Chapter 70 was \$3.85 billion in FY 2011. Therefore, while the House proposal is \$81.5 million below the total amount available in FY 2011, it is \$139.6 million above the state's FY 2011 appropriation, narrowly defined, which is how the House describes this proposal.

The total \$4.07 billion in revenue allocated to Chapter 70 aid in FY 2011 comes from:

- \$3.85 billion state contribution.
- \$20.7 million federal State Fiscal Stabilization Fund (SFSF) contribution.
- \$200.5 million federal Education Jobs Fund contribution.

This FY 2011 revenue picture is complicated by the fact that federal dollars distributed locally are not actually required to be spent fully during the fiscal year in which they are allocated. While essentially all of the \$20.7 million in SFSF money allocated to school districts will be spent during the current fiscal year, districts have until September 30, 2012 (the first quarter of FY 2013) to spend their Education Jobs Fund allocation. As of April 2011, only \$92.2 million of the \$200.5 million in Education Jobs Fund money intended for use in FY 2011 has actually been claimed by local districts for this fiscal year; some districts have partially claimed their allocation for FY 2011, whereas 45 districts have chosen to defer their entire allocation to FY 2012 and/or the first quarter of FY 2013. Therefore, the \$4.07 billion budgeted amount for Chapter 70 aid in FY 2011 somewhat overstates resources actually being spent on

education this year and, conversely, the House's \$3.99 billion proposed state contribution for FY 2012 somewhat understates the resources likely to be available next year.

Under the House proposal, 73.3 percent of districts would receive a cut in their Chapter 70 aid of between 5 and 7.5 percent, with no district being cut so much that their net school spending falls below their foundation budget. The effect of these cuts would be mitigated for districts that do not spend their entire Education Jobs Fund allocation in FY 2011.

Through the FY 2007 budget process a set of reforms to the Chapter 70 formula was planned to be phased in over five years, finishing in FY 2011. Since these reforms require additional state funding, the Legislature chose to slow this phase in during FY 2010 and FY 2011 as the financial crisis strained state resources. Similar to the past two fiscal years, the House proposal for FY 2012 continues a freeze on phasing in some reform provisions, and it partially phases in another: an additional reduction of required local contributions for districts above their target local contributions. Qualifying districts would have their local contribution reduced by 20 percent of the gap between their preliminary contribution and their target contribution, resulting in \$11.7 million more Chapter 70 aid for these districts.

K-12 Non-Chapter 70 Aid

During floor debate, the House added \$5.7 million to the House Ways & Means (HWM) proposal for elementary and secondary education programs (not including Chapter 70 aid), bringing the House final FY 2012 budget for these programs up to a total of \$505.4 million.

House floor debate resulted in increases over the HWM proposal for the following programs:

- \$1.5 million additional for **METCO**, a program to reduce racial imbalance across school districts, bringing the House final proposal to \$17.6 million, level funding from the current FY 2011 budget. HWM proposed a cut of \$1.5 million, but this money was restored during floor debate. The House final proposal is identical to the Governor's FY 2012 proposal.
- \$1.3 million for **Youth-Build Grants**, level funding from the current FY 2011 budget. Youth-Build Grants had been slated for elimination in the HWM proposal. The Governor also proposed level funding.
- \$951,000 for **Targeted Intervention in Underperforming Schools**, bringing the House final proposal to \$7.7 million, an increase of \$951,000, or 14.1 percent, from current FY 2011 levels. The Governor also proposed an increase of \$951,000, whereas HWM proposed level funding.
- \$480,000 for **MCAS Low-Scoring Support**, bringing the House final proposal to \$9.6 million, an increase of \$480,000, or 5.3 percent, from current FY 2011 levels. The Governor's proposal is \$80,000 higher than the House final proposal, and HWM proposed level funding.
- \$400,000 for **Teacher Content Training**, bringing the House final proposal to \$753,000.

- \$364,000 for the creation of a **Smart Growth School Cost Reimbursement (40S) fund**, designed to offset the increasing school costs associated with smart growth zoning. Neither HWM nor the Governor proposed funding these reimbursements.
- \$300,000 for a new **Regionalization Bonus** line item. Neither HWM nor the Governor proposed funding for this line item.
- \$150,000 for **Mentoring Matching Grants**, bringing the House final proposal to \$250,000. Both HWM and the Governor had proposed level funding of \$100,000.
- \$146,000 for **Alternative Education Grants**, level funding from the current FY 2011 budget. The Governor also proposed level funding, whereas HWM had proposed elimination.
- \$102,000 for **Teacher Certification**, bringing the House final proposal to \$1.4 million, level funding from the current FY 2011 budget. The Governor also proposed level funding.

Most of the programs within K-12: Non-Chapter 70 Aid are grant programs distributed to individual schools and/or school districts to advance specific priority initiatives. The House final proposal represents an increase of \$79.9 million, or 18.8 percent, from the current FY 2011 budget, and it is \$1.6 million less than the Governor's FY 2012 proposal. These education programs have been cut significantly since the start of the Great Recession, with the House's FY 2012 proposal representing a cut of 21.0 percent from FY 2009 inflation-adjusted levels.

Programs proposed for increases by the House final FY 2012 budget include the following. None of these funding levels were changed during House floor debate.

- \$213.1 million for the **Special Education Circuit Breaker** program, reflecting an increase of \$80.0 million from current FY 2011 levels, accounting for much of the total proposed increase to non-Chapter 70 K-12 funding. The HWM proposal is identical to the Governor's FY 2012 proposal and restored the circuit breaker program closer to the original FY 2009 GAA funding level of \$230.0 million, not adjusted for inflation, prior to a series of cuts made during the Great Recession. While the circuit breaker was reduced to \$140.1 million in the FY 2010 GAA and to \$133.1 in the FY 2011 GAA, there was a separate infusion of additional temporary federal recovery money available in these years through the Individuals with Disabilities Education Act (IDEA), which also funds special education services and helped mitigate the affect of these cuts.
- \$73.2 million for **Charter School Reimbursement**, an increase of \$1.7 million, or 2.3 percent, from current FY 2011 levels. This appropriation is based upon projected full-funding of the reimbursement formula, so while the HWM proposal is somewhat higher than the Governor's proposal of level funding, the difference is due only to revised projections since the Governor's budget was released in January 2011.

Programs proposed for level funding by the House final FY 2012 budget include the following. None of these funding levels were changed during House floor debate.

- \$40.5 million for the **Transportation of Pupils in Regional School Districts**. This proposal is identical to the Governor's FY 2012 proposal.

- \$27.7 million for **Adult Basic Education**. This proposal is identical to the Governor's FY 2012 proposal.
- \$22.9 million for **Kindergarten Expansion Grants**. This proposal is identical to the Governor's FY 2012 proposal.
- \$13.9 million for **Extended Learning Time Grants**. This proposal is identical to the Governor's FY 2012 proposal.
- \$4.1 million for the **School Breakfast Program**. The Governor, by contrast, proposed an increase of \$290,000.
- \$3.9 million combined for three separate literacy-related line items—**Bay State Reading Institute, Targeted Tutorial Literacy Programs, and Literacy Programs**—that are proposed to be consolidated into the Literacy Programs line item in the Governor's FY 2012 proposal. In total, both the Governor and HWM proposed level funding from the current FY 2011 budget.
- \$1.5 million for **After-School programs**. This proposal is identical to the Governor's FY 2012 proposal.

Additionally, the House does not follow the Governor in proposing the creation of a new \$3 million fund within the Executive Office of Education to support the state's achievement gap-related programs.

Connecting Activities, which provides work opportunities for high school students, particularly in the summer, is one area where a comparison to FY 2011 is somewhat complicated. The House proposes no new funding in the FY 2012 budget for Connecting Activities, which was funded at \$2.0 million in both the FY 2010 and FY 2011 GAA budgets. However, an additional \$2.0 million was added in an April 2011 supplemental budget, increasing the FY 2011 current appropriation to \$4.0 million. While the House did not appropriate any new money for Connecting Activities in its FY 2012 budget, accompanying documents to the HWM budget listed \$2.0 million from this line item under "FY11 Investments for FY12." This language suggests that the additional \$2.0 million appropriated in April 2011 is intended by the House to be used in part for summer jobs starting in July 2011 (the beginning of FY 2012). The Governor, by contrast, proposed \$2.0 million for Connecting Activities in his FY 2012 budget in addition to funds that would be available from the FY 2011 supplemental budget.

School Building

The House final FY 2012 budget projects a contribution to the **School Modernization and Reconstruction Trust (SMART)** of \$678.1 million, an increase of \$33.8 million, or 5.2 percent, from current FY 2011 levels. During floor debate, the House did not alter the HWM proposal for SMART funding.

Each year the Commonwealth is required to contribute to this trust an amount equal to one penny of the state sales tax. The House proposal reflects anticipated increases in the sales tax due to continued economic recovery, not due to policy changes involving the sales tax. This projection is almost exactly the same as the Governor's FY 2012 projection.

Higher Education

During floor debate, the House added \$5.1 million to the HWM proposal for Higher Education, bringing the House final FY 2012 budget up to a total of \$948.8 million.

House floor debate resulted in increases over the HWM proposal for the following programs:

- \$2.5 million for the creation of a new **Performance Incentive Fund**, to be distributed through a competitive process to the state's higher education campuses for advancing goals articulated by the Commonwealth's Vision Process. HWM did not propose any funding for this line item. The Governor proposed \$7.5 million for this fund, \$5.0 million more than the House final proposal.
- \$1.1 million for the **State Scholarship Program**, bringing the House final proposal to \$87.6 million, a cut of \$1.9 million from the current FY 2011 budget. The House's addition of \$1.1 million to the HWM proposal offsets a portion of what otherwise would have been a \$3.0 million cut from FY 2011. The FY 2011 budget does include, however, \$3.0 million in federal recovery money that is not available for FY 2012, so the House proposal of \$87.6 million essentially represents slight increase in the state's appropriation, narrowly defined. The House final FY 2012 proposal is \$734,000 below the Governor's proposal.
- \$1.0 million for the **Tufts School of Veterinary Medicine**, bringing the House final proposal to \$2.0 million.
- \$500,000 for **the Science, Technology, Engineering, and Mathematics Pipeline Fund**. HWM did not propose any funding for this line item.

The House proposal represents a decrease of \$63.5 million, or 6.3 percent, from current FY 2011 levels, which include \$75.3 million in federal State Fiscal Stabilization Fund (SFSF) money that will no longer be available in FY 2012. The final House proposal is \$4.6 million less than the Governor's FY 2012 proposal.

Higher education has been cut severely during the last several years of the Great Recession, with the House final FY 2012 proposal representing a cut of 16.2 percent from FY 2009 inflation-adjusted funding levels.

The House proposal for higher education reflects two changes recently adopted by the Legislature: schools formerly known as "State Colleges" became known as "State Universities" as of October 2010 and all campuses of public higher education will retain tuition payments from out-of-state students starting in FY 2012, rather than remitting that revenue back to the state. MassBudget adjusts upwards the Governor's and House's allocations by these projected amounts so that one can compare reasonably the levels or resources available at an individual campus to previous years when tuition had to be remitted to the state.

New out-of-state tuition retention estimates became available for four campuses (Bridgewater State University, Westfield State University, Massachusetts Bay Community College, and Northern Essex Community College) between release of the Governor's budget and the House budget. In order to

meet the same projected total resources (campus appropriation + tuition retention) as the Governor's proposal, the House adjusted upwards the campus appropriations to these four campuses by the same amount as the decrease of these new tuition retention estimates. Technically speaking, the release of new, lower tuition retention estimates means that the Governor's proposal now reflects lower total resources for higher education campuses than he had intended. MassBudget is using the older estimates for adjusting the Governor's budget in order to reflect total projected resources at the time that budget was released.

The vast majority of funding for Higher Education, almost 90 percent, goes directly to the state's campuses of public higher education, with most of the balance going to the state scholarship program (see below). In total, the House proposes to fund community colleges, state universities, and UMass campuses at \$839.7 million, a decrease of \$59.4 million, or 6.6 percent, from the current FY 2011 budget. The House proposes the following funding levels for each of the state's campus categories. These appropriations are essentially the same as the Governor's FY 2012 proposal.

- \$434.3 million for **UMass** campuses, a decrease of \$30.3 million, or 6.5 percent, from current FY 2011 levels.
- \$195.0 million for **state universities**, a decrease of \$12.1 million, or 5.8 percent, from current FY 2011 levels. This proposal is slightly higher (\$258,000) than the Governor's proposal because of a technical error that occurred when calculating collective bargaining funds for the Governor's budget when it was released in January 2011. This error is corrected in the House budget.
- \$210.4 million for **community colleges**, a decrease of \$17.1 million, or 7.5 percent, from current FY 2011 levels.

ENVIRONMENT & RECREATION

During its floor debate, the House of Representatives added \$3.6 million in funding above the amount recommended by the House Ways & Means Committee (HWM) for environment and recreation programs for Fiscal Year (FY) 2012. The final House budget of \$158.0 million for environmental protection programs, fish and game activities, and state parks and recreation, is \$7.1 million, or 4.3 percent, below the FY 2011 current budget, and is \$8.1 million, or 4.9 percent, less than the amount the Governor recommended in his FY 2012 budget proposal. Some of the changes the House made during its debate included increasing funding for the Department of Environmental Protection, for state parks and for watershed management. The House also provided funding for recycling centers and for the endangered species program which were not included in the HWM budget.

