

## The Senate Ways & Means Fiscal Year 2012 Budget

### OVERVIEW

The Fiscal Year (FY) 2012 Senate Ways and Means (SWM) budget proposal shares a basic structure with the proposals from the Governor and House. All three rely primarily on budget cuts and reform initiatives to close the \$1.9 billion gap between the revenues expected to be available and the cost of providing current services. In some areas the budgets agree almost exactly and specific cuts are now all but certain: all cut unrestricted local aid by \$65 million for an inflation adjusted cut of 38 percent since the original FY 2009 budget; all cut funding for state colleges and universities by about \$60 million for an inflation adjusted cut of 16 percent since FY 2009; and all fund MassHealth at a level \$750 million or more below what it would cost to provide current services with current payment strategies.

There are some noteworthy differences, however, between the SWM budget and the proposals by the Governor and House. While the Governor and House both proposed deep cuts to early intervention programs, the SWM budget does not. While the Governor and House had both proposed restoring much of the funding that had been cut in prior years from the program that reimburses schools for a portion of certain special education costs, the SWM budget restores \$50 million of this funding rather than \$80 million. The SWM budget, like the Governor's proposal, does aim to provide a full year of funding for the Commonwealth Care Bridge health insurance program for certain legal immigrants who do not receive coverage through Commonwealth Care. (The House funds only half a year of coverage for this population.)

Like the House, the SWM budget relies on very few ongoing revenue initiatives: some strategies for increasing federal reimbursements and the hiring of auditors to catch people and corporations seeking to cheat on their taxes. The Governor's budget had proposed modest corporate tax reforms that the House and SWM budgets do not adopt. The SWM budget, like those of the Governor and House, also relies on significantly less temporary revenue than state budgets have used in each of the last three years. While federal assistance has helped to close about \$1.5 billion a year of the state's budget gap during the ongoing national economic crisis, that assistance is no longer being provided to states. This SWM budget proposal counts on a total of only about \$420 million in temporary revenue, mostly from the state's reserve funds.

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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 Senate Ways & Means (Adjusted):** For the Senate Ways & Means 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 House (Adjusted) and Governor (Adjusted):** These are the funding amounts proposed by the House and Governor for FY 2012, with MassBudget adjustments. For an explanation of the adjustments made to the FY 2012 House and Governor’s proposals, please see the *Budget Monitors* for the Governor’s Fiscal Year 2012 Budget at <http://massbudget.org/775> and the House Fiscal Year 2012 Budget at <http://massbudget.org/785>.

## EDUCATION

The Fiscal Year (FY) 2012 Senate Ways and Means (SWM) budget proposes \$6.58 billion for programs within the MassBudget category of Education, which includes early education and care, elementary and secondary education, and the state's public institutions of higher education. This proposal represents a decrease of \$82.2 million, or 1.2 percent, from the current FY 2011 budget. It is \$53.2 million lower than the House proposal and \$56.6 million below the Governor's.

Generally speaking, the House and Governor's proposals for education are quite similar to each other, whereas SWM proposes a net reduction that is more than \$50 million greater. Much of this difference results from the SWM proposal for the Special Education Circuit Breaker account, which is \$30.0 million below the House and Governor's proposals.

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 (this federal recovery money is included in 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 over the course of the ongoing fiscal crisis, with the SWM FY 2012 proposal representing a cut of 8.6 percent when compared to FY 2009 GAA inflation-adjusted funding levels.<sup>1</sup> While certainly severe, cuts to education have not been as extreme as some other areas of the state budget including Local Aid (cut 37.8 percent), Environment & Recreation (cut 26.9 percent), and Law & Public Safety (cut 14.8 percent). Much of the cuts to Education have been made within Non-Chapter 70 Aid programs (cut 26.8 percent), Early Education and Care (cut 18.3 percent), and Higher Education (cut 16.5 percent).<sup>2</sup>

<b>FY 2012 Senate Ways &amp; Means (Adjusted)</b>	<b>\$6,582,463,646</b>
<b>FY 2011 Current</b>	<b>\$6,664,644,226</b>
<i>Change from FY 2011 Current</i>	<i>-\$82,180,580</i>
<i>Percent Change</i>	<i>-1.2%</i>
<b>FY 2012 Governor (Adjusted)*</b>	<b>\$6,639,109,325</b>
<b>FY 2012 House (Adjusted)</b>	<b>\$6,635,644,651</b>

\* 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."

<sup>1</sup> 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://www.massbudget.org/documentsearch/findDocument?doc\\_id=781](http://www.massbudget.org/documentsearch/findDocument?doc_id=781)

<sup>2</sup> It should be noted that calculating cuts off of inflation-adjusted numbers, as we do here, often misstates the true difference between current funding levels and programs' actual funding needs for providing a consistent level of services. During the current fiscal crisis, for example, demand for many state programs has increased and inflation calculations do not account for increased program enrollment. General inflation adjustments are also often imperfect measures because they track the changing costs of a broad market basket of goods that is sometimes quite different from the mix of things government purchases. Health care inflation, for example, has grown significantly faster than most other goods tracked by general inflation measures.

## Early Education & Care

The SWM FY 2012 budget proposes to fund programs within Early Education and Care at \$449.6 million, a decrease of \$10.7 million, or 2.1 percent, from the current FY 2011 budget. This is \$13.0 million below the House proposal and \$10.6 million below the Governor's.

This SWM proposal represents a cut of 18.3 percent when compared to FY 2009 GAA inflation-adjusted funding levels.

The SWM proposal maintains three dedicated line items for **child care subsidies** for certain 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 with active cases at the Department of Children and Families (DCF).<sup>3</sup> The Governor's proposal, by contrast, consolidated these programs into one line item without earmarks. Taken together, the SWM proposal for these three line items is \$8.7 million lower than the current FY 2011 budget and \$8.3 million lower than the Governor's FY 2012 proposal. Specifically, FY 2012 SWM budget proposes:

- \$228.0 million in **child care funding for income-eligible families**, a \$5.6 million decrease from the current FY 2011 budget. This proposal is \$9.4 million lower than the House's.
- \$132.5 million in **TANF Related child care funding**, a \$5.1 million increase from the current FY 2011 budget. This proposal is \$913,000 lower than the House's.
- \$77.4 million in **child care subsidies for children with active cases at the DCF**, an \$8.3 million decrease from the current FY 2011 budget. This proposal is identical to the House's.

Also within Early Education & Care, SWM proposes:

- \$4.2 million for **Family Support and Engagement** and \$800,000 to reestablish a separate line item for **Reach Out and Read**, a program that supports parents in providing early literacy education to their children. Taken together, the \$5.0 million proposed for these line items represents level funding from the current FY 2011 budget. The Governor proposed to keep these programs together within the Family Support and Engagement line item and also proposed level funding.

The House, on the other hand, proposed rolling **Quality Program Supports** into the **Family Support and Engagement** line item, resulting in a total funding level of \$19.0 million for these family support-related programs. Taken together, the SWM proposal for these programs is \$500,000 less than the House proposal and is essentially the same as the Governor's.

- \$10.5 million for the **Healthy Families Home Visiting Program**, a decrease of \$56,000, or 0.5 percent, from the current FY 2011 budget. This proposal is \$19,000 above the House budget and \$56,000 less than Governor's, which proposed level funding.
- \$7.5 million for **Head Start**, level funding from the current FY 2011 budget. This proposal is identical to both the House and Governor's proposals.

<sup>3</sup> For more information comparing child care rates paid by the state and rates paid by private payers, please see the Early Education and Care section in MassBudget's recent paper *Quality, Cost, and Purpose: Comparisons of Government and Private Sector Payments for Similar Services* available online at: <http://massbudget.org/773>

- \$7.5 million for **Universal Pre-Kindergarten**, level funding from the current FY 2011 budget. This proposal is identical to both the House and Governor’s proposals.

## Total State Funding for K-12 Education

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.

Subcategory	FY 2011 Current	FY 2012 Governor	FY 2012 House	FY 2012 SWM
Chapter 70 Aid	\$4,072,341,440	\$3,990,519,337	\$3,990,812,681	\$3,990,812,680
Non-Chapter 70 Aid	\$425,501,546	\$506,949,036	\$505,378,764	\$467,907,845
School Building	\$644,348,851	\$678,100,000	\$678,124,324	\$678,124,324
<b>TOTAL</b>	<b>\$5,142,191,837</b>	<b>\$5,175,568,373</b>	<b>\$5,174,315,769</b>	<b>\$5,136,844,849</b>

The FY 2012 SWM budget proposes to fund K-12 education at \$5.14 billion, a decrease of \$5.3 million, or 0.1 percent, from the current FY 2011 budget. This proposal is \$37.5 million below the House’s proposal and \$38.7 million below the Governor’s.

## K-12: Chapter 70 Aid

The FY 2012 SWM budget proposes to fund **Chapter 70 education aid** to local and regional school districts at \$3.99 billion, a decrease of \$81.5 million from current FY 2011 funding levels (which include \$221.1 million in federal recovery money that was available to districts in FY 2011). This proposal is essentially identical to the House and Governor’s proposals. 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.

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 SWM Committee's \$3.99 billion proposed state contribution for FY 2012 somewhat understates the resources likely to be available next year.

Under the SWM 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.<sup>4</sup> 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 SWM proposal for FY 2012 continues a freeze on phasing 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.

SWM did propose a new **Regionalization and Efficiency Incentive Grant** line item within the MassBudget category of Local Aid that includes a \$2.0 million grant program related to Chapter 70 aid. Under the SWM language, this \$2.0 million would fund a Department of Elementary and Secondary Education grant program for K-12 school districts whose Chapter 70 aid in FY 2012 as a percentage their foundation budgets is less than their target Chapter 70 aid share. Qualifying districts would apply through a competitive process for shares of this funding.

## K-12: Non-Chapter 70 Aid

The FY 2012 SWM budget proposes to fund elementary and secondary education programs (not including Chapter 70 aid) at \$467.4 million, an increase of \$41.9 million, or 10.0 percent, from the current FY 2011 budget. Most of the programs within the MassBudget category of K-12: Non-Chapter 70 Aid are grant programs distributed to individual schools and/or school districts to advance specific priority initiatives. The SWM proposal is \$37.9 million below the House proposal and \$39.5 below the Governor's. This proposal is lower in large part because SWM funds the Special Education Circuit Breaker at \$30.0 million below the House and Governor's proposals. In addition, however, several programs that received level funding in the House and Governor's proposals receive cuts in the SWM proposal (see below for more detail).