FY 2012 House (Adjusted)*	\$157,998,715
FY 2011 Current	\$165,057,138
<i>Change from FY 2011 Current</i>	<i>-\$7,058,423</i>
<i>Percent Change</i>	<i>-4.3%</i>
FY 2012 Governor (Adjusted)*	\$166,117,850

* When budget proposals shift line items between categories, we make adjustments in order to provide more accurate across-year comparisons. See "How to Read the Tables."

Environment

During its floor debate, the House added \$1.7 million for environment programs. The final House budget level of \$68.3 million is \$6.3 million below the FY 2011 current budget and \$8.7 million below the amount recommended in the Governor's FY 2012 budget.

During its floor debate the House increased funding for several programs including:

- \$275,000 for **recycling and redemption centers**. The HWM budget recommended eliminating funding for these centers. While the final House amount is the same level as the FY 2011 current budget, it is less than the \$6.5 million that the Governor recommended in his budget. The Governor's FY 2012 proposal recommended expanding the bottle bill to include water, juice and coffee drinks and directed \$6 million from this expansion to improve recycling and redemption efforts throughout Massachusetts.
- \$1.4 million in additional funding for the **Department of Environmental Protection**, to \$22.9 million. This is \$2.8 million less than the current FY 2011 budget and \$1.4 million less than the Governor's FY 2012 recommendation.

The final House budget includes the same cuts in funding as recommended in the HWM proposal for several programs including:

- \$1.9 million from **the hazardous waste cleanup program** to \$12.0 million. This is slightly below the Governor's FY 2012 proposal.

- \$728,000 from the **Environmental Police** to \$8.0 million. This is slightly less than the Governor's recommendation.

Like the HWM and Governor's recommendations, the House budget essentially level funds the **Toxic Use Reduction Act**. During its floor debate the House passed an amendment directing that \$1.6 million from this account be provided to the **Toxics Use Reduction Institute (TURI) at UMass Lowell**. The current FY 2011 budget includes slightly more funding for TURI than the House-passed budget for FY 2012.

Fish & Game

During its floor debate, the House added \$710,000 for Fish and Game programs. The final House level of \$18.7 million is \$1.2 million above the current budget for FY 2011 and \$961,000 million above the amount recommended in the Governor's FY 2012 budget.

During its debate the House added funding for a number of programs including:

- \$150,000 for the **endangered species program** which did not receive funding either in the FY 2011 current budget or in the HWM and Governor's FY 2012 proposals.
- \$500,000 for the **Division of Fisheries and Wildlife** to \$9.9 million. This amount is \$665,000 more than the current budget and \$340,000 more than the Governor's FY 2012 proposal.
- \$60,000 for the **riverways protection program** to \$410,000. This level is slightly above the current FY 2011 budget of \$390,000 and \$35,000 more than the amount recommended in the Governor's FY 2012 budget.

During its floor debate the House passed an amendment requiring that the Department of Fish and Game develop a plan to assure that there is adequate, long-term funding available to repair and maintain dams operated by the Commonwealth.

Parks & Recreation

During its floor debate on the FY 2012 budget, the House increased spending for parks and recreation by \$1.2 million. The final House budget recommends spending \$71.0 million on parks and recreation programs. This proposal is \$2.0 million below the FY 2011 current budget and \$345,000 million less than the amount the Governor recommended in his FY 2012 budget.

During its debate the House provided an additional:

- \$700,000 for **state parks and parkways** for a total of \$41.6 million. This amount is \$848,000 below the FY 2011 current budget and \$624,000 less than the Governor's FY 2012 proposal.
- \$528,000 for the **watershed management program** to \$1.0 million. This is the same level as the amount provided in the FY 2011 current budget and in the Governor's FY 2012 proposal.

During its floor debate the House passed an amendment requiring that the Department of Conservation and Recreation (DCR) develop a plan to assure that there is adequate, long-term funding available to repair and maintain seawalls managed by the Commonwealth.

The final House budget provides \$11.6 million for **state beaches and pools and for seasonal employees** hired by DCR to work at all of its state recreational facilities. This level, which is the same as the HWM recommendation, is \$748,000 below the amount the state expects to spend in FY 2011 and is \$436,000 more than the Governor's request.

HEALTH CARE

During floor debate on the Fiscal Year (FY) 2012 budget, the House added \$45.54 million to the House Ways & Means (HWM) budget proposal, bringing total funding for health care to \$14.27 billion. This total, which is \$24.0 million less than recommended by the Governor, includes funding for MassHealth (Medicaid) and other programs that support health care for the state’s low- and moderate-income residents, mental health services, public health, and funding for state employee health insurance.

During floor debate, the House restored some funding to provide six months’ health care coverage for certain legal immigrants, and restored some funding for adult day health services. The full House also added \$11.5 million back into the public health budget.

Nevertheless, like the Governor’s budget, the House budget proposal still shows deep cuts in public health, and includes substantial funding constraints in the MassHealth program. In particular, given expected caseload growth and expected increases in health care costs, the MassHealth program will need to undergo significant program cuts and aggressive savings measures over the course of the year to keep within the proposed budget levels.

FY 2012 House (Adjusted)*	\$14,269,266,070
FY 2011 Current	\$14,770,639,662
<i>Change from FY 2011 Current</i>	<i>-\$501,373,592</i>
<i>Percent Change</i>	<i>-3.4%</i>
FY 2012 Governor (Adjusted)*	\$14,293,291,376

* When budget proposals shift line items between categories, we make adjustments in order to provide more accurate across-year comparisons. See “How to Read the Tables.”

MassHealth (Medicaid) & Health Reform

The House added \$33.1 million to the HWM budget proposal, bringing the total up to \$11.79 billion (see table). Additions included \$27.8 million for certain MassHealth programs, \$250,000 for MassHealth administration, and \$5.0 million for the Commonwealth Care Trust Fund. (These changes are described in more detail below.) The two biggest changes to the HWM proposal made by the full House during floor debate include ensuring continued health care coverage for legal immigrants through the Commonwealth Care Bridge program, and continued funding for most adult day health services through the end of the calendar year (see details below). Although in most other instances the House followed the Governor’s budget recommendations, there are still differences between the final House budget and the Governor’s, and both the House and the Governor cut significantly from MassHealth and health reform compared to what it would cost to maintain current FY 2011 services, benefits and payment rates. Like the Governor’s proposal, the final House budget incorporates close to \$800 million in cuts and savings, and assumes significant changes in contracting for health care.

MassHealth (Medicaid) and Health Reform				
	FY11 Current	FY12 Governor	FY12 HWM	FY12 House
MassHealth (Medicaid)				
MassHealth	10,267,281,031	10,338,292,834	10,305,895,583	10,333,695,583
MassHealth administration	171,818,771	168,933,772	167,792,784	168,042,784
Sub-Total	10,439,099,802	10,507,226,606	10,473,688,367	10,501,738,367
Health Reform and Health Safety Net				
Prescription Advantage Pharmacy Program	31,542,765	21,665,608	21,602,546	21,602,546
Health Care Finance & Other Initiatives	24,057,507	22,357,507	26,357,507	26,357,507
Commonwealth Care Trust*	842,011,822	879,511,822	842,011,822	847,011,822
Health Insurance Technology Trust	0	500,000	500,000	500,000
Medical Assistance Trust	886,101,088	394,025,000	394,025,000	394,025,000
Sub-Total	1,783,713,182	1,318,059,937	1,284,496,875	1,289,496,875
Total	12,222,812,984	11,825,286,543	11,758,185,242	11,791,235,242

* This total includes a transfer of funding from the General Fund, as well as an estimated \$120 million from a dedicated cigarette tax in FY11 and FY12.

MassHealth

During floor debate, the House made a significant change to the HWM MassHealth budget proposal in funding for **adult day health**, restoring certain services through December 2011. Both the Governor's and HWM budget proposals included \$55 million in cuts to the adult day health program. They estimated that by cutting benefits for 80 percent of the 7,000 very frail elders and disabled adults who receive these supports, the state would save approximately \$27 million. Only the most fragile persons with complex medical needs would continue receiving adult day health services. The adult day health program was designed to provide nursing care in community settings to people with significant medical needs so that they could avoid hospitalization or nursing home placement. During floor debate, the full House restored \$10.0 million to the program and added language protecting most adult day health services from eligibility or rate cuts for a six month period. The House also imposes a moratorium on the approval of additional adult day health slots until the Administration completes a comprehensive study of the program.

Other changes made on the floor of the House include:

- \$3.0 million added to fund a medical respite program for the homeless that was not funded by HWM or the Governor.
- \$12.0 million added to the HWM proposal to support increased nursing facility rates, incorporating the MassHealth share for increased nursing assessments. This funding, added to the senior care line item, was also not included in the HWM or Governor's proposal.
- \$2.8 million added for an incentive for nursing home pay-for-performance for certain facilities. This amount, although also earmarked in the FY 2011 budget, was not included in the HWM or Governor's proposal.

- \$250,000 added to funding for the Executive Office of Health and Human Services, bringing the total to \$83.7 million, earmarked for technical assistance for community health centers. This earmark was not included in the HWM or Governor's budgets, nor in the FY 2011 current budget.

The final House budget represents more than \$800 million less than what it would **cost to maintain the MassHealth** program in its current form, given expected caseload, utilization and enrollment growth. The House and Governor's budget proposals are built upon the assumption that the MassHealth caseload will grow by approximately 4.6 percent over the course of the year, adding 19,000 children and 41,000 adults. The Administration estimates that MassHealth caseload will total 1.36 million people in FY 2012. In order to constrain MassHealth program costs (given expected caseload growth and anticipated utilization and cost increases), the House follows the Governor's recommendations for a range of cuts and savings to be implemented over the course of FY 2012 (described in more detail below). It is important to remember, however, that the federal government typically reimburses Massachusetts for approximately half of the costs of the MassHealth program. This means that cuts in MassHealth spending will result in reductions in federal revenues coming in to the state.

Highlights of the cuts and savings within the House MassHealth budget proposals include:

- The House budget does not restore the **adult dental benefits** that had been eliminated in July 2010. Restorative services (such as fillings) were eliminated from MassHealth coverage for adults (with the exception of those adults who are clients of the Dept. of Developmental Services), requiring people to use hospital emergency rooms or the limited number of dental clinics at community health centers for care.
- The House estimates that the state will save approximately \$5 million by charging \$2 **co-payments** for non-emergency transportation and increasing co-payments for medications. For most people, the drug co-payment would rise from \$3 to \$4, but for brand name drugs for people over 150 percent of the federal poverty level the co-payment would increase to \$5.
- The House budget cuts \$319 million in **rates or payments to health care providers**, for a net savings to the Commonwealth of approximately \$159 million. These cuts include: not paying hospitals for what are considered "preventable" readmissions that occur within 30 days; reducing the payment rates for acute care for certain hospitals; reducing payments for certain specific services; eliminating rate increases for managed care.
- The House follows the Governor's estimates that with **aggressive re-contracting and negotiations** with health care providers emphasizing new models for care management, service delivery and payment, the program will be able to cut up to an additional \$351 million in payment for care, netting the state \$175 million in savings. Similar re-contracting in the Commonwealth Care program and the state's Group Insurance program (see below) has already netted the state substantial savings.
- The House budget estimates that the state will be able to net \$25 million in savings by better integrating health care for young disabled adults who are eligible for both Medicare and Medicaid. With approval from the federal government, the program will be designed to improve access to primary care and ensure better coordinated and integrated health care services.

- There is language in the House budget directing the Department of Public Health to seek full reimbursement from MassHealth for transportation of MassHealth members who participate in the **early intervention** program; this language is likely to impose a new cost of somewhere between \$1 million and \$2 million on the program.

Health Reform and the Health Safety Net

The House made several significant changes to the HWM budget proposal for the health safety net, most notably in ensuring continued health care coverage for legal immigrants served by the Commonwealth Care Bridge program through the end of the calendar year, and added \$5.0 million to the HWM proposal for funding for the Commonwealth Care Trust.

The House proposes transferring \$847.0 million into the Commonwealth Care Trust Fund, including \$727.0 million directly transferred from the General Fund, and \$120.0 million transferred into the Trust Fund from the cigarette excise tax. These funds go to support the **Commonwealth Care** health insurance program, a publicly subsidized health insurance program for low-income people not eligible for Medicaid. The Trust Fund also supports the **Health Safety Net**, a program that partially reimburses hospitals and community health centers for health care provided to people without insurance. The Governor's budget included \$50.0 million for the **Commonwealth Care Bridge** program, which provides limited health care coverage to immigrants known as "aliens with special status," or AWSS, since they were first excluded from eligibility for Commonwealth Care in August 2009. These are primarily legal immigrants with green cards who have been in the country for fewer than five years. Enrollment in Bridge has been closed to new members since August 2009. Federal government subsidies for these immigrants' coverage will begin in 2014 under the new federal health care law. The HWM budget proposal did not include language re-authorizing the program through FY 2012, and eliminated funding for Bridge, but during floor debate, the full House restored funding for the Bridge program for six months.

In order to support the increased demands on the health safety net that would come from persons losing Commonwealth Care Bridge coverage, HWM transferred \$50.0 million to the Health Safety Net Trust, compared to the \$30.0 million transferred by the Governor. The full House, with the restoration of Bridge for six months, reduced the transfer to the Health Safety Net back to \$30.0 million. The House directs the Commonwealth Health Insurance Connector to provide \$2.5 million to small businesses that offer **wellness incentive programs** for their employees; the Governor's proposal included an additional \$7.5 million for those incentives from the Commonwealth Care Trust Fund.

In addition to these appropriated funds, the Commonwealth Care Trust Fund will receive \$14.9 million in what are referred to as the "fair share assessments" on certain employers who do not provide health care coverage for their employees, and \$15.0 million in tax penalties from persons not adhering to the individual mandate for health care coverage.

Like the Governor, the House assumes that the Commonwealth Care caseload will grow by approximately 8 percent over the course of the year, from about 160,800 members to an estimated 174,000. This increase is in part due to unemployment insurance running out, and people therefore losing coverage under the Medical Security Plan. The Commonwealth Care program provides subsidized health care coverage for low- and moderate-income people not eligible for MassHealth. Like in the MassHealth program, the House FY 2012 budget proposal expects that with aggressive cost

controls and provider re-contracting, Commonwealth Care will be able to maintain current spending levels in spite of caseload growth and health care cost inflation. Already, re-contracting by the Commonwealth Health Insurance Connector for the Commonwealth Care program suggests that the state is on target for these cost controls for FY 2012.

The House also proposes language regulating the Health Safety Net, by proposing funding for the first half of the state fiscal year until December 31, 2011, but then making further reimbursement contingent upon the implementation of what is known as a “claims adjudication system” to ensure that payments are made to providers only for legitimate claims.

Other highlights in the House budget include:

- The **Prescription Advantage** pharmacy program, which provides elders with “wrap-around” pharmacy coverage for prescriptions not covered by Part D of the federal Medicare program, receives \$21.6 million in the House budget. Although this is \$9.9 million less than current funding in FY 2011, it is possible that this FY 2012 funding level would be sufficient to cover the needs of the program. With the implementation of federal health reform (the Affordable Care Act), part of the gap in prescription drug coverage in the Medicare program known as the “doughnut hole” is now covered by Medicare.
- The House follows the Governor’s recommendation to create a special trust fund, the Health Insurance Technology Trust, to allow the state to apply for federal reimbursement for the development of **electronic health records** within the MassHealth program. Using \$500,000 of state “seed” money, Massachusetts could get full reimbursement for the costs of developing such a system. The House budget proposal states that up to \$50 million could be available for providers to implement electronic health record systems in FY 2012.
- In previous years, MassHealth, the Commonwealth Health Insurance Connector Authority or the Massachusetts Health and Educational Facilities Authority, have provided anywhere from \$2.5 million to \$3.5 million in grants to community organizations to assist with **outreach and enrollment** and maintaining coverage for persons eligible for publicly subsidized health programs. Neither the House nor the Governor’s FY 2012 budget proposals include funding for these outreach grants.
- The House budget transfers \$394.0 million into the **Medical Assistance Trust Fund**. Through this Trust, the state matches assessments received from specific health care providers with federal revenues in order to make payments to providers that care for a large share of low-income patients. In FY 2011, \$886.1 million has been transferred into this Trust to support these hospitals, \$686.7 million at the start of the year, and then \$199.4 million added recently. It is important to realize, however, that the Medical Assistance Trust Fund is fully-funded by these assessments on providers and matching federal revenue. The transfers require federal approval, and as of now, the federal government has approved transfer of only \$394.0 million for FY 2012. If the federal government gives approval, there will be additional funds transferred to this Trust in FY 2012, bringing the Trust Fund’s FY 2012 total closer to the FY 2011 current total. The reduction in funding between FY 2011 and FY 2012 does not “show up” in the state’s estimate of health care cuts for FY 2012 (because it reflects a change in assessments from providers and federal dollars, rather than a change in the use of the state’s own resources).

- The House budget includes a new line item appropriating \$4.0 million within the Division of Health Care Finance and Policy for the state's **All Payer Claims Database**, designed to provide detailed information to the public on health care spending. The House assumes increased federal reimbursement will be available to fund this appropriation. This appropriation will largely be funded by increased federal Medicaid reimbursements.

Mental Health

The FY 2012 House budget includes \$613.7 million for mental health programs, a \$14.6 million cut from FY 2011 current budget totals, and \$6.7 million more than proposed by the Governor. During floor debate, the full House added \$1.0 million to funding for **adult mental health** services, bringing the total for those services to \$386.7 million, which is just slightly more than FY 2011 current budgeted totals.

The House mental health budget also includes:

- \$71.8 million for children's mental health services, level with current FY 2011 funding. The Governor had proposed \$2.0 million less for these services, which would have reduced flexible family supports that prevent out-of-home placements for close to 175 children and families.
- \$128.5 million for mental health facilities, a \$15.4 million cut from FY 2011 current budgeted totals, and \$1.0 million more than recommended by the Governor. There are estimates that this proposal might cut 145 of the state's current hospital capacity of 658 beds, and there is no comparable increase in community-based services to off-set the impact on services for people with mental illness who might lose facility-based services.

Public Health

The final House budget includes \$475.8 million for public health programs, having added \$11.5 million during floor debate to the original HWM proposal. This total is a 4.2 percent cut from FY 2011 budgeted totals and is \$3.4 million more than recommended by the Governor. Even with the funding restorations provided by the full House during floor debate, the House proposal still cuts deeply into public health prevention, education and screening programs. Like the Governor, the House also imposes deep cuts on the central administrative department, cutting funding by more than \$3.7 million compared to FY 2011 current budget levels. With these cuts, the Commonwealth runs the risk of significantly constraining the ability of the department to implement, plan, evaluate or monitor its programs.

During floor debate, among the items the full House added are:

- \$2.5 million for **HIV/AIDS prevention and treatment**, bringing funding up to \$33.6 million, \$2.5 million more than the Governor, and \$500,000 more than FY 2011 current budgeted totals;
- \$2.5 million for **early intervention**, bringing funding up to \$24.0 million, \$5.5 million less than FY 2011 current budgeted totals. The HWM and Governor's budget proposals would have eliminated or reduced services for up to 15,000 of the 30,000 developmentally delayed infants

and toddlers currently receiving the occupational, physical, speech or therapies provided by the program. The Department of Public Health anticipates that approximately 9,000 young children with significant delays would continue to receive services as funded by the federal government, while infants and children with slightly less severe disabilities would only be served as long as the state funding lasts. The House budget also includes language requiring the Department of Public Health to seek full reimbursement from the MassHealth program for transportation of MassHealth members participating in the early intervention program. This will likely shift approximately \$1 million to \$2 million onto the MassHealth program.

- \$2.5 million for **substance abuse services**, bringing these services up to \$80.1 million, \$3.0 million less than current FY 2011 budgeted totals. This additional funding includes \$2.4 million for a step-down recovery program, and \$125,000 for a particular substance abuse program. The House completely eliminates funding for secure facilities for opiate addiction and a young adult treatment program. These are funded at \$2.0 million and \$1.5 million respectively in FY 2011.
- \$1.9 million for **health promotion and disease prevention** programs, bringing the total to \$3.4 million. This is \$2.5 million less than FY 2011 current budgeted totals. Currently, among the programs supported by this funding are: breast and cervical cancer screening for close to 15,000 women in Massachusetts; grants in 13 communities for obesity prevention and wellness promotion; colorectal cancer screenings for 1,500 people. The Governor had recommended completely eliminating funding for these programs.
- \$335,000 for **smoking prevention** programs, bringing the total to \$4.5 million, level with the FY 2011 current total.
- \$300,000 for **family health services**, for a total of \$4.0 million. This total is now \$300,000 more than recommended by the Governor, but \$696,000 less than in FY 2011. Family health services include comprehensive family planning, HIV counseling and testing, and community-based health education and outreach services.
- \$200,000 more for **youth violence prevention**, for a total of \$3.2 million. This total is \$200,000 more than recommended by the Governor, and \$400,000 more than in FY 2011.

The full House did not make changes to the HWM budget proposal in a variety of other public health programs. Notably, the House cuts \$327,000 from FY 2011 funding for **school health services**, recommending \$1.6 million more than the Governor, for a total of \$11.6 million. The House proposal is a 2.7 percent cut from FY 2011, and could affect the school-based health clinics and school nursing programs which are often essential gateways to primary care for at-risk young people.

Like the Governor, the House eliminates the **academic detailing** program and the **primary care loan forgiveness** program. These two small programs, funded in FY 2011 at \$93,000 and \$157,000 respectively, were a product of the state's health reform initiative. The idea behind these programs was that by supporting the provision of information to physicians about cost-effective prescription use (academic detailing) and by encouraging health professionals to chose primary care careers (the loan forgiveness program), the Commonwealth would be better able to begin to control health care costs.

State Employee Health Insurance

During floor debate, the full House did not make any significant changes to the HWM budget funding state employee health insurance. The House follows the Governor's recommendation, including \$1.39 billion for the costs of state employee health insurance, a 2.4 percent cut from FY 2011 current budgeted totals. In order to hold costs at this level, the Administration has re-contracted with the health insurance providers that offer coverage to state employees and retirees. Specifically, the state's Group Insurance Commission (GIC) – the administrator of state employee health benefits – has re-negotiated contracts with the current health insurance providers. Health plans with limited networks would cost significantly less for the participant. Each participant in a GIC plan would then be required to select a health plan during a mandatory open enrollment period. Participants who choose lower cost plans would receive the financial benefit of lower premiums, as well as a financial incentive equivalent to three months' worth of health insurance premiums. In fact, re-contracting for FY 2012 that has already occurred has met anticipated budget targets. The Administration estimates that employees who move to lower-cost health plans might save as much as \$800 for individual coverage and \$1,700 for family coverage, and might in the aggregate save the Commonwealth tens of millions of dollars.

It is important to note that the House proposed budget totals for state employee health insurance include the costs associated with increased municipal participation in the Group Insurance Commission. In order to economize on their own employee health insurance costs, cities and towns have the option of "joining" the GIC, and having the GIC administer their employee health insurance and reimbursing the GIC for those costs. Although the GIC appropriated budget totals reflect the increased costs of these municipal employees, the municipalities fully-reimburse the state for these costs. In order to eliminate a potential distortion in the state budget total associated with these costs, we reduce the budget for state employee health insurance by the amount that the municipalities contribute to the GIC. In the House FY 2012 budget proposal, state employee health insurance costs are reduced by \$301.2 million.

HUMAN SERVICES

During floor debate, the House added \$5.4 million to the House Ways & Means (HWM) FY 2012 proposal for human services. The House final recommendation for human services totals \$3.35 billion, a decrease of \$11.5 million, or 0.3 percent, from the FY 2011 current budget. This is, however, \$12.7 million, or 0.4 percent, more than the Governor’s FY 2012 budget proposal. This category includes children, youth, and families; disability services; elder services; transitional assistance; and other human services.

The most significant additions made by the House during floor debate occurred in elder services and transitional assistance. Overall, the House final FY 2012 budget reflects continued cuts to programs. If the rising demand for services, particularly during the economic recession, is taken into account, the cuts to human services would be much deeper than what is reflected in the budget totals.

FY 2012 House (Adjusted)*	\$3,350,216,702
FY 2011 Current	\$3,361,697,213
<i>Change from FY 2011 Current</i>	<i>-\$11,480,511</i>
<i>Percent Change</i>	<i>-0.3%</i>
FY 2012 Governor (Adjusted)*	\$3,337,531,735

* When budget proposals shift line items between categories, we make adjustments in order to provide more accurate across-year comparisons. See “How to Read the Tables.”

Children, Youth & Families

During floor debate, the House added \$250,000 to the **Family Support and Stabilization** line item, the only item within Children, Youth, and Families that received increased funding over the HWM proposal. This amendment brings the House final proposal for Family Support and Stabilization to \$39.8 million, a decrease of \$1.2 million, or 2.9 percent, from current FY 2011 funding levels. The House final proposal is \$239,000 lower than the Governor’s FY 2012 proposal.

The House final FY 2012 budget proposes to fund all programs within Children, Youth, and Families (including the Department of Children and Families (DCF) and the Department of Youth Services (DYS)) at \$868.6 million, a decrease of \$19.1 million, or 2.2 percent, from the current FY 2011 budget. This proposal is \$4.9 million, or 0.6 percent, lower than the Governor’s FY 2012 proposal.

Programs for children, youth, and families have been cut severely during the ongoing fiscal crisis, with the House final FY 2012 proposal representing a cut of 16.1 percent compared to FY 2009 GAA inflation-adjusted funding levels.

Programs within the **Department of Children and Families** are proposed to be funded at \$725.7 million, a decrease of \$17.9 million, or 2.4 percent, from the current FY 2011 budget. This proposal is \$12.1 million, or 1.6 percent, lower than the Governor’s FY 2012 proposal. Proposed funding levels within DCF include the following. None of these funding levels were changed during House floor debate.