Non-Chapter 70 education grant programs have been cut over the course of the ongoing fiscal crisis, with the SWM proposal representing a cut of 26.9 percent from FY 2009 GAA inflation-adjusted levels.

The **Special Education Circuit Breaker** is the one program proposed for an increase in the SWM budget, receiving \$183.1 million, a \$50.0 million increase from the current FY 2011 budget. This proposal is \$30.0 million below both the House and Governor's proposals of \$213.1 million, which

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<sup>4</sup> For more information on the 2007 reform plan, please see the November 2006 MassBudget paper *Public School Funding in Massachusetts: Where We Are, What Has Changed, and Options Ahead*, available here: [http://www.massbudget.org/file\\_storage/documents/Public\\_School\\_Funding-Where\\_We\\_Are\\_What\\_Has\\_Changed\\_-\\_FINAL.pdf](http://www.massbudget.org/file_storage/documents/Public_School_Funding-Where_We_Are_What_Has_Changed_-_FINAL.pdf)

restores the circuit breaker program closer to the pre-recession FY 2009 GAA funding level of \$230.0 million. While the circuit breaker was reduced during FY 2010 and FY 2011, a comparable amount of additional one-time federal recovery money was available during these years through the Individuals with Disabilities Education Act (IDEA), which also funds special education services.

Programs proposed for level funding by SWM include:

- \$71.6 million for **Charter School Reimbursement**. The Governor also proposed level funding, whereas the House proposed a \$1.7 million increase. The House's proposal is based upon projected full-funding of the reimbursement formula, so level funding would likely result in a cut to the reimbursement formula.
- \$40.5 million for the **transportation of pupils in regional school districts**. This proposal is identical to both the House and Governor's proposals.
- \$27.7 million for **Adult Basic Education**. This proposal is identical to both the House and Governor's proposals.
- \$6.7 million for **Targeted Intervention in Underperforming Schools**. Both the House and Governor, by contrast, propose an increase of \$951,000.
- \$4.1 million for the **School Breakfast Program**. The House also proposes level funding, whereas the Governor proposes an increase of \$290,000.

Programs proposed for decreases by SWM include:

- \$20.1 million for **Kindergarten Expansion Grants**, a decrease of \$2.0 million, or 8.7 percent, from the current FY 2011 budget. Both the House and Governor propose level funding.
- \$17.0 million for the **METCO** program to reduce racial imbalance across school districts, a decrease of \$643,000, or 3.6 percent, from the current FY 2011 budget. Both the House and Governor propose level funding.
- \$13.1 million for **Extended Learning Time Grants**, \$778,000 lower than current FY 2011 funding levels. Both the House and Governor propose level funding.
- \$8.3 million for **MCAS Low-Scoring Student Support**, \$750,000 below current FY 2011 funding levels. This proposal is \$1.2 million below the House proposal and \$1.3 million below the Governor's.
- \$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. The SWM proposal represents a cut of \$79,000, or 2.0 percent, from the current FY 2011 budget. Both the House and Governor propose level funding.
- \$1.4 million for **After-School** programs, a cut of \$90,000, or 6.0 percent, from current FY 2011 funding levels. Both the House and Governor propose level funding.
- \$1.2 million for **Youth-Build Grants**, a cut of \$150,000, or 11.5 percent from current FY 2011 funding levels. Both the House and Governor propose level funding.

Additionally, neither SWM nor the House 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. SWM proposes \$1.2 million in its 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. This supplemental budget includes language allowing the additional \$2.0 million to be spent on summer jobs, which will technically occur during the beginning of FY 2012. The House proposed no separate funding for Connecting Activities in FY 2012, whereas the Governor proposed \$2.0 million.

## School Building

The SWM 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. This proposal is identical to the House proposal and is just slightly higher than the Governor's.

Each year the Commonwealth is required to contribute to this trust an amount equal to one penny of the state sales tax. The SWM proposal reflects anticipated increases in the sales tax due to continued economic recovery, not due to policy changes involving the sales tax.

## Higher Education

The FY 2012 SWM budget proposes to fund Higher Education at \$946.5 million, a decrease of \$65.7 million, or 6.5 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. This SWM proposal is \$2.3 million less than the House proposal and \$6.9 million less than the Governor's.

Higher education has been cut severely during the last several years of the Great Recession, with the SWM proposal representing a cut of 16.5 percent from FY 2009 GAA inflation-adjusted funding levels.

The SWM 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, House, and SWM 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) after release of the Governor's budget. In order to meet the same projected total resources (campus appropriation + tuition retention) as the Governor's proposal, the House and SWM Committee 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, SWM 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. SWM proposes the following funding levels for each of the state's campus categories. These proposals are essentially the same as the House and Governor's proposals.

- \$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.
- \$210.4 million for **community colleges**, a decrease of \$17.1 million, or 7.5 percent, from current FY 2011 levels.

Other SWM proposals for programs within Higher Education include:

- \$86.5 million for the **State Scholarship Program** a decrease of \$3.0 million, or 3.4 percent, from current FY 2011 levels. The FY 2011 budget does include, however, \$3.0 million in federal recovery money that is not available for FY 2012, so the SWM proposal essentially represents level funding of the state's appropriation, narrowly defined. The SWM proposal is \$1.1 million below the House proposal and \$1.8 million below the Governor's.

Proposed line item language includes for the first time a protection of funding for the Early Childhood Educators Scholarship, which comes from the State Scholarship Program allocation, at a level proportional to what it is for FY 2011.

- \$3.0 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. This proposal is \$500,000 above the House proposal and \$4.5 million below the Governor's.
- No funding for the **Science, Technology, Engineering, and Mathematics Pipeline Fund**. Both the House and Governor proposed \$500,000.

## ENVIRONMENT & RECREATION

The Senate Ways and Means Committee (SWM) recommends spending \$161.2 million on Environment and Recreation programs in Fiscal Year (FY) 2012. SWM funding for this category, which includes environment, fish and game, and parks and recreation programs, is \$3.8 million, or 2.3 percent, less than the FY 2011 current budget, and is \$3.2 million more than the House budget. Because it does not include the Governor's recommendation to expand the bottle bill to increase funding for recycling and redemption centers around the state (see below), the SWM budget is \$4.9 million less than the Governor's FY 2012 proposal.

<b>FY 2012 Senate Ways &amp; Means (Adjusted)</b>	<b>\$161,245,292</b>
<b>FY 2011 Current</b>	<b>\$165,057,138</b>
<i>Change from FY 2011 Current</i>	<i>-\$3,811,846</i>
<i>Percent Change</i>	<i>-2.3%</i>
<b>FY 2012 Governor (Adjusted)*</b>	<b>\$166,117,850</b>
<b>FY 2012 House (Adjusted)</b>	<b>\$157,998,715</b>

\* 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

The SWM budget recommends the state spend \$71.2 million on environment programs in FY 2012. This level is \$3.4 million, or 4.6 percent, less than current spending, \$5.9 million less than the Governor's proposal and \$2.9 million more than the House budget. In its budget, the SWM proposes:

- \$275,000 for **redemption centers**. This is the same level as the House budget and the FY 2011 current budget, but is \$6.2 million less than the amount recommended by the Governor. In his FY 2012 proposal, the Governor recommended expanding the bottle bill to include juice, water and coffee drinks and using over \$6 million of the revenue raised through this expansion to improve state recycling and redemption efforts.
- \$8.7 million for the **environmental police**. This level is slightly lower than the current budget for FY 2011, but is \$677,000 higher than the House amount and \$662,000 higher than the Governor's recommendation.
- \$24.9 million for the **Department of Environmental Protection (DEP)**, a reduction of \$824,000 below the FY 2011 current budget. The SWM budget for DEP is \$2.0 million more than the House budget and \$568,000 more than the Governor's proposal.
- \$12.0 million from the **hazardous waste cleanup** program, a reduction of \$1.9 million below the FY 2011 current budget. This is the same level as the House budget and \$113,000 less than the Governor's proposal.
- \$150,000 for a new **Cape Cod wastewater study**. This item is not included in either House or the Governor's budgets. Outside Section 138 of the SWM budget authorizes the Cape Cod Commission to use this funding to undertake a study of land use and water use on the Cape.

## Fish & Game

The SWM FY 2012 budget recommends spending \$18.6 million on fish and game programs. This level is \$1.2 million, or 7 percent, more than FY 2011 current spending, and \$956,000 more than the Governor's budget. Many of the state's fish and game programs are funded through revenues that it receives from the sale of licenses for hunting, fishing, boating and other activities. The SWM budget proposal is essentially the same level as the House proposal. In its budget, the SWM proposes:

- \$10.0 million for the **Division of Fisheries and Wildlife**, an increase of \$750,000 above the FY 2011 current budget and \$425,000 more than the Governor's proposal. The SWM proposal is in line with House FY 2012 budget.
- \$517,000 in retained revenue for the **saltwater sport fishing license** an increase of \$415,000 above the FY 2011 current budget and in line with both the House and Governor's FY 2012 budgets.
- \$100,000 in a new retained revenue account for the **Newburyport clam plant**. This is the same level as the House budget. The Governor did not include this item in his FY 2012 proposal.

## Parks & Recreation

The SWM FY 2012 budget recommends spending \$71.4 million on state parks and recreation in FY 2012. This level is \$1.6 million, or 2.2 percent, below current FY 2011 spending and is \$366,000 more than the House budget. The SWM proposes spending the same amount on parks and recreation in FY 2012 as the Governor's proposal. In its parks and recreation budget, the SWM recommends:

- \$11.2 million in funding for **beaches, pools and seasonal employees** working for the Department of Conservation and Recreation (DCR) a cut of \$1.2 million below the FY 2011 current budget. This level is \$436,000 less than the amount approved in by the House and the same amount recommended by the Governor.
- \$42.2 million for **state parks and parkways**, a cut of \$224,000 below the FY 2011 current budget. This amount is \$624,000 more than the House budget and level with the amount recommended by the Governor. Like the Governor's proposal and the House budget, the Senate budget recommends consolidating programs within DCR into two divisions: one responsible for state and urban parks, parkways, rinks, pools and beaches and the other responsible for the state's watershed and water supply system.
- \$1.0 million for the **watershed management** program which is in line with FY 2011 current spending and the House and Governor's FY 2012 budget proposals.