- \$242.5 million for **Services for Children and Families** – which funds family stabilization, unification, permanency, guardianship, and foster care – a \$4.9 million, or 2.0 percent, decrease from the current FY 2011 budget. The House proposal is identical to the Governor’s FY 2012 proposal.
- \$192.4 million for **Group Care Services** for children in DCF custody, a \$9.2 million, or 4.6 percent, decrease from the current FY 2011 budget. The House proposal is identical to the Governor’s FY 2012 proposal.
- \$159.5 million for **DCF Social Workers**, a \$4.3 million, or 2.8 percent, increase from the current FY 2011 budget. The House proposal is \$1.6 million lower than the Governor’s FY 2012 proposal.
- \$20.1 million for **Support Services for People at Risk of Domestic Violence**, a very small increase over the current FY 2011 budget. The House proposal is almost identical to the Governor’s FY 2012 proposal.
- Elimination of DCF Regional Administration, which is funded at \$6.0 million in the FY 2011 current budget. This line item currently funds regional nonprofits that contract for services. The Governor’s FY 2012 budget proposed an increase to \$10.3 million.

Programs within the **Department of Youth Services** are proposed to be funded at \$142.8 million, a decrease of \$1.2 million, or 0.9 percent, from the current FY 2011 budget. During floor debate, the House did not alter the HWM proposal for DYS funding. The House final proposal is \$7.2 million, or 5.3 percent, higher than the Governor’s FY 2012 proposal. Proposed funding levels within DYS include the following. None of these funding levels were changed during House floor debate.

- \$96.4 million for **Residential Services for youth committed to DYS**, level funding from the current FY 2011 budget. This proposal is \$2.8 million higher than the Governor’s FY 2012 proposal.
- \$21.5 million for **Non-Residential Services for youth committed to DYS**, \$121,000, or 0.6 percent, less than the current FY 2011 budget and the Governor’s FY 2012 budget, which proposed level funding.
- \$18.3 million for **Residential Services for youth detailed by DYS**, \$1.0 million, or 5.2 percent, less than the current FY 2011 budget. This proposal is \$4.5 million higher than the Governor’s FY 2012 proposal.

Disability Services

On the floor, the House added \$650,000 for disability services, bringing the total to \$1.37 billion. This amount is \$10.2 million more than the Governor’s proposal, and \$14.3 million more than FY 2011 current budgeted totals. Even at this level, funding for disability programs is not sufficient to maintain services at the level provided in FY 2011.

The full House added:

- \$50,000 for services for the blind and visually impaired, bringing the total to \$18.6 million. This is \$75,000 more than current budget totals.
- \$50,000 for rehabilitation services, for a total of \$40.2 million. This is still \$1.0 million less than FY 2011 current budgeted totals.
- \$50,000 for services for the deaf and hard of hearing, for a total of \$5.0 million. This is \$180,000 more than FY 2011 current totals.
- \$500,000 addition funding for services for people with autism, bringing the total to \$4.6 million.
- Although not included in these disability services totals in this *Budget Monitor*, within the Department of Elementary and Secondary Education, the House specified that \$6.5 million would be available as an earmark for a joint program with the Department of Developmental Services that provides intensive in-home and community-based services for children with disabilities, in order to prevent private or residential school placements.

It might appear from the funding levels that services for the developmentally disabled were spared deep cuts in the House budget. Funding to the **Department of Developmental Services** receives \$1.31 billion in the House budget, a \$16.0 million increase over the FY 2011 current budget, and \$9.5 million more than in the Governor's proposal. However, there are estimates that it could cost as much as \$15 million more to maintain current service levels into FY 2012, so even the House budget will require a cut in services.

Key issues in the funding for developmental services include:

- \$124.3 million for **community day and work** programs, which is still below the estimated costs for needed services, but is \$1.0 million more than FY 2011 current funding and \$1.0 million more than the Governor's proposal. This funding level will likely allow the department to continue to provide community services for young adults newly eligible for adult services, having reached age 22 in FY 2011.
- \$41.0 million for **family supports and respite services**, \$5.5 million less than current FY 2011 budget levels, and \$8.4 million more than the Governor's proposal. This funding level is still significantly below estimated program maintenance levels, and will likely mean that thousands of families of children and adults with disabilities will lose these supports.
- \$5.0 million for the **Turning 22** account, level with the current FY 2011 budget and with the Governor's proposal. It is not clear if this funding will be sufficient to provide transition services for the estimated 700 disabled young adults who will be leaving secondary schools in 2012 and be eligible for supports from the Department.

Like the Governor's budget, the House budget reflects a continuing commitment to close the larger **state-run institutions** (state schools) for the developmentally disabled. The full House follows the Governor's recommendation to transfer approximately \$6.0 million from funding for institutional care to the account funding the **state-operated group homes**. State facilities receive \$142.2 million in the

HWM budget (compared to \$164.2 million in FY 2011); the state-operated group homes receive \$164.8 million (compared to \$147.5 million in FY 2011).

Elder Services

The House budget recommends a total of \$218.5 million for services for elders, having added \$1.5 million during floor debate. This is a \$2.1 million cut from FY 2011 current budgeted totals, and \$2.5 million more than recommended by the Governor. Most of the cuts in the House budget are borne by the community home care program. (For information on the Prescription Advantage elder pharmacy program or funding for elders under the MassHealth program, see the "Health Care" section of this *Budget Monitor*.)

During floor debate, the full House added:

- \$1.0 million to elder protective services, bringing the total to \$16.3 million. This is \$1.0 million more than recommended by the Governor, and also \$1.0 million more than current FY 2011 budgeted totals.
- \$350,000 for councils on aging, bringing the total to \$8.3 million, which is more than the Governor's recommendation and FY 2011 current budgeted totals.
- \$136,000 for the residential placement program for homeless elders. This program did not receive funding in FY 2011, and was not funded in the Governor's proposal.

Although there was no change to the HWM proposal during floor debate, other highlights in the House budget proposal for elder services include:

- \$133.5 million for the elder home care program, cutting \$3.9 million (2.8 percent) from FY 2011 funding. Like the Governor, the House level-funds the case management account at \$35.7 million, and cuts the home care purchased services account from \$101.7 million to \$97.8 million. These community-based long-term care services are crucial for helping frail elders remain in their homes in the community, and avoid nursing home placement.
- Like the Governor, the House level-funds the enhanced home care program at \$45.8 million, but this is a slight cut below what it might cost to maintain current FY 2011 levels of service.
- The House follows the Governor's recommendation to level-funds services in housing sites, including \$1.5 million for congregate housing programs, and \$4.0 million for services in elder housing complexes. The House also level-funds meals on wheels and congregate lunch programs at \$6.3 million.
- The House follows the Governor's proposal for \$750,000 for a program funded by the federal government for elderly veterans called the Veterans Independence Plus Initiative.

Transitional Assistance

During floor debate, the House added \$3.0 million to the budget for transitional assistance, bringing the total FY 2012 proposal for these services to \$763.3 million. This is a reduction of \$6.5 million, or 0.8 percent, from the FY 2011 current budget, but is \$6.5 million greater than the Governor's FY 2012 budget proposal. The major cuts from the FY 2011 current budget include eliminating the Transitional Aid for Families with Dependent Children (TAFDC) clothing allowance, cutting funding for the Employment Services Program, and level funding Emergency Aid to the Elderly, Disabled, and Children (EAEDC) in the face of rising enrollments.

The amendments passed during House floor debate added an additional \$3.0 million for the **Employment Service Program (ESP)**, which provides job training and placement services to recipients of TAFDC assistance. This brings up the House final FY 2012 proposal for ESP to \$6.9 million. This is a cut of \$8.3 million, or 55.3 percent, from the FY 2011 current budget. The Governor recommended eliminating this program in his FY 2012 budget proposal, while the HWM proposal only included \$3.7 million for ESP.

The House FY 2012 proposal includes \$312.8 million for **TAFDC grant payments**. This is a reduction of \$2.3 million, or 0.7 percent, from the FY 2011 current budget. However, the actual cut to TAFDC is much greater. Like the Governor's FY 2012 proposal, the House final proposal eliminates the \$150 clothing allowance for children in families receiving TAFDC assistance. In supporting documents to the Governor's budget, this is described as an actual cut of \$11.5 million, which would affect an estimated 70,000 children. In addition, if cost and enrollment are assumed to increase at roughly 3 percent, it would take an additional \$9.5 million in funding to provide the same level of services in FY 2012.

Like the HWM budget proposal, the House FY 2012 budget proposal for transitional assistance also includes:

- Level funding for **EAEDC**, at \$89.0 million. If cost and caseload growth is assumed at about 5.5 percent, it would actually require an additional \$4.9 million to provide the same level of services in FY 2012.
- \$900,000 in funding for the Supplemental Nutritional Program (SNAP), which supplements the federal food stamp program. Due to certain provisions in the federal recovery act, this program had not been provided funding through the state budget in FY 2011. These federal provisions will expire at the end of FY 2011.

Other Human Services

During floor debate, the House added \$51,000 to the budget for other human services, bringing the total amount proposed to \$130.0 million for other human services, which includes veterans' services, emergency food assistance (food banks), citizenship and various other programs. This is an increase of \$2.0 million from the FY 2011 current budget, or 1.5 percent. It is less than the Governor's FY 2012 recommendation of \$131.2 million. The reduction is due to a \$1 million cut in "Welcome Home" bonus payments to certain veterans.

During floor debate, the House increased funding for two line items:

- \$40,000 additional for the **Department of Veterans' Services Administration**, bringing the total House final FY 2012 proposal to \$2.4 million.
- \$11,000 additional for **Agawam and Winchendon Veterans' Cemeteries**, bringing the total House final FY 2012 proposal to \$948,000.

The following funding amounts were not changed between the HWM and House final budget proposals:

- Level-funding for the **Soldiers' Home in Massachusetts**, at \$25.9 million.
- \$19.8 million in funding for the **Soldiers' Home in Holyoke**.
- \$59.1 million in funding for **veterans' benefits and qualified parents and spouses of veterans**. This is a \$2.3 million, or 4.0 percent, increase from the FY 2011 current budget.

INFRASTRUCTURE, HOUSING, & ECONOMIC DEVELOPMENT

During floor debate, the House added \$9.4 million to infrastructure, housing, and economic development programs (primarily in economic development). The House final Fiscal Year (FY) 2012 budget for these programs is \$1.57 billion, an increase of \$2.5 million, or 0.2 percent, from the Governor's FY 2012 budget proposal. This category includes programs for housing, economic development, and transportation. The House final budget, as with the Governor's budget proposal, reflects reorganizations that occurred in each of the three areas. The economic development and transportation reorganizations were a part of an effort to streamline programs and services. For housing, in particular homelessness, the reorganization reflects an effort to transition homeless families into housing instead of shelters.

FY 2012 House (Adjusted)*	\$1,565,995,508
FY 2011 Current	\$1,667,147,958
<i>Change from FY 2011 Current</i>	<i>-\$101,152,450</i>
<i>Percent Change</i>	<i>-6.1%</i>
FY 2012 Governor (Adjusted)*	\$1,563,457,584

* When budget proposals shift line items between categories, we make adjustments in order to provide more accurate across-year comparisons. See "How to Read the Tables."

Economic Development

During floor debate, the House added \$9.0 million to the FY 2012 HWM budget proposal for economic development programs, bringing the House final FY 2012 budget for these programs up to a total of \$82.7 million. This is \$17.4 million, or 17.4 percent, less than the FY 2011 current budget for economic development programs. It is also more than the Governor's FY 2012 budget proposal by \$2.7 million.

During floor debate, the House increased the HWM funding proposal for the following programs:

- \$1.0 million additional for **Massachusetts Cultural Council Grants**, bringing the final House proposal to \$5.4 million. This is still \$649,000 below the FY 2011 current budget, but is level-funded compared to the Governor's FY 2012 proposal.
- \$300,000 additional for the **Department of Agricultural Resources**, bringing the final House proposal to \$4.4 million. Included in this amount is an earmark of \$200,000 for "buy local" efforts across the state. The \$4.4 million recommended by the House is a reduction of \$46,000 below the FY 2011 current budget, but \$300,000 above the Governor's FY 2012 proposal.
- \$600,000 additional for **Individual Training Grants**, bringing the House final FY 2012 proposal to \$1.4 million. This is \$600,000 below the Governor's FY2012 recommendation, and also \$600,000 below the FY 2011 current budget.
- \$5.0 million additional for **Local Tourist Councils**, bringing the House final FY 2012 proposal to \$6.0 million. This is \$3.5 million above the FY 2011 current budget and \$4.2 million above the Governor's FY 2012 budget proposal. This is a new line item reflecting organizational changes to the state's economic development programming. Funding for Local Tourist Councils is

administered by the Massachusetts Marketing Partnership, which is described in further detail below.

- \$200,000 for a new line item funding **Microlending grants**. These grants would be awarded to Community Development Financial Institutions to make loans to small businesses and microenterprises, as well as providing technical assistance to recipients of these loans.

During floor debate, the House added \$2.0 million to the **Summer Jobs Program for at-risk youth**. The HWM proposal did not appropriate any new funding for Summer Jobs. Because the fiscal year ends in the middle of the summer, funding for the Summer Jobs Program is often provided twice during the fiscal year. Usually, an amount is appropriated with the enacted budget (the GAA) at the beginning of the fiscal year in July and then another amount is usually appropriated mid-year in a supplemental budget. In FY 2010, Summer Jobs was appropriated \$4.0 million in the GAA, but then did not receive any supplemental mid-year funding. For the summer of calendar year 2010, the Governor used both the \$4.0 million appropriated in the FY 2010 GAA and then also used the \$3.7 million appropriated in the FY 2011 GAA. This was a total of \$7.7 million for Summer Jobs in the calendar-year summer of 2010. The supplemental budget passed on April 11 of this year provided \$4.0 million for Summer Jobs for the summer in calendar year 2011. The House final budget proposal of \$2.0 million for Summer Jobs would bring the total funding for summer of calendar year 2011 to \$6.0 million, a cut of \$1.7 million compared to the funding amount for the current summer (calendar year 2010). This is \$2.2 million less than the Governor's proposal.

The House also made changes to funding for the **Massachusetts Marketing Partnership (MMP)** during floor debate. Like the Governor's FY 2012 proposal, the House final FY 2012 budget proposal also implements a reorganization of economic development programs that had been enacted by the Legislature in August of 2010. The Massachusetts Marketing Partnership (MMP) was created to coordinate economic development and promotional efforts related to tourism, entertainment, sports, and international trade. The House final proposal for FY 2012 includes three new line items for the MMP, which consolidate several existing line items dedicated to these functions. One of them, for the Local Tourist Councils, is described in the bulleted list above.

The House final budget for FY 2012 reduces funding for the new line item for the **Massachusetts Office of Travel and Tourism** by \$100,000 from the HWM proposal, for a total of \$1.9 million. This is a decrease of \$146,000, or 6.9 percent, from the FY 2011 current budget, but an increase of \$200,000 from the Governor's FY 2012 budget proposal. This line item consolidates the former Massachusetts Office of Travel and Tourism and the Massachusetts Sports and Entertainment Commission. Like the Governor's FY 2012 proposal, the House final budget recommends funding both of these functions in a single line item, while the HWM proposal funds the Office of Travel and Tourism and the Sports and Entertainment Commission in two distinct line items. The Governor's budget proposal also anticipated a \$5.0 million contribution from the Massachusetts Convention Center Authority for tourism promotion and marketing, which would be additional funding for the Massachusetts Office of Travel and Tourism. However, because this is an outside commitment for funding, MassBudget does not include this in the state's funding totals.

The other new line item under the MMP is for the **Massachusetts International Trade Office**, which consolidates the existing Massachusetts Office of International Trade and Investment. The House floor debate did not affect funding for this line item. Like the Governor, the House FY 2012 proposal includes \$100,000 in funding for this new line item, which is level funded from FY 2011 current

amounts. Once again, however, the Governor's budget had also included an anticipated outside commitment of \$600,000 from the Massachusetts Technology Collaborative and the Massachusetts Port Authority for the International Trade Office.

The economic development reorganization also identifies the **Massachusetts Office of Business Development** as the lead business development agency. This office would absorb the Office of Small Business and Entrepreneurship. The existing Department of Business Development would no longer exist and the funding associated with this department is moved to the Executive Office of Housing and Economic Development and the Massachusetts Office of Business Development. The HWM 2012 budget proposal includes \$1.6 million for the Massachusetts Office of Business Development, which is \$259,000 above the FY 11 current budget and about the same as the Governor's FY 2012 recommendation. The Governor also included an anticipated \$700,000 that would be provided to the Office of Small Business through an outside commitment from the Growth Capital Corporation.

Like the HWM proposal, the House FY 2012 budget proposal also includes:

- Moving \$19.9 million in funding for the **Workforce Training Fund** to an off-budget trust fund. The Governor's FY 2012 budget proposal recommended the same.
- Eliminating funding for **District Local Technical Grants**, which are formula-based grants to Regional Planning Agencies (RPAs) that provide technical assistance to municipalities for various land use, zoning, planning and regionalization initiatives. This was funded at \$2.0 million in FY 2011. The Governor and HWM budget proposal include a new fund, the Municipal Regionalization and Efficiencies Incentive Reserve, which would provide funding for some of the same initiatives; however, it would be a competitive grant program that both municipalities and RPAs would be able to apply for, rather than a formula-based grant allocated to RPAs, and it would be allocated for implementation of projects instead of providing municipalities with technical assistance. Further explanation of this new fund is included in the MassBudget category for Local Aid.
- Eliminating funding for **Regional Economic Development Grants**. These grants were funded at \$800,000 in the FY 2011 current budget. It is possible that half of this amount will be carried forward to FY 2012. The Governor's FY 2012 budget also did not provide funding for these grants.
- Eliminating the program to fund **workforce training for former dog track workers**. This is funded at \$2.0 million in the FY 2011 current budget. The Governor's FY 2012 proposal also eliminates this program.
- Providing \$5.0 million for **One-Stop Career Centers**, which is level-funded from the FY 2011 current budget and the Governor's FY 2012 budget proposal.
- Providing \$200,000 for the **Biotech Research Institute**, which has not been funded since FY 2010.

Housing

The final budget passed by the House for Fiscal Year (FY) 2012 increases spending for affordable housing programs by \$200,000 above the amount recommended by HWM. The \$299.2 million approved by the House for housing programs is \$121,000 more than the Governor's FY 2012 recommendation, and \$31.3 million less than the amount the state expects to spend in FY 2011. During its floor debate, the House added \$200,000 in funding for affordable housing, including:

- \$100,000 in additional funds for the Department of **Housing and Community Development administrative account** to \$6.7 million. The House budget amendment earmarks \$100,000 to the town of Holbrook for a one-time expense to upgrade town facilities. This level is \$100,000 more than the Governor's recommendation and \$134,000 more than the current FY 2011 budget.
- \$100,000 in additional funding that the Massachusetts Commission on Discrimination may keep from federal reimbursements that the state receives through **fair housing assistance contracts**. The House level of \$2.0 million is \$100,000 more than the FY 2012 budget and is the same amount recommended in the Governor's FY 2012 proposal.

The House adopted recommendations made by both HWM and the Governor to reorganize how the state provides **assistance to homeless families** living at or below 115 percent of poverty. While a full description of these services and the changes recommended by HWM and the Governor is provided below, two amendments to this reorganization were passed by the House, including:

- Directing the Department of Housing and Community Development (DHCD) to provide some Emergency Assistance (EA) funding to community-based organizations that provide homelessness prevention services and resources to eligible homeless families.
- Allowing DHCD to subsidize rental assistance through the newly-created **Home Base** program for monthly rents that are higher than 80 percent of the fair market rate set by the federal Department of Housing and Urban Development (HUD). The HWM budget restricted Home Base assistance to rents at 80 percent of HUD's fair market rent. There was concern, however, that this would prevent DHCD from helping families living in regions of the state, like Greater Boston, with high housing costs. This amendment allows DHCD to subsidize rents higher than this rate if it finds that a region may not have safe housing at that 80 percent level or if the restriction may cause a family to become homeless.

Since the onset of the fiscal crisis, the number of homeless families seeking help from the Department of Housing and Community Development (DHCD) has increased dramatically from about 2,000 families in the spring of 2008 to just below 3,500 by the fall of 2010.² As demand for services has increased, the amount the state has spent on helping these homeless families has grown from \$90.4 million in FY 2009 to an expected \$161.4 million in FY 2011. In an effort to move families from costly shelters, including hotels and motels, into permanent housing the House budget includes the Governor's FY 2012 recommendation to reorganize how homeless families living at or below 115 percent of poverty receive shelter and other services from the state. The House budget, like the

² See DHCD report on historical caseload for EA, the most recent numbers available are for September, 2010, available at: <http://www.mass.gov/Ehed/docs/dhcd/hs/2010Sep.pdf>

Governor's, recommends spending \$136.4 million on services for these families which is \$25 million less than the amount the state expects to spend in FY 2011.

Under the current system, eligible homeless families receive shelter and services through the Emergency Assistance program (EA). Like the Governor's proposal, the House FY 2012 budget recommends shifting \$38.6 million in funding from EA to create a new short term housing assistance program called Home Base. Home Base is designed to help homeless families find permanent housing quickly. As described below, while the House proposes providing the same level of funding for EA and Home Base as the Governor, it recommends changes to the Governor's original proposal.

State Funding for Homeless Families

Program	FY 2011 GAA	FY 2011 Current	FY 2012 Governor	FY 2012 HWM
Emergency Assistance	\$137,360,773	\$161,360,773	\$97,797,200	\$97,797,200
HomeBase			\$38,561,732	\$38,561,732
Total	\$137,360,773	\$161,360,773	\$136,358,932	\$136,358,932

The House recommends the following for homelessness assistance programs in its FY 2012 budget:

- \$97.8 million for shelter and services through the **Emergency Assistance (EA) program**, which is the same level as the Governor's FY 2012 proposal. The Governor's proposal limited EA shelter to homeless families whose head of household is 21 years or younger, or those who have lost their homes due to fire or other natural disaster. Other eligible homeless families would receive rental assistance through the Home Base program. The House proposal allows homeless families that have not immediately found housing and have no other alternative to stay in shelters until housing is found. These families, however, must accept adequate housing provided to them or they will lose eligibility under the program. During its floor debate, as mentioned above, the House required that DHCD use funding through this account to provide services and resources to families that are at risk of becoming homeless.
- \$38.6 million would be transferred from EA to the new **Home Base** program, which would provide short-term assistance to help these families secure permanent housing. Under the Governor's plan, families would receive up to three years of rental assistance with \$8,000 for the first year and 5 percent less for each of the subsequent two years. Because of concern that the funding limit in the Governor's proposal may not provide families with adequate subsidies to rent apartments in more expensive regions of the state, like Greater Boston, the House proposal provides more flexibility in how the subsidies can be spent. Under the House plan, families would pay no more than 35 percent of their income on rent. The remainder of the rent would be paid for by the state for the three-year term of the program. The HWM plan limited rental subsidies to apartments that are 80 percent of the fair market rents determined by the federal Department of Housing and Urban Development. The House, however, passed an amendment (see above) that gives DHCD more flexibility in finding housing for families who are living in areas where the 80 percent restriction may be too low for families living in high-cost regions of the state like Greater Boston.

The final House budget includes the same funding as recommended in the HWM proposal for several housing programs including:

- \$260,000 for **Rental Assistance Program for Families in Transition (RAFT)**, which has provided one-time assistance to keep families from becoming homeless. This is the same level proposed in the Governor's FY 2012 budget and is the same amount the state expects to spend in FY 2011. In FY 2010 the Legislature appropriated \$3.1 million for RAFT. Because at the time, Massachusetts was receiving \$44.6 million in temporary federal funds through the federal Recovery Act that provided the same services as RAFT, the Governor transferred all but \$160,000 of RAFT funding to the Massachusetts Rental Voucher Program (MRVP). Even though the federal Recovery Act funds have run out, neither the Governor nor HWM recommend restoring funding for RAFT.
- \$5.0 million for the account that funds **caseworkers** who work in the homelessness assistance programs at DHCD. This is essentially the same amount as the state expects to spend in FY 2011 and is slightly less than the amount recommended by the Governor in his FY 2012 proposal.
- \$38.5 million for services to **homeless individuals**, including those who are chronically homeless. This is the same level as both the FY 2011 current budget and the Governor's FY 2012 proposal.
- \$36.0 million for **MRVP** which provides rental vouchers to low-income tenants. This is \$100,000 more than the amount recommended in the Governor's FY 2012 budget and is \$1.7 million more than the current budget for FY 2011. In FY 2011, MassHousing contributed \$2.7 million to MRVP in addition to the state appropriation. While the HWM budget recommends that MassHousing transfer \$5.4 million of loan proceeds to the General Fund, it is not clear if this money will be used to supplement state funding for affordable housing programs like MRVP in FY 2012. Therefore, the HWM level \$1 million lower than total spending for MRVP in FY 2011 when accounting for MassHousing's contribution.
- \$62.5 million for subsidies to **public housing authorities**. This is the same level as current funding in FY 2011 and as the Governor's FY 2012 recommendation. The HWM proposal includes language urging DHCD to make repairs to family units, if those repairs cost \$10,000 or less. This would allow more family units to be available for homeless families served through EA and the new Home Base program. Given that the funding level for public housing has stayed level since FY 2010, while costs have increased due to inflation, it is likely that there may not be adequate funds in the account to make these renovations.
- \$3.5 million for housing **vouchers for disabled clients** and \$4 million for housing vouchers for **clients of the Department of Mental Health**. These are the same levels as both the FY 2011 current budget and the Governor's FY 2012 proposal.
- \$250,000 for the **tenancy preservation program**. This is the same level as both the FY 2011 current budget and the Governor's FY 2012 proposal.