## HEALTH CARE

The Senate Ways & Means (SWM) budget proposes \$14.35 billion for the state's health care programs. This total, which is \$425.5 million less than current FY 2011 budgeted totals, but is \$75.9 million more than recommended by the House, and \$51.9 million more 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. However, it is important to note that this total includes funding for the Medical Assistance Trust Fund which is fully funded by assessments on providers and matching federal revenue, so changes in funding for this trust are not indicators of changes in state's own spending.

Like both the House and Governor's FY 2012 budget proposals, the SWM budget 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. However, compared to the House and the Governor, SWM restores funding to public health and mental health services, bringing the total public health budget close to the amount in the FY 2011 current budget, and recommends additional funding for mental health.

<b>FY 2012 Senate Ways &amp; Means (Adjusted)</b>	<b>\$14,345,141,450</b>
<b>FY 2011 Current</b>	<b>\$14,770,639,662</b>
<i>Change from FY 2011 Current</i>	<i>-\$425,498,212</i>
<i>Percent Change</i>	<i>-2.9%</i>
<b>FY 2012 Governor (Adjusted)*</b>	<b>\$14,293,291,376</b>
<b>FY 2012 House (Adjusted)</b>	<b>\$14,269,266,070</b>

*\* 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) and Health Reform

The SWM budget includes \$11.86 billion for MassHealth (Medicaid) and health reform programs, for the most part following the Governor's budget recommendations. This total represents approximately \$763 million less than what it would cost to maintain the MassHealth program in its current form, given expected caseload, utilization and enrollment growth.

Currently, the state's MassHealth program provides health care coverage for nearly 1.3 million residents of the Commonwealth, including more than 535,000 children. Commonwealth Care covers approximately 161,000. In addition to these programs, Massachusetts also currently provides coverage for close to 18,500 legal immigrants in a separate program referred to as the Commonwealth Care Bridge program. These programs continue to play an essential role in providing health care coverage for the Commonwealth's residents. Close to 21,000 low-income legal immigrants are still currently ineligible for MassHealth, Commonwealth Care or the Commonwealth Care Bridge program.

The SWM budget differs from the House budget in several ways. First, the SWM - like the Governor - funds the Commonwealth Care Bridge immigrant health care program for a full year, whereas the

House only funded this program for six months. Second, unlike either the House or the Governor, SWM does not cut adult day health program services. Also unlike either the House or the Governor, the SWM budget proposal cuts funding by an amount which they suggest could result in a cut to adult day rehabilitation services. The FY 2012 budget proposals also reflect an expected reduction in an operating transfer to the Medical Assistance Trust Fund. Excluding the reduction in that fund (because none of its funding comes from the state's own resources – see explanation below), total MassHealth and health reform funding in the SWM budget is almost level with FY 2011 current funding. But in order to reach that budget target, the Commonwealth will need to find substantial “savings” in the MassHealth program and in other health care programs.

<b>MassHealth (Medicaid) and Health Reform</b>				
	<b>FY11 Current</b>	<b>FY12 Governor</b>	<b>FY12 House</b>	<b>FY12 SWM</b>
<b>MassHealth (Medicaid)</b>				
MassHealth	10,267,281,031	10,338,292,834	10,333,695,583	10,375,292,834
MassHealth administration	171,818,771	168,933,772	168,042,784	168,498,800
<b>Sub-Total</b>	<b>10,439,099,802</b>	<b>10,507,226,606</b>	<b>10,501,738,367</b>	<b>10,543,791,634</b>
<b>Health Reform and Health Safety Net</b>				
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	27,357,507
Commonwealth Care Trust*	842,011,822	879,511,822	847,011,822	871,511,822
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
<b>Sub-Total</b>	<b>1,783,713,182</b>	<b>1,318,059,937</b>	<b>1,289,496,875</b>	<b>1,314,996,875</b>
<b>Total</b>	<b>12,222,812,984</b>	<b>11,825,286,543</b>	<b>11,791,235,242</b>	<b>11,858,788,509</b>
<b>Total (excluding Medical Assistance Trust)**</b>	<b>11,336,711,896</b>	<b>11,431,261,543</b>	<b>11,397,210,242</b>	<b>11,464,763,509</b>

\* This total includes a transfer of funding from the General Fund, as well as an estimated \$120 million from a dedicated cigarette tax in FY 2011 and FY 2012.

\*\* This total excludes the Medical Assistance Trust, as this trust is funded only with provider assessments and federal revenues, and the timing of payments to the trust can make totals appear misleading.

## MassHealth

The SWM budget proposal includes \$10.54 billion for the MassHealth program, including \$10.38 billion for MassHealth programs and \$168.5 million for MassHealth administration. This total is \$36.6 million more than recommended by the Governor, \$42.1 million more than recommended by the House, and \$104.7 million more than the current FY 2011 budget. The FY 2012 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, utilization increases and anticipated health care cost inflation), SWM follows most of the Governor's recommendations for a range of cuts and savings to be implemented over the course of FY 2012. 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 SWM MassHealth program budget proposal include:

- SWM does not cut **adult day health services**, which the Governor's budget cut by \$55 million and the House partially-funded for six months. 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.
- SWM reduces MassHealth appropriations by \$18 million (\$9 million net state savings) compared to the House proposal. Although there is no language specifying where the cuts should be made, SWM suggests reducing **adult day habilitation services**, which are rehabilitative community-based supports for developmentally disabled adults, from 6 hours a day to 5 hours a day.

SWM reduces MassHealth funding by \$3 million compared to the House, and strikes language added by the House that funded a **medical respite program for the homeless**. The Governor's budget also did not include funding for this program.

- SWM, like the House and the Governor, authorizes further cuts in **optional adult MassHealth benefits** if MassHealth does not achieve planned budget savings. The SWM budget proposal adds language requiring that the Legislature receive 90 day advance notice before MassHealth "restructures" benefits.

In addition to these changes, SWM proposes two new administrative initiatives to improve MassHealth program operations and efficiency. SWM proposes:

- \$1.0 million for a new **MassHealth auditing** initiative in order to reduce program fraud. This "field auditing" office would increase the ability of the program to identify and eliminate fraudulent claims submissions and provider payments.
- \$400,000 to the Executive Office of Administration and Finance for a new independent **caseload forecasting** office. The intent of this office is to improve the accuracy of estimating caseload and costs for the MassHealth program, as well as for state-subsidized childcare, transitional assistance benefits, emergency assistance and housing, and state employee health insurance. (This funding is included in the "other administrative" budget totals in this *Budget Monitor*.)
- Unlike the House, SWM does not add \$12 million for either a **nursing facility rate** increase, or \$2.8 million for a **nursing facility pay-for-performance** initiative. The Governor's budget proposal also did not include these increases.

The SWM budget proposal follows both the House and Governor's budget proposals in several significant areas:

- SWM - like the House and the Governor - 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.
- SWM 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 SWM proposal will cut \$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.
- SWM, the House and the Governor all estimate that with **aggressive contract 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. The Administration has recently released a request for response for re-negotiation of the primary care clinician behavioral health provider contract. Similar re-contracting in the Commonwealth Care program and the state’s Group Insurance program (see below) has already netted the state substantial savings.
- SWM, the House and the Governor all estimate that the state will be able to net \$25 million in savings by better **integrating health care** for young disabled adults who are dually-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.
- Neither the SWM, House nor Governor include funding for **outreach grants**. 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 enrollment and maintaining coverage for persons eligible for publicly subsidized health programs.

## Health Reform and Safety Net

SWM proposes transferring \$871.5 million into the **Commonwealth Care Trust Fund**, including \$751.5 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 SWM budget includes \$42.0 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 Governor also included funding for the Bridge program for a full year, while the House included only six months’ funding.

SWM also directs the Commonwealth Health Insurance Connector to provide \$2.5 million to small businesses that offer **wellness incentive** programs for their employees, and provides 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.

The SWM budget 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 losing coverage under the Medical Security Plan coverage that comes with unemployment insurance. 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 SWM FY 2012 budget proposal expects that with aggressive cost controls and provider re-contracting, the program 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.

Other highlights in the SWM 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 SWM budget proposal, the same as provided by the House and the Governor. 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.
- SWM follows the House and Governor’s recommendations 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 SWM budget proposal assumes that up to \$50 million could be available for providers to implement electronic health record systems in FY 2012.
- SWM, the House and the Governor transfer \$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), but it does reflect a decrease in funding for the affected health care providers.

- The SWM budget follows the House proposal to include a new line item appropriating \$4 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. SWM anticipates that federal reimbursements will be available to support this new appropriation.

## Mental Health

SWM recommends \$644.8 million for mental health services, a \$16.5 million increase over FY 2011 current budgeted levels. This total is \$31.1 million more than recommended by the House, and \$37.8 million more than recommended by the Governor. To partially pay for this increase, SWM recommends that \$10.0 million from various special mental health trusts be transferred to the General Fund to support inpatient or community services. Because this \$10.0 million can be allocated among the various line items for adult mental health services in the Department of Mental Health, it is difficult to know exactly how the SWM budget compares to the other proposals. SWM has stated that this budget proposal will allow the department to maintain inpatient care as well as provide support to community-based mental health clubhouse and other community programs.

Highlights in the SWM mental health funding recommendation include:

- \$69.8 million for **children's mental health services**, compared to \$71.8 million in the current FY 2011 budget. The House proposed \$71.8 million and the Governor proposed \$69.8 million, which would have reduced flexible family supports that prevent out-of-home placements for close to 175 children and families. It is noteworthy that language in the SWM budget does not specify that the additional \$10.0 million available to the department would be available for children's mental health services.
- \$391.8 million for **adult mental health services**, compared to \$386.2 million in the FY 2011 current budget. The House proposed \$386.7 million; the Governor proposed \$383.2 million, which would result in cuts at eight of the Commonwealth's 32 adult clubhouses. A portion of the additional \$10.0 million in funding available from mental health trusts in the SWM budget will likely be available for these adult services.
- \$146.7 million for **mental health facilities**, compared to \$127.5 million proposed by the Governor and \$128.5 million proposed by the House. Funding in FY 2011 for mental health facilities is currently \$386.2 million. A portion of the additional \$10.0 million in funding available from mental health trusts will likely be available to support services in mental health facilities.

## Public Health

The SWM budget includes \$492.3 million for public health programs, \$4.4 million less than current FY 2011 budget totals, but \$16.5 million more than recommended by the House and \$19.9 million more than recommended by the Governor. Compared to the Governor's proposal in particular, the SWM public health budget avoids deep cuts in public health prevention, education and screening programs, and the deep cuts within the central department that would significantly constraining the ability of the department to plan, evaluate or monitor its programs, and provide regulatory support.

Highlights of the SWM public health budget include:

- \$31.1 million for **early intervention** services, a \$1.7 million increase over FY 2011 budget totals, \$7.2 million more than recommended by the House, and \$9.7 million more than recommended by the Governor. This funding level should be sufficient to avoid the dramatic cuts to early intervention programming that would have resulted with those lower funding levels.
- \$3.4 million for **health promotion and disease prevention** programs, a cut of \$2.6 million compared to FY 2011 totals, but the same as recommended by the House. The Governor's budget had eliminated this funding entirely. Currently, among the services provided by this program 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 1500 people.
- \$35.1 million for **AIDS/HIV** prevention and screening programs, the same as recommended by the House. This is \$500,000 more than FY 2011 funding, and is \$2.5 million more than recommended by the Governor.
- \$10.5 million for **school health services**, a \$1.4 million cut from FY 2011 funding levels. This proposal is \$1.1 million less than recommended by the House, and \$500,000 more than recommended by the Governor. This program provides funding for the school-based health clinics and school nursing programs which are often essential gateways to primary care for at-risk young people.
- \$4.7 million for **family health services**, level with FY 2011 funding. Family health services include comprehensive family planning, HIV counseling and testing, and community-based health education and outreach services.
- \$2.3 million for **youth violence** programs, \$500,000 less than budgeted in FY 2011. The House recommended \$3.2 million, and the Governor recommended \$3.0 million.

Unlike the House and Governor, SWM does not eliminate the academic detailing program and the primary care loan forgiveness program. These two small programs, level-funded at their FY 2011 funding (\$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

The SWM budget funds state employee health insurance at \$1.36 billion, \$73.6 million less than FY 2011 current budgeted totals, and \$39.3 million less than the House proposal. There is language in the SWM budget prohibiting the Group Insurance Commission (GIC), which manages health insurance for the state's employees and retirees, from making mid-year changes to health plans.

In order to hold down state employee health care costs, the Administration plans for aggressive re-contracting with the health insurance providers that offer coverage to state employees and retirees. Specifically, the Governor proposes that the state's Group Insurance Commission (GIC) – the administrator of state employee health benefits – re-negotiate 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 SWM 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, under certain circumstances 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 SWM FY 2012 budget proposal, state employee health insurance costs are reduced by \$301.2 million.

## HUMAN SERVICES

The Senate Ways & Means (SWM) Fiscal Year (FY) 2012 budget includes \$3.33 billion for Human Services, a reduction of \$32.7 million, or 1 percent, from the FY 2011 current budget. This is also a reduction of \$21.3 million from the House budget proposal and \$8.6 million below the Governor's budget proposal. This category includes children, youth, and families; disability services; elder services; transitional assistance; and other human services. Overall, the SWM final FY 2012 budget reflects continued cuts to programs. If the rising demand for services, particularly during the economic recession, and cost increases are taken into account, the cuts to human services would be much deeper than what appears from simply comparing budget totals from year to year.

<b>FY 2012 Senate Ways &amp; Means (Adjusted)</b>	<b>\$3,328,961,302</b>
<b>FY 2011 Current</b>	<b>\$3,361,697,213</b>
<i>Change from FY 2011 Current</i>	<i>-\$32,735,911</i>
<i>Percent Change</i>	<i>-1.0%</i>
<b>FY 2012 Governor (Adjusted)*</b>	<b>\$3,337,531,735</b>
<b>FY 2012 House (Adjusted)</b>	<b>\$3,350,216,702</b>

\* 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

The SWM FY 2012 budget proposal funds all programs within Children, Youth, and Families (including the Department of Children and Families (DCF) and the Department of Youth Services (DYS)) at \$864.8 million, a decrease of \$22.8 million, or 2.6 percent, from the current FY 2011 budget. This proposal is \$3.7 million below the House's proposal and \$8.6 million below the Governor's.

Programs for children, youth, and families have been cut severely during the ongoing fiscal crisis, with the SWM proposal representing a cut of 16.5 percent compared to FY 2009 GAA inflation-adjusted funding levels.

Programs within the **Department of Children and Families** are proposed to be funded at \$728.3 million, a decrease of \$15.3 million, or 2.1 percent, from the current FY 2011 budget. This proposal is \$2.6 million higher than the House proposal and \$9.5 million below the Governor's. Proposed funding levels within DCF include the following:

- \$242.2 million for **Services for Children and Families** – which funds family stabilization, unification, permanency, guardianship, and foster care – a \$5.3 million, or 2.1 percent, decrease from the current FY 2011 budget. The SWM proposal is just slightly below the House and Governor's proposals.
- \$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 SWM proposal is identical to both the House and Governor's proposals.
- \$159.5 million for **DCF Social Workers**, a \$4.3 million, or 2.8 percent, increase from the current FY 2011 budget. The SWM proposal is identical to the House proposal and \$1.6 million lower than the Governor's.

- \$34.8 million for **Family Support and Stabilization**, a \$6.2 million, or 15.0 percent, decrease from the FY 2011 budget. The SWM proposal is \$5.0 million below the House proposal and \$5.2 million below the Governor's.
- \$20.8 million for **Support Services for People at Risk of Domestic Violence**, a \$676,000, or 3.4 percent, increase over the current FY 2011 budget. Both the House and Governor propose very close to level funding.
- \$9.3 million for **DCF Regional Administration**, which funds regional nonprofits that contract for services, an increase of \$3.3 million, or 55.0 percent, from the FY 2011 current budget. The SWM proposal is \$1.0 million below the Governor's proposal. The House proposed full elimination of funding for these regional nonprofits.

Programs within the **Department of Youth Services** are proposed to be funded at \$136.5 million, a decrease of \$7.5 million, or 5.2 percent, from the current FY 2011 budget. The SWM proposal is \$6.3 million below the House proposal and \$949,000 higher than the Governor's. Proposed funding levels within DYS include the following:

- \$93.0 million for **Residential Services for youth committed to DYS**, a decrease of \$3.4 million, or 3.5 percent, from the current FY 2011 budget. The SWM proposal is \$3.4 million lower than the House proposal, which represents level funding from FY 2011, and is \$551,000 lower than the Governor's proposal.
- \$21.6 million for **Non-Residential Services for youth committed to DYS**, level funding from the current FY 2011 budget. The Governor also proposes level funding, and the House proposes a very small decrease.
- \$15.8 million for **Residential Services for youth detailed by DYS**, a decrease of \$3.5 million, or 18.2 percent, from the current FY 2011 budget. The SWM proposal is \$2.5 less than the House proposal and \$2.0 million higher than the Governor's.

## Disability Services

The SWM budget includes \$1.36 billion for services for people with disabilities. This is \$1.6 million more than total funding in FY 2011, but \$12.8 million less than recommended by the House and \$2.6 million less than recommended by the Governor. The most significant reductions are in funding for the developmentally disabled. However, it is worth noting that SWM redistributes some funding from residential facilities to community residential supports. Even accounting for these shifts, however, funding for developmentally disabled adults is likely insufficient to maintain current levels of services for the eligible population.

Key issues in the funding for developmental services include:

- \$123.3 million for **community day and work** programs, which is still below the estimated costs for needed services, but is the same as FY 2011 current funding and the Governor's proposal, and \$1.0 million less than recommended by the House. This funding level may be sufficient to allow the department to continue to provide community services for most young adults newly eligible for adult services, having reached age 22 in FY 2011.
- \$32.6 million for **family supports and respite** services, \$13.9 million less than current FY 2011 budget levels, and \$8.4 million less than the House proposal. This funding level will likely

mean that thousands of families of children and adults with disabilities will lose these supports. These services - for which there is already a high wait list - offer families with disabled children flexible community-based supports that are particularly important for helping keep children with disabilities out of residential schools.

- \$5.0 million for the **Turning 22** account, level with the current FY 2011 budget and with the House and Governor's proposals. 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 House and the Governor's proposals, the SWM budget reflects a continuing commitment to close the larger state-run institutions (state schools) for the developmentally disabled. SWM transfers \$7.5 million from funding for institutional care to the account funding the state-operated group homes. With this transfer, **state facilities** in the SWM budget receive \$142.2 million (compared to \$164.2 million in FY 2011); the **state-operated group homes** receive \$164.1 million (compared to \$147.5 million in FY 2011).

Funding for services for the **blind and visually impaired** receive \$18.9 million in the SWM budget, \$347,000 more than current budget totals. Funding for **rehabilitation services** is \$41.0 million, \$217,000 million less than current budget totals. Services for the **deaf and hard of hearing** receive \$4.7 million in the SWM budget, \$107,000 less than current budget totals.

## Elder Services

The SWM budget recommends a total of \$215.3 million for services for elders, a \$5.3 million or 2.4 percent cut from FY 2011 current budgeted totals. Most of the cuts in the SWM 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*.)

SWM proposes \$131.8 million for the elder home care program, cutting \$5.6 million from FY 2011 funding. SWM cuts \$738,000 from the case management account compared to the House and the Governor's budgets, funding it at \$35.0 million. The home care purchased services account in the SWM budget is funded at \$96.8 million, \$4.9 million less than FY 2011 levels, and \$1.0 million less than the House. 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.

Other funding highlights in the elder services budget include:

- \$15.3 million for **elder protective services**, \$1.0 million less than the House proposal, and level with the Governor's recommendation. This is less than what is likely necessary to maintain current service levels. As it is, the program is challenged in keeping up with the demand for full investigation of accusations of abuse or neglect of elders in the community.
- SWM follows the House and Governor's recommendations to level-fund services in housing sites, including \$1.5 million for **congregate housing** programs, and \$4.0 million for services in **elder housing** complexes. SWM increases funding for **meals on wheels and congregate lunch programs** by \$50,000 for a total of \$6.3 million, and level-funds (compared to FY 2011) local **councils on aging** at \$7.9 million.