Transportation

The House final FY 2012 budget proposal provides \$1.13 billion in funding for transportation. No changes were made to transportation funding during House floor debate. The House FY 2012 proposal

is a decrease of \$53.5 million, or 4.5 percent, from the FY 2011 current budget. It is important to note that the supplemental budget for FY 2011 passed in April of this year included a \$50.0 million appropriation for snow and ice removal, which significantly increased the FY 2011 current budget. Funding for snow and ice removal is often provided as needed, and therefore similar supplemental funding could be provided in FY 2012 if the need arises. The House final recommendation is just slightly above the Governor's FY 2012 budget proposal for transportation by \$494,000. The Governor and House final FY 2012 proposals reflect the second year of implementing the transportation reorganization that created the Massachusetts Department of Transportation (MassDOT).

MassDOT allocates funding for transportation services and programs through four divisions that were created during FY 2011: Highway, Mass Transit (which oversees the Massachusetts Bay Transportation Authority (MBTA) and Regional Transit Authorities (RTAs), as well as other freight and passenger rail), Aeronautics, and the Registry of Motor Vehicles (RMV). The **Massachusetts Transportation Trust Fund (MTTF)**, which funds MassDOT, is allocated \$180.1 million in the House FY 2012 proposal. This is a decrease of \$15.0 million, or 7.7 percent, from the FY 2011 current budget. It is just above the Governor's FY 2012 recommendation by \$500,000. The policy documents accompanying the Governor's FY 2012 budget had outlined several savings and efficiencies for transportation programs. Refinancing MassDOT debt, transferring MassDOT and MBTA employees to the Group Insurance Commission, and other cost avoidance measures resulted in a lower annual appropriation for the MTTF.

The Governor had recommended consolidating \$15.0 million in funding for the **RTAs** with the line item for the MTTF. The House final FY 2012 budget does not consolidate these two line items, but funds RTAs at \$15.0 million in a distinct line item. This is level funding from the current FY 2011 budget.

The House FY 2012 budget includes \$160.0 million for the **MBTA**, as does the Governor's FY 2012 proposal and the FY 2011 current budget. The House final and Governor's FY 2012 budget proposals also include \$779.6 million in tax revenues set aside for the MBTA, an increase of \$12.5 million, or 1.6 percent, from the FY 2011 current budget.

LAW & PUBLIC SAFETY

During floor debate, the House added \$12.9 million to the House Ways & Means (HWM) proposal for law and public safety programs, bringing the House final Fiscal Year 2012 budget for these programs up to a total of \$2.22 billion. This total represents a \$97.7 million (or 4.2 percent) reduction from current FY 2011 budget levels and is \$21.6 million (or 1.0 percent) less than the Governor proposed.

Additionally, the proposed spending on law and public safety in the House final budget is 15.9 percent below the amount appropriated in the 2009 GAA (adjusted for inflation), the last budget enacted before the effects of the Great Recession began to be widely and acutely felt here in Massachusetts.

The majority of additional funding provided in House floor amendments went to a few select areas: the administration of fire services, community-level gang violence prevention grants (Shannon Grants), the administration of the trial courts, several county sheriff's departments for federal inmate reimbursements, and state police operations. Overall, the House final FY 2012 budget does not propose major consolidations or reorganizations of departments, services or related line items.

Law and public safety includes funding for an array of departments and programs, including courts, legal assistance for indigent persons, district attorneys, the Attorney General, public defenders, the Department of Public Safety, law enforcement, prisons, probation, parole and the state's military division.

FY 2012 House (Adjusted)*	\$2,222,776,587
FY 2011 Current	\$2,320,512,899
<i>Change from FY 2011 Current</i>	<i>-\$97,736,311</i>
<i>Percent Change</i>	<i>-4.2%</i>
FY 2012 Governor (Adjusted)*	\$2,244,402,674

* When budget proposals shift line items between categories, we make adjustments in order to provide more accurate across-year comparisons. See "How to Read the Tables."

Courts & Legal Assistance

During floor debate, the House added \$1.8 million to the amount provided in the House Ways & Means (HWM) budget for the Office of the Chief Justice of Administration and Management (which covers costs for things such as the operation of courthouse facilities; rental of county, municipal and private court facilities; equipment maintenance and repairs; various employee healthcare costs; court security and judicial training; jury expenses; witness fees; and other costs related to court operations). This increase brings the House final FY 2012 budget total for courts and legal assistance to \$565.7 million. This amount represents a decrease of \$63.0 million (or 10.0 percent) from current FY 2011 budget levels, and a decrease of \$21.2 million from the Governor's FY 2012 budget recommendation. The funding level for courts and legal assistance in the House final budget also represents a 16.7 percent reduction from the amount appropriated in the 2009 GAA (adjusted for inflation). Other notable elements of the House budget that were not amended from the HWM proposal include:

- The House final budget does not adopt the Governor's proposal to consolidate most trial court funding into the account of the **Chief Justice for Administration and Management (CJAM)**. Instead, it provides direct, independent funding to each of the courts (Superior Court, District

Court, Probate and Family Court, Land Court, Boston Municipal Court, Housing Court, and Juvenile Court). The House final budget provides \$186.1 million for the CJAM (and related accounts), a reduction of \$11.2 million or 5.7 percent from current FY 2011 budget levels.

- The House final budget does not adopt the Governor's proposal to consolidate most probation and parole functions within a newly created Department of Community Supervision.
- The House final budget does not adopt the Governor's proposal to eliminate the **Committee for Public Counsel Services** and replace it with a new Department of Public Counsel, housed within the Executive branch. The House budget provides \$151.1 million for **indigent defense**, a cut of \$11.9 million (or 7.3 percent) from current FY 2011 budget levels, and \$11.6 million (or 7.1 percent) less than the \$162.7 million that the Governor recommends in his FY 2012 budget. The House, however, anticipates an additional \$41.2 million of spending will be required in FY 2011, beyond the amount currently budgeted. Factoring in this additional amount, the House FY 2012 budget would represent a cut of \$53.1 million or 26.0 percent from estimated final FY 2011 spending.

As presented in budget documents accompanying the release of the HWM budget, the House budget maintains a proposal to hire an additional 200 public defenders and gradually shift more of the total caseload of indigent defense away from private bar attorneys and onto public defenders (a slimmed down version of the Governor's proposal to hire some 1,000 additional public defenders). Accordingly, the House budget provides \$13.0 million (or 40.5 percent) more than current FY 2011 budget levels for the Committee for Public Counsel Services, while reducing private counsel compensation by \$24.3 million (or 20.6 percent), for a net savings of \$11.2 million.

In floor debate, the House altered the HWM budget, which had proposed tightening the cap on the maximum amount of hours private bar attorneys (PBAs) can bill the state annually for their indigent defense services. The House increased to 1,650 hours the HWM proposal of 1,500 hours (currently, PBAs can bill up to 1,800 hours). The house maintains both the HWM proposal to increase audits of PBA bills, as well as other administrative cost controls. The House budget additionally adopts the HWM proposal for more rigorous income eligibility screening of those requesting a court appointed attorney (documents accompanying the HWM budget suggest that some 15 percent of applicants may not qualify for a publically funded defense, thus producing what the House budget books as a \$12.3 million savings in FY 2012).

State Funding for Indigent Defense

	FY 2011 Current	FY 2012 Governor	FY 2012 House
Public Defenders	\$32.3	-	\$45.3
Private Bar Attorneys*	\$160+	-	\$93.3
Other	\$13.2	-	\$12.5
Department of Public Counsel	-	\$162.7	-
Total Indigent Defense	\$208	\$162.7	\$151.1
<i>FY12 Reduction from FY11</i>		\$45.3	\$56.9

* Includes Governor's estimate of anticipated supplemental FY 2011 funding, yet to be requested.

A Comparison of Indigent Defense Reforms, Governor vs. HWM

	Governor's FY 2012 Budget	House FY 2012 Budget
1	Eliminate the Committee for Public Counsel Defense (CPCS), replace with new Dept. of Public Counsel Services housed within the Executive Branch	Maintain current structure of CPCS within the Judiciary, but with increased reliance on public defenders
2	Hire 1,000 new public defenders	Hire 200 new public defenders (Estimated FY12 savings = \$29 M)
3	Eliminate use of all private bar attorneys (PBAs), except in cases of conflict of interest	Reduce use of PBAs to 80 % of all cases (Estimated FY12 savings = \$29 M)
4	Increase screening for indigency verification (Estimated FY12 savings = \$22 M, based on a full year's cost reduction)	Increase screening for indigency verification (Estimated FY12 savings = \$12 M, based on a partial year's cost reduction)
5	-	Cap PBAs billable hours at 1650 hrs (Est. FY12 savings = \$7 m)
6	-	Enhanced PBA audits and other CPCS cost controls (Estimated FY12 savings = \$10 M)
7	Abolish the CPCS board. Have Gov. appoint an independent Chief Counsel	Reform governance structure of CPCS Board that appoints Chief Counsel

Prisons, Probation, & Parole

During floor debate, the House added \$3.2 million to the HWM proposal for prisons, probation and parole, providing a FY 2012 House final budget total of \$1.16 billion. This total is a decrease of \$26.3 million (or 2.2 percent) relative to current FY 2011 budget levels, but is \$10.7 million (or 0.9 percent) more than the Governor's FY 2012 budget recommendation. The funding level for prisons, probation and parole proposed in the House budget also represents a 12.6 percent reduction from the amount appropriated in the 2009 GAA (adjusted for inflation).

House floor debate resulted in increases over the HWM proposal for the following programs:

- \$1.3 million for the **Norfolk Sheriff's Department** and \$460,000 for the **Bristol Sheriff's Department**, in each case for their respective retained revenue account providing reimbursement for the cost of incarcerating federal inmates.
- \$711,000 for the **Parole Board**.
- \$700,000 for the **Department of Correction Facility Operations**.

Other notable elements of the FY 2012 House budget include:

- The FY 2012 House budget does not adopt the Governor's proposal to transfer most of the responsibility and funding for probations and parole oversight to a new **Department of Community Supervision**. Instead, the House budget funds the existing **Department of Probation** and related accounts at \$138.8 million, a decrease of \$3.1 million (or 2.2 percent) from current FY 2011 budget levels. The House funds parole functions through the Parole Board and related accounts.
- **The Parole Board** and related accounts are funded at \$17.6 million in the House budget, an increase of \$711,000 (or 4.2 percent) over the HWM budget amount, and also \$711,000 less than current FY 2011 budget levels. Relative to the total combined funding for probation and parole related activities recommended by the Governor for FY 2012 (\$147.2 million), the House total of \$156.4 million is \$9.2 million (or 6.2 percent) higher. The combined FY 2012 House total is \$3.8 million (or 2.4 percent) below the combined current FY 2011 budget levels.
- For the **Department of Corrections Operations** (DOC) and related accounts, the FY 2012 House budget increases by \$700,000 the amount recommended by both HWM and the Governor, for a total appropriation of \$521.7 million. Both the House and the Governor propose eliminating \$7.0 million in funding provided in FY 2011 for DOC substance abuse programs. With the ballot initiative repeal of sales tax collections on alcohol sales, revenues previously earmarked for these substance abuse programs are no longer available. Factoring in the loss of funding for these programs, the House DOC funding proposal represents a decrease of \$8.9 million (or 1.7 percent) relative to current FY 2011 budget levels.
- Relative to current FY 2011 budget levels, in the FY 2012 House budget, funding for the **Prison Industries and Farm Services Program** (and its related retained revenue account) has been decreased by \$537,000 (or 10.3 percent) to \$4.7 million.
- In floor debate, the House provided additional retained revenue authority (for federal inmate reimbursements) to the Bristol and Norfolk Sheriff's Departments, level-funding these retained revenue accounts relative to current FY 2011 budget levels, at \$8.5 million and \$2.5 million respectively. Nevertheless, the FY 2012 House budget reduces funding to most of the 14 county sheriff's departments. Reductions range from 0.3 percent to 2.5 percent relative to current FY 2011 budget levels, with most reductions ranging from 1-1.5 percent. Several county sheriff's departments, however, received funding increases, including Plymouth (\$1.1 million or 4.8 percent), Barnstable (\$811,000 or 3.9 percent), and Suffolk (\$3.1 million or 3.6 percent).

Law Enforcement

In floor debate, the House added \$4.0 million to the FY 2012 HWM budget for law enforcement, thereby providing a total of \$314.2 million. This amount represents a decrease of \$13.0 million (or 4.0 percent) from current FY 2011 spending levels, and is \$11.8 million (or 3.6 percent) less than proposed by the Governor. The funding level for law enforcement proposed in the House final budget also represents a 27.3 percent reduction from the amount appropriated in the 2009 GAA (adjusted for

inflation), though approximately 40 percent of this decrease is attributable solely to reducing Quinn Bill funding from \$52.0 million (in the FY 2009 GAA) to zero.