- SWM follows the House and 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

The FY 2012 SWM budget proposal provides \$760.7 million for the Department of Transitional Assistance and the services that it administers. This is a reduction of \$9.1 million, or 1.2 percent, from the FY 2011 current budget. This is \$2.6 million less than the House FY 2012 proposal but \$3.9 million more than the Governor's FY 2012 budget proposal. The major cuts include reducing the Transitional Aid for Families with Dependent Children (TAFDC) clothing allowance and cutting funding for the Employment Services Program and the State Supplement to Social Security.

The SWM FY 2012 proposal includes \$316.0 million for **TAFDC grant payments**. This is just above the FY 2011 current budget by \$815,000, and above both the House and Governor's budgets by \$3.1 million. However, the actual cut to TAFDC is much greater. The SWM proposal cuts the \$150 **clothing allowance for children** in families receiving TAFDC assistance down to \$40. The House and Governor's FY 2012 proposals eliminated the clothing allowance. In supporting documents to the Governor's budget, eliminating the clothing allowance was described as an actual cut of \$11.5 million, which would affect an estimated 70,000 children. The \$150 allowance amount was set in 1986 and has not been increased since then to reflect changes in the cost of living. The even lower \$40 allowance, though it is more than the House and Governor's proposals, would still have significant impacts on children and families receiving TAFDC assistance.

The SWM FY 2012 budget proposal for transitional assistance also includes the following reductions from the FY 2011 current budget:

- \$10.7 million, or 71.4 percent, cut from the **Employment Services Program (ESP)**, which provides job training and placement services to recipients of TAFDC assistance, for a total funding amount of \$4.3 million. The House recommended \$6.7 million, while the Governor's FY 2012 proposal eliminated funding for ESP.
- \$2.0 million, or 1 percent, cut from the **State Supplement to Social Security Income**, for a total funding amount of \$222.2 million. This is lower than both the House and Governor's proposals by \$2.5 million.
- Level funding for **EAEDC**, at \$89.0 million.

The SWM FY 2012 budget proposal includes the following increase from the FY 2012 current budget:

- \$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 did not receive funding through the state budget in FY 2011. These federal provisions will expire at the end of FY 2011.

## Other Human Services

The SWM FY 2012 budget proposal provides \$130.6 million for other human services, which includes veterans' services, emergency food assistance (food banks), citizenship and various other programs. This is an increase of \$2.9 million from the FY 2011 current budget, or 2.3 percent. It is above the House budget by \$976,000 and less than the Governor's FY 2012 recommendation by \$632,000.



The SWM FY 2012 budget proposal includes two new line items:

- \$150,000 for a new **Train Vets to Treat Vets** program, which would establish a behavioral health career development program for returning veterans.
- \$672,000 for 12 new long-term care beds at the **Soldiers' Home in Holyoke**.

Other highlights include:

- \$2.5 million in funding for **Welcome Home Bonus Payments** for certain veterans. This is a reduction of \$656,000 from the FY 2011 current budget and from the Governor's FY 2012 budget proposal. It is more than the House proposal by \$344,000.
- Level-funding for the **Soldiers' Home in Massachusetts**, at \$25.9 million.
- \$19.5 million in funding for the **Soldiers' Home in Holyoke**.
- \$59.0 million in funding for **veterans' benefits and qualified parents and spouses of veterans**. This is a \$2.2 million, or 3.8 percent, increase from the FY 2011 current budget.
- Eliminating funding for the **revenue maximization project of the Executive Office of Elder Affairs**, which identified individuals who were eligible for veterans' benefits who were receiving home health care services. This program was funded at \$97,000 in the FY 2011 current budget. The Governor and House FY 2012 budget proposals had recommended level funding for this program.

## INFRASTRUCTURE, HOUSING, & ECONOMIC DEVELOPMENT

The Senate Ways & Means (SWM) Fiscal Year (FY) 2012 budget includes \$1.57 billion for Infrastructure, Housing, and Economic Development programs, a reduction of \$97.5 million, or 5.8 percent, from the FY 2011 current budget. This is more than the House budget by \$3.7 million and more than the Governor's budget by \$6.2 million, due to increases in transportation funding. This category includes programs for housing, economic development, and transportation. The SWM budget proposal for FY 2012, as with the House and Governor's budget proposals, 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.

<b>FY 2012 Senate Ways &amp; Means (Adjusted)</b>	<b>\$1,569,646,733</b>
<b>FY 2011 Current</b>	<b>\$1,667,147,958</b>
<i>Change from FY 2011 Current</i>	<i>-\$97,501,225</i>
<i>Percent Change</i>	<i>-5.8%</i>
<b>FY 2012 Governor (Adjusted)*</b>	<b>\$1,563,457,584</b>
<b>FY 2012 House (Adjusted)</b>	<b>\$1,565,995,508</b>

\* 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."

### Housing

The SWM budget recommends spending \$298.3 million on affordable housing programs in FY 2012. This level is \$32.3 million, or 9.8 percent, less than the FY 2011 current budget and is \$914,000 less than the House and \$793,000 less than the Governor's recommendation.

The FY 2012 SWM budget, like the Governor and House budget proposals, reorganizes how the state provides services to homeless families living at or below 115 percent of poverty. In an effort to improve implementation of the Housing First model and to reduce state spending on family shelters, all three proposals recommend creating a new HomeBase program that would aim to help most of these families stay in current housing or move to permanent housing. In its proposal the SWM budget recommends spending \$136.4 million on services to these families. This is the same level as the House and Governor's FY 2012 budgets and is \$25.0 million less than the amount the state expects to spend in FY 2011.

While the reorganization of programs serving homeless families is designed to help families avoid costly shelter stays in favor of permanent housing, it is unclear whether the funding levels in the FY 2012 budget proposals offered by the Governor, House and SWM will be adequate. It is important to note that as demand for services has increased during recession, the Legislature has passed mid-year appropriations to fully-fund EA in the last two fiscal years. The FY 2010 General Appropriations Act (GAA) appropriated \$91.6 million for EA and added another \$60.1 million over the course of the fiscal year. The FY 2011 GAA appropriated \$115.4 million for the program and another \$46.0 million has been added to the program over the course of the current fiscal year.

### State Funding for Homeless Families

Program	FY 2011 GAA	FY 2011 Current	FY 2012 Governor	FY 2012 House	FY 2012 SWM
EA	\$137,360,773	\$161,360,773	\$97,797,200	\$97,797,200	\$97,797,200
Home Base			\$38,561,732	\$38,561,732	\$38,561,732
<b>Total</b>	<b>\$137,360,773</b>	<b>\$161,360,773</b>	<b>\$136,358,932</b>	<b>\$136,358,932</b>	<b>\$136,358,932</b>

The SWM FY 2012 budget proposal includes funding for two programs for homeless families. It recommends \$97.8 million for the **Emergency Assistance (EA)** program which is the same level as the House budget and the Governor's proposal. Currently all eligible homeless families receive shelter and assistance through EA. In his FY 2012 budget the Governor recommended limiting EA to a particular population of homeless families including those whose head of household is 21 years or younger, those who have left their homes because of domestic violence or those who have lost their homes due to fire or other natural disaster. All other homeless families would only receive housing assistance through the new HomeBase program (see description below.) The House budget did not limit EA assistance just to the population identified in the Governor's budget acknowledging that eligible homeless families served by the HomeBase program may need temporary shelter as they search for housing. The SWM budget appears to chart a middle ground between the Governor's proposal and the House budget. The SWM budget states that EA services will only be available to the population of homeless families identified in the Governor's budget. While it stipulates that homeless families served through HomeBase may have access to EA shelters until they can find housing, it does not seem to require that DHCD provide this assistance. The House budget requires that \$3.5 million of EA funds be used by the Department of Housing and Community Development (DHCD) to directly limit families' use of shelters, particularly hotels and motels. The SWM budget does not include this earmark.

The SWM FY 2012 budget also recommends \$38.6 million for the **HomeBase** program which is designed to help eligible homeless families either stay in their existing housing or move to new permanent housing without having to stay in family shelters. The SWM funding level is the same amount recommended in the House budget and the Governor's proposal. The Governor's proposal would provide families with up to three years of assistance amounting to \$8,000 in the first year and 5 percent less in the subsequent two years. There was concern that \$8,000 may not be sufficient in helping families pay for adequate rental housing in high cost regions of the state, like Greater Boston. The House and SWM budgets replaced the Governor's \$8,000 threshold with a stipulation that families served under the program will pay no more than 35 percent of their income in rent and utilities. The SWM and House proposals also limit most of DHCD rental assistance through the HomeBase program to housing that is no more than 80 percent of the fair market rent as determined by the federal Department of Housing and Urban Development. Like the final House budget, the SWM proposal does allow DHCD to exceed the 80 percent threshold if a family is unable to find adequate housing at that rent level. The SWM budget includes language, also in the House budget, that requires HomeBase funds be used to help families gain the skills necessary to remain in permanent housing once the three-year assistance from the state ends. The SWM budget, however, does not include language requiring that independent agencies, who have provided these self-sufficiency services to homeless families in FY 2011, receive the same level of funding in FY 2012.

In addition, the SWM proposal includes \$5.0 million for **caseworkers** working with homeless families and individuals. This amount is essentially the same level as the FY 2011 current budget as well as the House budget and the Governor's recommendation.