House floor debate resulted in increases over the HWM proposal for the following programs:

- The House added \$3 million for anti-gang violence **Shannon Grants**, where the HWM budget had provided no direct appropriation. However, the recent FY 2011 supplemental funding bill approved by the House contains \$2.5 million of Shannon Grant funding that is intended to be carried over from FY 2011 and used in FY 2012. Carrying this \$2.5 million forward into FY 2012 means that, in the House's final budget, the net total Shannon Grant funding available for use in FY 2012 would be \$5.5 million. The Governor's FY 2012 budget recommendation includes both this \$2.5 million in supplemental funding (carried forward from FY 2011) and proposes an additional \$5.5 million in direct FY 2012 appropriations, for total Shannon Grant funding of \$8 million in FY 2012.

In addition to adding \$3 million in FY 2012 funding, the House also adopted an amendment that would require the Executive Office of Public Safety and Security to issue a report evaluating the current status of the Shannon Grant program. The report would examine the process by which funds are disbursed and the feasibility of prioritizing community-based organizations to receive program funding, as well as assess whether it should continue to be permissible to use Shannon Grant funds to pay for police overtime costs. The report will be filed with the Joint Committee on Public Safety by December 31, 2011.

The Shannon Grant Program distributes grants to communities to reduce gang and youth violence through prevention and intervention, funding programs such as job skills workshops, outreach to at-risk youth, and prisoner reentry programs.

- \$1 million for the **Department of State Police Operations**.
- \$25,000 for the **Municipal Police Training** account.

Other notable elements of the FY 2012 House budget include:

- The FY 2012 House budget eliminates funding for the **Quinn Bill**, a program funded at \$5 million in FY 2011 and with recommended funding of \$5 million in the Governor's FY 2012 budget. The Quinn Bill provides pay incentives to local police officers who hold approved college or advanced degrees in criminal justice, law enforcement, or related areas of study. The House budget also includes language that would limit any future funding for the Quinn Bill (should it again be provided) to police officers hired prior to July 1, 2009.
- The FY 2012 House budget provides \$13.0 million for the **State Police Crime Laboratory**, a decrease of \$171,000 (or 1.3 percent) from current FY 2011 budget levels.
- The FY 2012 House budget provides \$2.5 million for the **Criminal History Systems Board**, an increase of \$541,000 (or 27.1 percent) over current FY 2011 budget levels, and an amount essentially identical to the FY 2012 funding recommendation of the Governor.

- The FY 2012 House budget provides \$3.4 million for the **Sex Offender Registry Board**, a decrease of \$262,000 (or 7.2 percent) from current FY 2011 budget levels, and \$395,000 (or 10.5 percent) less than the FY 2012 funding recommendation of the Governor.
- The FY 2012 House added \$1 million to the amount proposed in the HWM budget for the **Department of State Police Operations**, providing a total of \$227.7 million. This is a decrease of \$5.9 million (or 2.5 percent) from current FY 2011 budget levels, and \$140,000 more than the FY 2012 funding recommendation of the Governor.
- The FY 2012 House budget does not adopt the Governor's proposal to fund police training through an automobile insurance surcharge. The Governor's budget documents state that this surcharge would generate revenue sufficient to pay for both **municipal police training and the training of a new class of state police officers**, programs that the Governor proposes funding at a combined \$ 8.9 million (including \$900,000 in retained revenue authority). Absent the proposed auto insurance surcharge, the House budget provides level funding of \$3.4 million (including retained revenue authority) for municipal police training (including \$25,000 more than proposed in the HWM budget) and \$2.5 million for training a new class of state police officers. No money was provided in FY 2011 for training a new class of state police officers.

Prosecutors

During floor debate, the only change made by the House to funding levels for prosecutors and related programs was the addition of \$44,000 for the Domestic Violence Court Advocacy Program to the amount proposed in the HWM budget. The FY 2012 House budget therefore includes a total of \$136.6 million in funding for prosecutors, including funding for functions such as the administration of the Office of the Attorney General, District Attorneys, fraud investigation and prosecution, and victim and witness protection. This represents an increase of \$4.9 million (or 3.7 percent) over current FY 2011 budget levels. The funding level for prosecutors proposed in the House budget also represents a 9.7 percent reduction from the amount appropriated in the 2009 GAA (adjusted for inflation). Notable elements of the FY 2012 House budget include:

- An across the board 5.0 percent increase in funding for all of the **District Attorneys'** offices (and their accompanying state police overtime accounts) relative to current FY 2011 budget levels. Also included are a 5.0 percent increase for the District Attorneys' Association (total FY 2012 funding would be \$1.7 million), and the District Attorneys' Wide Area Network account (total FY 2012 funding would be \$1.3 million). The House provides \$500,000 in FY 2012 for the District Attorney Retention account, an account that provides resources to increase the salaries of highly effective prosecutors that the DAs particularly hope to retain as employees. This account had dropped from a \$500,000 appropriation in FY 2009 to zero in FY 2011.
- A decrease of \$454,000 (or 2.0 percent) to \$22.3 million in funding for the **Office of the Attorney General**, matching the cut proposed by the Governor. Additionally, the House cuts \$50,000 (or 12.8 percent) from the AG's accompanying state police overtime account. Funding for the False Claims Recovery retained revenue account would be increased by \$200,000 (over current FY 2011 budget levels) to \$775,000, an amount identical to that proposed by the Governor.
- An increase of \$250,000 (or 6.6 percent) in funding for the **Medicaid Fraud Control Unit** to \$4.1 million, an amount matching that proposed by the Governor.

- Funding for the **Wage Enforcement Program** of \$3.0 million, \$169,000 (or 5.4 percent) less than current FY 2011 budget levels, and identical to the Governor's FY 2012 proposal.
- With an increase of \$44,000 provided in the House final budget for the **Domestic Violence Court Advocacy Program**, this program received a total of \$773,000 or 4.2 percent more than current FY 2011 budget levels, but 5.6 percent less than provided in the FY 2009 GAA (adjusted for inflation).

Other Law & Public Safety

In floor debate, the House's only change was to add \$3.8 million to the amount proposed in the FY 2012 HWM budget for the Department of Fire Services Administration, bringing the House total for other law and public safety programs to \$48.1 million. This total is \$291,000 (or 0.6 percent) below current FY 2011 budget levels, and 13.7 percent less than provided in the FY 2009 GAA (adjusted for inflation).

Accounts in this MassBudget subcategory include the Massachusetts Emergency Management Agency, the state's military division, the Department of Fire Services Administration, the Department of Public Safety and other emergency relief. Notable elements of the FY 2012 House budget include:

- It follows the Governor's proposal to collapse funding for the **Division of Inspections** into the **Department of Public Safety**. These two functions, along with a retained revenue account for elevator inspections, are funded at \$10.1 million, virtually the identical amount proposed by the Governor, and \$318,000 (or 3.1 percent) below current FY 2011 budget levels.
- It does not follow the Governor's proposal to merge funding for the Merit Rating Board into the Transportation fund. Instead, the House budget creates a new account with the Department of Transportation through which to fund the **Merit Rating Board**. The FY 2012 House budget provides \$8.1 million to this account, an increase of \$500,000 (or 6.6 percent) above current FY 2011 budget levels.
- It funds the **Military Division** (and its associated retained revenue account) at \$9.2 million, identical to the Governor's proposal, and \$312,000 (or 3.3 percent) less than current FY 2011 budget levels.
- It adds \$3.8 million to the HWM proposal for the **Department of Fire Services**, raising the total to \$16.6 million, an amount \$217,000 below current FY 2011 budget levels and \$225,000 less than the Governor has proposed.

LOCAL AID

The House final Fiscal Year (FY) 2012 budget proposes to fund Local Aid (not including Chapter 70 education aid) at \$870.1 million, a decrease of \$55.1 million, or 6.0 percent, from current FY 2011 levels. During floor debate, the House did not alter any direct appropriations from the House Ways & Means (HWM) proposal for Local Aid, and this proposal is almost identical to the Governor's FY 2012 proposal. Two language changes, however, were added during House floor debate that: 1) increase slightly the negotiating power of municipal unions under the HWM municipal health insurance reform plan (see below); and 2) direct a portion of all unexpended FY 2011 fund balances to be sent out to cities and towns to help offset proposed FY 2012 cuts in local aid.

Local aid to cities and towns has been cut deeply during the last several years of the fiscal crisis, with the House final proposal representing a cut of 37.7 percent when compared to FY 2009 inflation-adjusted funding levels.

FY 2012 House (Adjusted)*	\$870,100,293
FY 2011 Current	\$925,212,293
<i>Change from FY 2011 Current</i>	<i>-\$55,112,000</i>
<i>Percent Change</i>	<i>-6.0%</i>
FY 2012 Governor (Adjusted)*	\$870,400,293

* When budget proposals shift line items between categories, we make adjustments in order to provide more accurate across-year comparisons. See "How to Read the Tables."

Specifically, the FY 2012 House final budget proposes:

- \$834.0 million for **Unrestricted General Government Local Aid (UGGA)**, provided to help cities and towns fund their municipal budgets, a decrease of \$65.0 million, or 7.2 percent, from the current FY 2011 budget. The House proposal is the same as the Governor's FY 2012 proposal.

During floor debate, the House passed an amendment directing 50 percent of all unexpended fund balances (up to \$65.0 million) as of June 30, 2011 to be distributed to cities and towns in order to offset proposed cuts in local aid for FY 2012. This means that if there is money left over at the end of the current fiscal year (FY 2011) from any other program in the state budget, a portion of this balance will be sent out to cities and towns to supplement their FY 2012 aid. UGGA has been cut significantly since the beginning of the fiscal crisis early in FY2009. The HWM proposal represents a cut of 38.8 percent when compared to FY 2009 inflation-adjusted funding levels.

- \$25.3 million for **Reimbursements to Cities in Lieu of Taxes on State-Owned Land**, level funding from the current FY 2011 budget. The House proposal is the same as the Governor's FY 2012 proposal.
- \$1.2 million for **Payments to Cities and Towns for Local Share of Racing Tax Revenue**, an increase of \$188,000, or 19.5 percent, from the current FY 2011 budget. The House proposal is the same as the Governor's FY 2012 proposal.

- \$9.7 million for the creation of a new **Regionalization and Efficiency Incentive Grant Program**, designed to help support municipalities seeking efficiencies in the delivery of local services. The Governor's FY 2012 budget made the same new proposal.

Additionally, the House proposal does not follow the Governor's FY 2012 budget in proposing the creation of a new \$300,000 **Municipal Performance Initiative** to enhance performance management, accountability, and transparency for local governments.

The House final FY 2012 budget proposal also includes language intended to reduce the cost to cities and towns of providing health insurance for their employees. Language in the proposal allows municipalities to reduce and shift costs through the implementation of plan design features such as increased co-payments and deductibles, and allows municipalities to transfer employees to the state's **Group Insurance Commission** if that would produce greater cost savings than would plan design changes. The House proposal also forces all eligible retirees to enroll in Medicare.

During floor debate, the House amended the original HWM proposal that ten percent of the value of the savings associated with these changes be returned to the employees during the first year of implementation to pay for health care related expenses. Under the floor amendment city and town management gets to set co-payment and deductible rates, but unions are provided a 30-day window to discuss any changes. If agreement on rates is not met during this timeframe, the city or town's plan automatically goes into effect, but then unions share in 20 percent of the avoided costs during the first year of implementation, instead of the lower 10 percent.

OTHER

FY 2012 House (Adjusted)*	\$4,263,284,015
FY 2011 Current	\$4,122,691,085
<i>Change from FY 2011 Current</i>	<i>\$140,592,930</i>
<i>Percent Change</i>	<i>3.4%</i>
FY 2012 Governor (Adjusted)*	\$4,228,484,310

* When budget proposals shift line items between categories, we make adjustments in order to provide more accurate across-year comparisons. See "How to Read the Tables."

Debt Service

No changes were made during House floor debate to the debt service appropriations proposed in the House Ways & Means budget. The Fiscal Year (FY) 2012 House budget provides \$2.07 billion for debt service costs, an amount virtually identical to that recommended by the Governor. This amount represents an increase of \$154.0 million (or 8.1 percent) from the \$1.91 billion provided in current FY 2011 spending. Actions were taken last year, however, to shift a portion of FY 2011 debt service costs into future years in order to reduce FY 2011 budgetary demands (see discussion below). Comparison with last year's debt service costs therefore gives a somewhat distorted view of the year-over-year cost growth.

A year ago, in the Governor's FY 2011 budget recommendations, \$1.86 billion in debt service costs were included. At that time, estimated debt service costs for FY 2011 were \$2.16 billion (or \$300 million more than the Governor was recommending), in part due to a one-time spike in debt service costs.

As part of his FY 2011 budget proposal, the Governor recommended (and the Legislature adopted) a plan to refinance \$200 million of this debt in order to adjust for this one-time spike, bringing FY 2011 costs down to a level more in keeping with other years, some \$1.96 billion. The Governor further recommended (and the Legislature adopted) a plan to refinance another \$100 million of FY 2011 debt service costs, thereby lowering total debt service costs below trend in order to save money during a challenging budget year. (This cumulative reduction of \$300 million in FY 2011 debt service costs simply shifted these costs into the future, spreading them out over the course of several future years.)

The budget appropriation for debt service thus dropped to \$1.86 billion in FY 2011. During FY 2011, however, \$75 million in debt service appropriations previously approved for use in FY 2010 (but which went unused) was made available for increased debt service payments in FY 2011, thus bringing total FY 2011 debt service spending to \$1.91 billion.