In other housing programs the SWM recommends:

- \$35.5 million for the **Massachusetts Rental Voucher Program (MRVP)**. This amount is \$1.2 million more than the FY 2011 current budget and is \$500,000 less than the House budget and \$400,000 less than the Governor's recommendation. Since the onset of the fiscal crisis, when the Governor had to make a series of 9C cuts, the Massachusetts Housing Finance Agency (MassHousing) has been contributing to MRVP, including \$2.7 million in the past two fiscal years. Outside Section 121 of the SWM budget directs MassHousing, to contribute \$8.4 million to MRVP in FY 2012. Documents accompanying the Governor's budget also noted that MassHousing would contribute \$8.4 million to MRVP. According to the Executive Office of Administration and Finance, however, the MassHousing contribution included with the Governor's budget was intended to go to affordable housing programs in general rather than specifically to MRVP. The House budget does not require MassHousing to contribute to MRVP.
- Outside Section 121 of the SWM budget also states that the Massachusetts Housing Partnership (MHP) will contribute \$2.0 million to the **soft second loan program**, the same amount that it contributed in FY 2011. Neither the Governor's nor the House budget recommended that MHP contribute to soft second in FY 2012. This loan program has not received direct state appropriations since onset of the fiscal crisis.
- \$62.5 million in **subsidies for public housing authorities**. This is the same level as FY 2011 current funding and as the House and Governor's FY 2012 proposals. The SWM proposal does not include language placed in the House budget urging DHCD to make repairs to family units, if those repairs cost \$10,000 or less. The intent of the House language is to make more family units available for homeless families served through EA and the new Home Base program. Given that the subsidies for these housing authorities has stayed level since FY 2010, while costs have increased due to inflation, it is unlikely that there will be the extra funding available to renovate family units that are in need of repair.
- The SWM proposal level funds assistance for **homeless individuals** at \$37.3 million. It reduces funding by \$100,000, to \$1.1 million, for the **Home and Healthy for Good** program, which serves chronically homeless individuals. This level is also \$100,000 below the House and Governor's FY 2012 budgets.
- \$260,000 for **Rental Assistance Program for Families in Transition (RAFT)**, which has provided one-time assistance to prevent families from becoming homeless. This is the same level proposed in the Governor's budget and in the House final budget. It is also 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 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, the SWM, House and Governor's budgets do not recommend restoring funding for RAFT.
- \$3.5 million for rental **vouchers for people with disabilities** and \$4.0 million for rental **vouchers for clients of the Department of Mental Health**. These amounts are both the same as the FY 2011 current budget and the FY 2012 budget passed by the House and proposed by the Governor.
- \$1.4 million for **housing services and counseling** provided by DHCD. This level is \$118,000 less than the FY 2011 current budget as well as the House and Governor's proposals.

## Economic Development

The SWM FY 2012 budget proposal includes \$77.4 million for economic development programs. This is \$22.7 million, or 22.7 percent, less than the FY 2011 current budget for economic development. In addition to several smaller reductions and eliminations, the biggest cut occurred in funding for the YouthWorks program. The SWM proposal is less than both the House FY 2012 proposal (by \$5.3 million) and the Governor's FY 2012 proposal (by \$2.6 million). Funding for this subcategory, which includes economic and community development, cultural and arts, and workforce development programs, has seen significant declines during the onset of the Great Recession; since FY 2009, economic development programs have been cut by 57.7 percent, after adjusting for inflation.

Like the House and Governor's FY 2012 proposals, the SWM proposal reflects the reorganization of economic development programs that was passed by the Legislature in August 2010. The SWM proposal makes certain additional shifts within the Executive Office of Labor and Workforce Development.

A new agency, the **Massachusetts Marketing Partnership (MMP)**, was created to coordinate efforts to promote the Commonwealth domestically and internationally as an attractive, competitive, and innovative state in which to do businesses. This includes marketing, tourism, entertainment, sports, and international trade. The SWM proposal for FY 2012 includes three new line items for the MMP, which consolidate several existing line items dedicated to these functions. In sum, the line items that make up the MMP are funded at \$7.9 million in the SWM budget proposal. This is \$3.2 million, or 66.6 percent, more than than the FY 2011 current budget. While the House FY 2012 budget proposed \$200,000 more funding for MMP, the Governor's proposal was \$4.2 million less than the SWM proposal.

The first MMP line item is for the **Massachusetts Office of Travel and Tourism**. Like the House and Governor's budgets, the SWM budget for FY 2012 creates a new line item for the Massachusetts Office of Travel and Tourism, which consolidates the former Massachusetts Office of Travel and Tourism and the Massachusetts Sports and Entertainment Commission. The SWM FY 2012 budget proposal recommends \$1.8 million for the Mass Office of Travel and Tourism, a decrease of \$346,000, or 16.2 percent, from the FY 2011 current budget. This is \$200,000 less than the House FY 2012 proposal, but level with the Governor's budget proposal. The SWM and Governor's budget proposals 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 next new line item under the MMP is for **Local Tourist Councils**. Though they are not officially a part of the MMP, funding grants for these councils are administered by the MMP. The SWM FY 2012 budget proposes \$6.0 million for Local Tourist Councils, which is \$3.5 million more than the FY 2011 current budget of \$2.5 million. This is the same amount proposed by the House FY 2012 budget, and is \$4.2 million more than the amount proposed by the Governor.

The last MMP line item is for the **Massachusetts International Trade Office**, which consolidates the existing Massachusetts Office of International Trade and Investment. Like the House and Governor, the SWM 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 SWM and Governor's budgets also include 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 absorbs 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 Massachusetts Office of Business Development. The SWM 2012 budget proposal includes \$1.7 million for the Massachusetts Office of Business Development, which is \$52,000, or 3.0 percent, above the FY 11 current budget. This amount is above the House proposal by \$43,000 and above the Governor's proposal by \$25,000. The SWM and Governor's proposals 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.

The SWM FY 2012 budget also assigns new line item numbers to the programs administered by the **Executive Office of Labor and Workforce Development (EOLWD)**. The SWM proposal recommends consolidating the **Apprentice Training Program** and the **Division of Occupational Safety** into a new **Division of Labor Standards**. The total amount recommended by the SWM proposal for EOLWD is \$24.4 million, a decrease of \$869,000, or 3.4 percent, from the FY 2011 current budget.

The SWM FY 2012 proposal does not include any funding for the **YouthWorks** program, which provides summer jobs for at-risk youth. 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 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 million amount appropriated in the FY 2010 GAA and then also used the \$3.7 million appropriated in the FY 2011 GAA, for 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 million for Summer Jobs for the summer in calendar year 2011. The SWM budget proposes no funding for Summer Jobs, while the House proposed \$2 million and the Governor proposed \$4.4 million. With no appropriation in the SWM budget, Summer Jobs would rely only on the \$4 million supplemental funding for the summer of calendar year 2011. This would be a cut of 48 percent, when comparing the total funding for the summers of calendar years 2010 and 2011.

The SWM FY 2012 budget proposal also includes the following reductions from the FY 2011 current budget:

- No 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 SWM, House, and Governor's budget proposals 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.

- No funding for the program for **workforce training for former dog track workers**. This is funded at \$2 million in the FY 2011 current budget. The House and Governor's FY 2012 proposals also eliminate this program.
- A reduction of \$500,000 for **One-Stop Career Centers** for a total recommendation of \$4.5 million. The House and Governor's FY 2012 budget proposals recommended \$5 million.
- A reduction of \$600,000, or 75.0 percent, for **Regional Economic Development Grants**. These grants are funded at \$800,000 in the FY 2011 current budget. It is possible that half of the FY 2011 amount will be carried forward to FY 2012. The House and Governor's FY 2012 budget proposals had eliminated this funding all together.
- A reduction of \$250,000, or 33.3 percent, for **Individual Training Grants**. These grants are funded at \$750,000 in the current FY 2011 budget. The House recommended \$1.4 million and the Governor had recommended \$750,000 for these grants.
- A reduction of \$1.7 million, or 27.0 percent, for **Massachusetts Cultural Council Grants**. These grants are funded at \$6.1 million in the FY 2011 current budget. The SWM proposal of \$4.4 million is \$1.0 million below both the House and Governor's proposals.

The SWM FY 2012 budget proposal includes the following increases and other changes from the FY2011 current budget:

- Providing \$200,000 for the **Biotech Research Institute**, which has not been funded since FY 2010. The Governor had also proposed \$200,000 also while the House did not propose any funding for this institute. Moving \$19.9 million in funding for the **Workforce Training Fund** to an off-budget trust fund. The House and Governor's FY 2012 budget proposals recommended the same.

## Transportation

The SWM FY 2012 budget proposal provides \$1.14 billion for transportation services. This is a decrease of \$43.6 million, or 3.7 percent, from the FY 2011 current budget. It is important to note that the supplemental budget for FY 2011 passed in April 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 SWM recommendation is above the House FY 2012 budget proposal by \$9.8 million and is above the Governor's budget proposal by \$9.3 million. The difference between the proposals is due to a larger recommended funding level for the Massachusetts Transportation Trust Fund in the SWM budget, as compared to the House and Governor's budgets.

The SWM, House, and Governor's 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 \$189.9 million in the SWM FY 2012 proposal, a decrease of \$5.2 million, or 2.7 percent, from the FY 2011

current budget. This is greater than the House proposal by \$9.3 million and also greater than the Governor's proposal by \$9.8 million. The policy documents accompanying the Governor's FY 2012 budget 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 million in funding for the **RTAs** with the line item for the MTTF. The SWM and House FY 2012 budgets do not consolidate these two line items, but fund RTAs at \$15 million in a distinct line item. This is level funding from the current FY 2011 budget.

The MBTA is funded through two sources. One is an operating transfer. The other is a set aside of sales tax revenue, often referred to as "one penny on the sales tax." At a rate of 6.25 percent, the sales tax is 6.25 cents for every dollar spent on purchases. One penny of this 6.25 cents is dedicated to the MBTA. The SWM FY 2012 budget includes \$160 million for the **MBTA operating transfer**, which is level funding from the FY 2011 current budget as well as the House and Governor's FY 2012 proposals. The SWM, House, and Governor's FY 2012 budget proposals also include \$779.6 million in **sales 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

The Fiscal Year (FY) 2012 Senate Ways and Means (HWM) budget provides \$2.25 billion for law and public safety programs and services, a \$69.4 million (or 3.0 percent) reduction from current FY 2011 budget levels. The SWM proposal is \$28.3 million more than the House proposal and \$6.7 million more than the Governor's proposal. Like the House budget, the FY 2012 SWM budget does not adopt the Governor's budget recommendations for major consolidations or reorganizations of departments or services related to law and public safety.

Among the notable aspects of the SWM budget are proposals to increase the share of indigent defense cases worked by public defenders (rather than by private attorneys); reduce the funding for probation and parole functions; cut in half the funding provided for the Quinn Bill program; and provide an across-the-board increase of 5 percent to District Attorneys' offices. In addition, the SWM budget proposes a new funding structure for community correction centers, making continued support dependent on meeting certain performance-based standards. The SWM budget also seeks to establish a commission that would review the Commonwealth's entire criminal justice system, proposing reforms as necessary to reduce crime, reduce costs, improve outcomes, and improve public safety.

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.

<b>FY 2012 Senate Ways &amp; Means (Adjusted)</b>	<b>\$2,251,066,559</b>
<b>FY 2011 Current</b>	<b>\$2,320,512,899</b>
<i>Change from FY 2011 Current</i>	<i>-\$69,446,340</i>
<i>Percent Change</i>	<i>-3.0%</i>
<b>FY 2012 Governor (Adjusted)*</b>	<b>\$2,244,402,674</b>
<b>FY 2012 House (Adjusted)</b>	<b>\$2,222,776,587</b>

\* 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

In total, the SWM FY 2012 budget proposes \$595.9 million in funding for Courts and Legal Assistance, representing a decrease of \$32.8 million (or 5.2 percent) from current FY 2011 budget levels. The SWM proposal, however, represents an increase of \$30.2 million over the House proposal and \$9.0 million over the Governor's proposal. Notable elements of the FY 2012 SWM budget include the following:

- The SWM 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)**. (Currently, the CJAM account 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.) Instead, the SWM budget - like the House - provides direct, independent funding to each of the courts (Supreme Judicial Court,

Appeals Court, Superior Court, District Court, Probate and Family Court, Land Court, Boston Municipal Court, Housing Court, and Juvenile Court). The SWM budget provides \$184.9 million for the CJAM (and related accounts), a reduction of \$12.3 million or 6.3 percent from current FY 2011 budget levels, and \$1.1 million less than proposed by the House.

- Like the House, the SWM budget does not adopt the Governor's proposal to consolidate most probation and parole functions within a **newly created Department of Community Supervision**.
- The SWM budget does not adopt the Governor's proposal to eliminate the **Committee for Public Counsel Services (CPCS)** and replace it with a new Department of Public Counsel, housed within the Executive branch. SWM, however, does propose substantial changes to how the Commonwealth funds the legal defense of indigent defendants. The SWM budget proposes that the CPCS will begin the process of bringing 50 percent of all indigent defense cases onto the caseloads of public defenders, and that this process be completed by the end of FY 2013. Accordingly, the SWM budget shifts resources away from funding indigent defense through private counsel compensation, while increasing funding for public defenders. The SWM budget proposes \$86.3 million for public defenders (through the CPCS), an increase of \$54.0 million over current FY 2011 funding levels. In conjunction with this increase for public defenders, the SWM budget reduces the appropriation to the private counsel compensation account to \$68.0 million, a decrease of \$91.7 million below the likely FY 2011 final funding level of \$159.7 million (this projected final FY 2011 amount includes the \$42.2 million in supplemental FY 2011 funding now awaiting final approval by the Governor). Total funding for indigent defense in the SWM budget is \$172.2 million, or \$33.0 million (16.1 percent) below current FY 2011 funding levels. This SWM total amount exceeds indigent defense funding in the House budget by \$21.1 million and the Governor's budget by \$9.5 million.
- The SWM budget provides \$8.8 million for the **Massachusetts Legal Assistance Corporation (MLAC)**, a decrease of \$750,000 from current FY 2011 funding levels and the amount provided in both the House and Governor's budgets. MLAC provides legal information, advice and representation to low-income people faced with non-criminal legal problems. MLAC is the largest funding source for civil legal aid programs in the Commonwealth.

## Prisons, Probation, & Parole

The FY 2012 SWM budget proposes **\$1.15 billion** for prisons, probation and parole, a decrease of \$31.8 million (or 2.7 percent) relative to current FY 2011 budget levels. This proposal falls \$5.5 million below the House proposal, but is \$5.2 million more than recommended by the Governor. Among its notable elements, the FY 2012 SWM budget includes the following:

- The SWM budget proposes the creation of a **Criminal Justice Commission** that would examine all the interconnected facets of the state's criminal justice system, including but not limited to, "the prisoner classification systems, mandatory minimum sentences, sentencing guidelines, the provision of cost-effective corrections' healthcare, the probation system, the parole system, the operations of the sheriffs' offices, prison overcrowding, recidivism rates and best practices for reintegrating prisoners into the community." The charge of the commission would be to determine whether reforms to the system could be made that would reduce crime, reduce costs, and improve public safety. The commission would be composed of a wide range of stakeholders including the secretary of public safety and security, as well as representatives from the Attorney General's office, the Supreme Judicial Court, the District Attorneys' Office,

the sheriff's departments, the Governor's office, and members of the House and Senate. The commission would be convened no later than Sept. 1, 2011 and would report back quarterly to various legislative committees and to the administration.

- The SWM budget proposes a performance-based funding mechanism for probation functions administered through the **Office of Community Corrections**. SWM appropriates automatic funding for community corrections centers for the first half of FY 12 only. In order to receive funding for the second half of FY 12, each center must demonstrate that it has met certain performance criteria determined by the Commissioner of Probation. Further, the Office of Community Corrections must deliver to the Legislature two semi-annual reports detailing the spending and management plan for each center, along with details of the progress and performance outcomes of each center.
- The SWM 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 housed within the Executive Branch. Instead, the SWM budget funds the existing **Department of Probation** and related accounts at \$128.2 million, a decrease of \$13.8 million (or 9.7 percent) from current FY 2011 budget levels, and the **Parole Board** and related accounts at \$16.6 million, a decrease of \$1.7 million (or 9.2 percent). SWM provides a combined total of \$144.8 million for probation and parole functions, a decrease of \$15.4 million (or 9.6 percent) compared to current FY 2011 funding levels. The House provides \$156.4 million and the Governor provides \$147.2 million.
- The SWM budget funds the **Department of Corrections** and related accounts at \$526.4 million, a \$4.2 million (or 0.8 percent) reduction from current FY 2011 funding levels. The SWM proposal is \$4.6 million more than the amount provided in the House budget and \$5.4 million more than the Governor's proposal.
- The SWM budget provides \$5.0 million to level-fund (relative to current FY 2011 spending) the **Massachusetts Alcohol and Substance Abuse Centers**, despite the loss of sales tax collections on alcohol sales (repealed through a ballot initiative). These centers had been funded from revenues earmarked from the sales tax on alcohol tax. Both the House and the Governor eliminate funding for this program, as well as funding for the Substance Abuse Services program provided through the Department of Corrections (\$2.0 million in FY 2011) and another such program provided through the Office of Community Corrections (\$1.0 million in FY 2011). SWM also eliminates funding for the DOC and OCC programs.
- Relative to current FY 2011 budget levels, in the FY 2012 SWM budget, combined funding for the state and county level **Prison Industries and Farm Services Programs** (and related retained revenue accounts) has been decreased by \$450,000 (or 6.1 percent) to \$6.9 million. This amount is \$134,000 less than provided by the House and \$229,000 more than the Governor recommends.
- The FY 2012 SWM budget reduces funding for five of the 14 **county sheriff's departments**, increases funding for another five departments, and level funds four of the 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), and increases range from 1.8 percent to 5.2 percent. Included in these tallies are new appropriations to Hampden and Middlesex counties of \$905,000 each for Mental Health Stabilization Units (the Hampden unit is a regional facility). Funding for all 14 county sheriff's departments totals \$474.6 million in the FY 2012 SWM budget, a reduction of \$11.7 million (or 2.4 percent) from current FY 2011 funding levels. This

total is \$1.6 million more than provided in the House budget and \$2.1 million more than the Governor recommends.

## Law Enforcement

In total, the FY 2012 SWM budget provides \$317.5 million in funding for law enforcement. This represents a decrease of \$9.8 million (or 3.0 percent) from current FY 2011 spending levels. It is \$3.2 million more than proposed by the House, and \$8.6 million less than proposed by the Governor. Notable elements of the FY 2012 SWM budget include the following:

- The FY 2012 SWM budget provides \$2.5 million 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 House provides no funding for the Quinn Bill program). 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 FY 2012 SWM budget provides \$12.5 million for the **State Police Crime Laboratory**, a decrease of \$658,000 (or 5.0 percent) from current FY 2011 budget levels and from the level-funding recommendation of the Governor. It is \$487,000 less than provided in the House budget.
- The FY 2012 SWM budget provides \$2.1 million for the **Criminal History Systems Board**, an increase of \$115,000 (or 5.8 percent) over current FY 2011 budget levels. It is \$425,000 less than proposed by the House and \$435,000 less than recommended by the Governor.
- The FY 2012 HWM budget provides level funding at \$3.6 million for the **Sex Offender Registry Board**, \$262,000 more than proposed by the House, but \$133,000 less than the FY 2012 funding recommendation of the Governor.
- The FY 2012 SWM budget provides \$227.6 million for the **Department of State Police Operations**, a decrease of \$6.1 million (or 2.6 percent) from current FY 2011 budget levels. This amount is identical to the Governor's proposal and \$140,000 less than proposed by the House.
- The FY 2012 SWM budget reduces funding for anti-gang violence **Shannon Grants**. The SWM budget provides \$4.5 million in FY 2012 appropriations to this program, compared to the current FY 2011 funding of \$7.0 million. However, the recent FY 2011 supplemental funding bill 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 the net total Shannon Grant funding available for use in FY 2012 would be \$7.0 million, under the SWM proposal. This is \$1.5 million more than the total provided by the House for use in FY 2012 (\$2.5 million in supplemental funding + \$3.0 million in direct FY 2012 appropriation = \$5.5 million). The Governor's FY 2012 budget recommendation includes both the \$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.
- The FY 2012 SWM budget, like that of the House, 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 and state police training programs**, programs that the Governor proposes funding at a combined \$ 8.9 million (including \$900,000 in retained revenue authority). As an alternative to the Governor's proposed auto insurance surcharge, the SWM budget instead proposes a \$5 surcharge on moving violation tickets, with the proceeds deposited in the **Public**

**Safety Training Fund** to help pay for the training of new state police officers. SWM provides level funding of \$3.4 million (including retained revenue authority) for municipal police training and \$2.0 million for training a new class of state police officers. The House provided \$2.5 million and the Governor \$4.0 million for this line item in their respective FY 2012 budgets. No money was provided in FY 2011 for training a new class of state police officers.