Given all these changes, the better comparison of debt service cost growth from FY 2011 to FY 2012 is to see how far the proposed FY 2012 appropriation strays from "trend," in this case from the \$1.96 billion proposed by the Governor in FY 2011 after accounting for that fiscal year's one-time spike in cost. The FY 2012 House proposal of \$2.07 billion is some \$110 million (or about 5.5 percent) above FY 2011 "trend," roughly in keeping with typical year-over-year growth in the state's debt service costs.

Libraries

The final House budget for Fiscal Year (FY) 2012 provides \$21.5 million to libraries, which is the same amount recommended by the House Ways & Means Committee. This is also the same level as the FY 2011 current budget and is \$421,000 more than the amount recommended by the Governor.

The majority of aid that the state provides to local libraries comes from two separate accounts. One, which provides **local aid to public libraries**, receives \$6.8 million in the House budget, which is the same level of funding it received in the FY 2011 current budget and in the Governor's FY 2012 proposal. The second account, which is also discussed below, is local aid to the **regional library system**. The House budget provides \$9.1 million, which is the same amount the regional library network received in the FY 2011 current budget and is \$350,000 more than the Governor's FY 2012 proposal.

In its budget, the House does not include two proposals that the Governor recommended in his FY 2012 budget.

- Traditionally the state funds the Boston Public Library (BPL), as the library of last recourse, in the account that provides aid to the state's regional library network (see above for discussion of this account). The Governor recommended transferring \$1.9 million from the regional library account to a separate line item for the BPL. The House budget keeps this funding for the BPL within the account funding the regional library system.
- The Governor recommended consolidating the Talking Book programs in Watertown and Worcester into a single account and providing \$2.7 million in funding which is the same amount the programs received in FY 2011. The House budget does not include the consolidation and provides the Worcester and Watertown programs with \$2.2 million and \$421,000 respectively, the same level of funding they received in FY 2011.

Pensions

House floor debate did not result in changes to the funding for pensions. Like the Governor's FY 2012 budget proposal, the House final proposal provides \$1.48 billion for state pensions. This is an increase of \$36.2 million, or 2.5 percent, from the FY 2011 current budget. The proposed funding level incorporates changes to the pension funding schedule that are intended to mitigate the impact of the economic recession. According to the supporting documents to the Governor's budget proposal, without these changes, the FY 2012 appropriation for pensions would have increased significantly from FY 2011, by \$800 million to \$900 million.

As explained in the policy documents accompanying the Governor's budget proposal, the primary change has been to extend the pension funding schedule from 2025 to 2040. By extending the schedule by 15 years, the annual appropriation for each year is reduced. However, because the appropriation for pensions was cut by \$157.5 million in FY 2009, provisions are also in place to provide increases to the appropriation in the short term to make up for this cut, and to ensure an adequate level of funding in the long term. Between FY 2013 and FY 2017, the annual appropriation will increase 5 percent to 6 percent. Thereafter, the state appropriation could not be reduced even if there are investment gains

that would otherwise lower the annual appropriation. Instead, any gains in the pension fund could be used to shorten the funding schedule.

Other Administrative

The House budget does not include up to \$30 million in procurement savings proposed in the Governor's FY 2012 budget. The Governor's budget recommended that state agencies improve their efficiency by sharing administrative tasks.³ Already the state has consolidated information technologies and human resources management across agencies within each executive office. The Governor's budget proposed that agencies share other tasks, such as procurement. By consolidating their orders, agencies and their executive offices will save money on the purchases of goods and services. Outside Section 38 of the Governor's budget proposed that the Secretary of Administration and Finance may reduce funding for state agencies to match some or all of the savings achieved by these agencies through this effort.

³ A discussion of these reforms is available on the Governor's budget website available at: http://www.mass.gov/bb/h1/fy12h1/exec_12/hbudbrief8.htm

REVENUE

During floor debate, the House adopted an amendment creating a commission that would examine the effectiveness of the Commonwealth's many tax expenditures (see below for a more detailed discussion). Otherwise, the Fiscal Year (FY) 2012 House budget follows the House Ways & Means (HWM) proposals by adopting many of the revenue initiatives proposed in the Governor's budget. As with the HWM budget, the House budget forgoes several of the Governor's proposed measures that would enhance tax and other revenue collections. Taken together, the new revenue proposals in the FY 2012 House budget total \$545.1 million in FY 2012, \$112.4 million in tax initiatives, and \$432.8 million in non-tax revenues. A portion (\$174.3 million) of these revenue proposals are for ongoing revenues – generating revenues in FY 2012 and into subsequent years – and a portion (\$370.9 million) are one-time or temporary.

FY 2012 HOUSE REVENUE PROPOSALS	One-Time or Temporary	On-Going	Total
Taxes			
Delay of FAS 109 Provision	45,900,000		45,900,000
Expanded Tax Enforcement		61,500,000	61,500,000
Limit Life Sciences Tax Credit	5,000,000		5,000,000
Sub-Total	50,900,000	61,500,000	112,400,000
Non-Tax Revenues			
Stabilization ("Rainy Day") Fund Withdrawal	200,000,000		200,000,000
Stabilization ("Rainy Day") Fund Interest Transfer	9,000,000		9,000,000
Disposal of Abandoned Property	99,000,000		99,000,000
Sale of Underutilized State Land	12,000,000		12,000,000
Expanded Federal Medicaid Reimbursement		77,750,000	77,800,000
Revenue Maximization Efforts		35,000,000	35,000,000
Sub-Total	320,000,000	112,800,000	432,800,000
Total	370,900,000	174,250,000	545,100,000

Tax Revenue

The House FY 2012 budget relies on the Fiscal Year 2012 consensus tax revenue figure, agreed to by the Administration, the House and the Senate. The consensus tax revenue total is \$20.53 billion, an amount 3.7 percent above the recently revised FY 2011 revenue estimate of \$19.78 billion.

In floor debate, the House adopted an amendment that would create a commission to examine tax expenditures in the Commonwealth. The Commission would be tasked with considering the "public policy objectives of the states many tax expenditures, the metrics for measuring success in meeting those objectives, and the need for additional reporting, sunset or clawback provisions." The commission would be required to file a report by April 30th of 2012 that would include any recommendations for improving the state's ability to evaluate existing tax expenditures or those proposed in the future.

Apart from this amendment, the House budget follows HWM and the Governor's recommendations to include the following:

- Delaying implementation of a provision included in the Commonwealth's 2008 package of reforms to corporate taxation. This provision relates to the interaction of Federal Accounting Standard 109 (or "FAS 109") and the 2008 reform package. Delaying implementation of this provision will save the Commonwealth \$45.9 million in FY 2012. This is one-time revenue.
- Enhancing revenue collections by expanding the number of employees directly performing tax examination, audit and appeals functions (at an additional cost of \$1.2 million in FY 2012). The new employees will allow the state Department of Revenue to crack down on tax evasion, both individual and corporate, and collect the taxes that are legally due to the Commonwealth. This initiative will generate \$61.5 million in additional collections for the Commonwealth annually, primarily through increased assessments and collections from taxpayers.
- Capping the value of the Life Sciences Credit at \$20.0 million in total forgone revenues rather than the usual \$25.0 million. This limit on the Life Sciences Credit would generate an additional \$5.0 million in FY 2012.

The House does not follow the Governor's recommendation to change the share of profits of certain multi-state corporations that would be apportioned to Massachusetts for tax purposes. The Governor had estimated \$20.0 million from this change. The House also does not follow the Governor's proposal to enforce collection by and remittance of the full Room Occupancy Tax on the part of Internet room resellers based on the reseller's markup price. The Governor had estimated \$8.0 million from this change.

Non-Tax Revenue

On the floor, the House did not make any notable changes that would explicitly affect the Commonwealth's non-tax revenues in FY 2012, although it is important to note that certain changes in appropriations or other departmental operations can have an impact on revenues. In particular, MassHealth spending is partially reimbursed by the federal government, so changes in proposed MassHealth appropriations will have an impact on federal revenues received by the Commonwealth. The HWM budget counted on \$432.8 million in non-tax revenue proposals, some of which would generate revenues in the future, some of which are revenues just for FY 2012. This number would likely change under the final House proposal. Both the House and the Governor's budget proposals include these non-tax revenues:

- Withdrawing \$200.0 million from the Commonwealth Stabilization ("Rainy Day") fund and transferring interest earned by the Stabilization Fund (estimated at approximately \$9 million) into the General Fund.
- Relying on \$77.8 million in additional federal revenues, assuming that the state will receive federal approval to be reimbursed by the Medicaid program for certain additional state health expenditures.
- Assuming that the state will be able to receive an additional \$35.0 million in federal reimbursements for other state expenditures.

- Estimating \$12.0 million from the sale of surplus state properties that are underutilized; the Governor estimated \$15.0 million from these sales. Both the House and the Governor estimate a \$99.0 million increase compared to FY 2011 in proceeds from the sale or other disposal of abandoned property.
- Unlike in the Governor's budget proposal, the House does not count on receiving an additional \$8.0 million in reimbursement for child support collections; the Governor's proposal would have created a new legal requirement for non-custodial parents to make cash contributions towards the cost of these children's health insurance. The House budget proposal also does not count on \$20.0 million from an expanded bottle bill.

APPENDIX: Budget by Category and Subcategory

(For an explanation of each column in this chart, see “How to Read the Tables” in the Overview.)

CATEGORY (in millions)	FY 2011 Current	FY 2012 Governor (Adj.)	FY 2012 HWM (Adj.)	FY 2012 House (Adj.)	FY 2012 House(Adj.) compared to FY 2011 Current
Education	6,664.6	6,639.1	6,624.9	6,635.6	(29.0)
Early Education and Care	510.2	510.1	512.6	512.6	2.3
Higher Education	1,012.2	953.4	943.7	948.8	(63.5)
K-12: Chapter 70 Aid	4,072.3	3,990.5	3,990.8	3,990.8	(81.5)
K-12: Non-Chapter 70 Aid	425.5	506.9	499.7	505.4	79.9
K-12: School Building	644.3	678.1	678.1	678.1	33.8
Environment & Recreation	165.1	166.1	154.4	158.0	(7.1)
Environment	74.7	77.1	66.7	68.3	(6.3)
Fish and Game	17.4	17.7	17.9	18.7	1.2
Parks and Recreation	73.0	71.3	69.8	71.0	(2.0)
Health Care*	14,770.6	14,293.3	14,223.7	14,269.3	(501.4)
MassHealth (Medicaid) and Health Reform	12,222.8	11,825.3	11,758.2	11,791.2	(431.6)
Mental Health	628.3	607.0	612.7	613.7	(14.6)
Public Health	496.7	472.4	464.3	475.8	(20.9)
State Employee Health Insurance*	1,422.8	1,388.6	1,388.5	1,388.5	(34.3)
Human Services	3,361.7	3,337.5	3,344.8	3,350.2	(11.5)
Children, Youth, and Families	887.7	873.4	868.3	868.6	(19.1)
Disability Services	1,356.0	1,360.1	1,369.6	1,370.3	14.3
Elder Services	220.6	216.0	217.0	218.5	(2.1)
Transitional Assistance	769.8	756.8	760.3	763.3	(6.5)
Other Human Services	127.6	131.2	129.6	129.6	2.0
Infrastructure, Housing & Economic Development	1,667.1	1,563.5	1,556.6	1,566.0	(101.2)
Commercial Regulatory Entities	48.3	49.2	49.2	49.4	1.1
Economic Development	100.1	80.0	73.7	82.7	(17.4)
Housing	330.6	299.1	299.0	299.2	(31.3)
Transportation	1,188.2	1,135.2	1,134.7	1,134.7	(53.5)
Law & Public Safety	2,320.5	2,244.4	2,209.9	2,222.8	(97.7)
Courts and Legal Assistance	628.7	586.9	563.9	565.7	(63.0)
Law Enforcement	327.3	326.1	310.2	314.2	(13.0)
Prisons, Probation and Parole	1,184.4	1,147.4	1,154.9	1,158.1	(26.3)
Prosecutors	131.7	136.2	136.6	136.6	4.9
Other Law and Public Safety	48.4	47.9	44.3	48.1	(0.3)
Local Aid	925.2	870.4	870.1	870.1	(55.1)
General Local Aid	899.0	834.0	834.0	834.0	(65.0)
Other Local Aid	26.2	36.4	36.1	36.1	9.9
Other	4,122.7	4,228.5	4,261.5	4,263.3	140.6
Constitutional Officers	82.1	67.6	68.2	69.4	(12.7)
Debt Service	2,104.7	2,260.2	2,260.8	2,260.8	156.1
Executive and Legislative	65.5	62.8	65.4	65.4	(0.1)
Libraries	21.5	21.0	21.5	21.5	0.0
Pensions	1,441.8	1,478.0	1,478.0	1,478.0	36.2
Other Administrative	407.1	338.9	367.7	368.2	(38.9)
Total Appropriations & Transfers*	33,997.6	33,342.8	33,245.9	33,335.3	(662.3)

*To better compare across fiscal years, this total does not include health benefit costs for municipalities joining the Group Insurance Commission.