- The FY 2012 SWM budget recommends that the current \$25 court fee paid by drivers who challenge moving violation tickets be made refundable if the ticket is dismissed (at present the fee is not refundable, regardless of whether the ticket is dismissed or not).
- The FY 2012 SWM budget creates a new \$8.0 million **Regionalization and Efficiency Incentive Program**, designed to help support municipalities seeking efficiencies in the delivery of local services. Both the House and Governor propose funding this new initiative at \$9.7 million. Line item language in the SWM budget allocates \$2.0 million of the total to an Executive Office of Public Safety grant program that seeks to address police staffing issues and other public safety needs in municipalities most affected by the reductions in Local aid during the ongoing fiscal crisis. MassBudget counts this funding in its Local Aid category rather than in the Law and Public Safety category.

## Prosecutors

The FY 2012 SWM budget includes \$134.8 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 \$3.1 million (or 2.4 percent) over current FY 2011 budget levels. This total funding amount is \$1.8 million less than provided by the House and \$1.3 million less than recommended by the Governor. Notable elements of the FY 2012 HWM budget include the following:

- An across the board 5.0 percent increase in funding for each of the **District Attorneys'** offices (and their accompanying state police overtime accounts) relative to current FY 2011 budget levels. This is identical to the proposals of the House and the Governor. Also included is a \$1.2 million reduction for the **District Attorneys' Association**, leaving a total appropriation of \$345,000 (where total FY 2011 funding was \$1.6 million). In addition, and unlike the House budget, which 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), the SWM budget provides no funding for this program. Funding for this program dropped from \$500,000 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 House and the Governor. Additionally, SWM cuts \$50,000 (or 12.8 percent) from the AG's accompanying state police overtime account (as do the House and Governor). 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 both the House and 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 House and the Governor.
- Funding for the **Wage Enforcement Program** of \$3.1 million, an amount almost identical to current FY 2011 budget levels, and \$164,000 more than proposed by both the House and the Governor.

## Other Law & Public Safety

The FY 2012 SWM budget includes \$50.3 million in funding for other law and public safety programs, which 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. This represents an increase of \$1.9 million (or 3.8 percent) from current FY 2011 funding levels, is \$2.1 million more than proposed by the House, and is \$2.4 million more than proposed by the Governor. Notable elements of the FY 2012 HWM budget include the following:

- Unlike the Governor's proposal (echoed by the House) to collapse funding for the **Division of Inspections** into the **Department of Public Safety**, the SWM budget provides separate appropriations for these line items. These two functions, along with a retained revenue account for elevator inspections, are funded at \$11.3 million, an increase of \$852,000 (or 8.2 percent) over current FY 2011 funding levels. The SWM budget provides \$1.2 million more than both the House and the Governor for these accounts.
- The SWM budget proposes creating a new retained revenue account within the **Department of Public Safety** to provide specific funding to help reduce the inspection and certification backlog of boilers and pressurized tanks. This account is funded at \$1.2 million.
- Like the Governor, the SWM budget proposes to merge funding for the **Merit Rating Board** into the Transportation Trust Fund. SWM earmarks \$8.1 million for the support of the Merit Rating Board out of the total \$189.9 million appropriation SWM proposes for the Transportation Trust Fund. The \$8.1 million is \$500,000 (or 6.6 percent) more either than current FY 2011 funding levels or the amount proposed by the Governor, but is identical to the amount proposed by the House.
- It funds the **Military Division** (and associated retained revenue account) at **\$9.6 million**, \$135,000 (or 1.4 percent) more than current FY 2011 budget levels, and \$447,000 more than both the House and Governor have proposed.
- It increases funding for **firefighting services** by \$507,000 (3.0 percent) compared to current FY 2011 levels, to a total of \$17.4 million. This amount is \$740,000 more than proposed by the House and \$515,000 more than proposed by the Governor.

## LOCAL AID

The Senate Ways & Means (SWM) Fiscal Year (FY) 2012 budget proposes to fund Local Aid (not including Chapter 70 education aid) at \$868.4 million, a decrease of \$56.8 million, or 6.1 percent, from current FY 2011 levels.

Local aid to cities and towns has been cut deeply during the last several years of the fiscal crisis, with the SWM proposal representing a cut of 37.8 percent when compared to FY 2009 GAA inflation-adjusted funding levels.

<b>FY 2012 Senate Ways &amp; Means (Adjusted)</b>	<b>\$868,400,293</b>
<b>FY 2011 Current</b>	<b>\$925,212,293</b>
<i>Change from FY 2011 Current</i>	<i>-\$56,812,000</i>
<i>Percent Change</i>	<i>-6.1%</i>
<b>FY 2012 Governor (Adjusted)*</b>	<b>\$870,400,293</b>
<b>FY 2012 House (Adjusted)</b>	<b>\$870,100,293</b>

\* 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 SWM budget proposes:

- \$834.0 million for **Unrestricted General Government Local Aid (UGGA)**, provided to help cities and towns fund their budgets, a decrease of \$65.0 million, or 7.2 percent, from the current FY 2011 budget. This proposal is identical to both the House and Governor's proposals.  
This funding level represents a severe cut of 38.8 percent when compared to FY 2009 GAA 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. This proposal is identical to both the House and Governor's proposals.
- \$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. This proposal is identical to both the House and Governor's proposals.
- \$8.0 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. Both the House and Governor propose funding this new initiative at \$9.7 million. Line item language states that of this \$8.0 million program:
  - \$4.0 million would fund a Division of Local Services competitive grant program providing transition funding associated with municipal regionalization and other efficiency efforts.
  - \$2.0 million would fund a Department of Elementary and Secondary Education grant program for K-12 school districts whose Chapter 70 aid in FY 2012 as a percentage their foundation budgets is less than their target Chapter 70 aid share.

- \$2.0 million would fund an Executive Office of Public Safety grant program to address police staffing and other public safety needs in municipalities most affected by reductions in local aid during the ongoing fiscal crisis.

Neither SWM nor the House 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.

## Municipal Health Care

Like the House budget, the SWM budget contains language intended to help cities and towns reduce their health insurance costs by making it easier for them to shift costs to employees and adopt other changes to control health care utilization and costs. The language would require municipalities that want to change health plan features to bargain the proposed changes with employees during a 30-day negotiation period. Changes could include increases in cost-sharing (such as deductibles and co-payments) and other plan design changes as long as the related costs to employees do not exceed those in the median GIC plan. Municipalities would be required to provide an estimate of the savings from the proposed changes and a proposal to use a portion of the savings to mitigate the effect of the changes for subscribers who are elderly, low income or otherwise likely to be disproportionately affected by the changes. If the two sides failed to reach an agreement in the 30-day timeframe, a three-member review panel would have 10 days to review the municipal proposal and would be required to approve changes that did not go beyond the median GIC plan. In addition the review panel could require the municipality to share additional savings (up to one-third of the total) with employees.

The SWM proposal would also allow cities and towns to use the 30-day process described above to transfer employees into the Group Insurance Commission (GIC), the state's insurance purchasing pool, instead of the current process that requires a committee representing the municipality's public employees to vote to join the GIC. As in the case of plan design changes, the municipality would need to share up to one-third of the savings from such a move with public employees. The Senate language also provides for rolling entrance to the GIC during 2012, in order to expedite the transfer process (currently cities and towns may transfer employees to the GIC only at one point each year).

Like the House budget, the SWM language maintains the current collective bargaining process for plan changes involving increases in cost-sharing or other features that exceed the median GIC plan and for determining the share of health insurance premiums paid by municipal employees in both local and GIC plans.

## Medicare for Municipal Retirees

Like the House, the SWM budget contains language that would require public employee retirees to enroll in Medicare and transfer to a supplemental health plan as long as the benefits from the combined coverage are commensurate with those under existing coverage provided solely by the municipality. Currently, cities and towns have the option to adopt such a requirement for either current or future retirees, while state employees are required to enroll in Medicare as soon as they become eligible for it.



## OTHER

MassBudget's Other category includes funding for constitutional offices, debt service, executive and legislative operations, libraries, pensions and other administrative offices within state government.

<b>FY 2012 Senate Ways &amp; Means (Adjusted)</b>	<b>\$4,225,777,760</b>
<b>FY 2011 Current</b>	<b>\$4,122,691,085</b>
<i>Change from FY 2011 Current</i>	<i>\$103,086,675</i>
<i>Percent Change</i>	<i>2.5%</i>
<b>FY 2012 Governor (Adjusted)*</b>	<b>\$4,228,484,310</b>
<b>FY 2012 House (Adjusted)</b>	<b>\$4,263,284,015</b>

\* 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

The Fiscal Year (FY) 2012 Senate Ways and Means (SWM) 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 SWM 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 Senate Ways and Means (SWM) budget recommends spending \$21.0 million in library aid in Fiscal Year (FY) 2012. The SWM funding level is \$447,000, or 2.1 percent, less than the FY 2011 current budget and the final House FY 2012 budget, and is essentially the same level as the Governor's proposal. The SWM proposal for libraries includes:

- Level-funding the budget for **state aid to public libraries** at \$6.8 million in FY2012. This is the same level as the House budget and the Governor's proposal.
- \$8.8 million in state assistance to the **regional library network**, which is \$350,000 less than both the current FY 2011 -- which includes a \$350,000 supplemental appropriation to the Boston Public Library (BPL) -- and the budget passed by the House. In his budget, the Governor recommended moving \$1.9 million in funding for BPL, as the library of last recourse, out of the regional account and into a separate account. Both the House and the SWM budgets keep funding for BPL in the regional library account.

Level funding the **Talking Book** programs in Watertown at \$2.2 million and Worcester at \$421,000 which is the same amount as the House budget and the Governor's proposal. The Talking Book programs, housed at the Perkins School for the Blind in Watertown and the Worcester Public Library, provides library materials for visually impaired residents in the eastern and western parts of the state respectively. In his budget, the Governor recommended consolidating the Talking Book programs into a single account. Neither the SWM proposal nor the House budget includes this consolidation.

## Pensions

Like the House and Governor's FY 2012 budget proposals, the SWM 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 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 FY 2012 SWM budget includes a number of proposals to coordinate administrative tasks and conduct auditing in an effort make the delivery of state services more efficient and effective. The SWM budget includes:

- Up to \$30.0 million in **procurement savings** proposed in the Governor's FY 2012 budget but not included in the budget passed by the House. The SWM budget recommends that state agencies improve their efficiency by sharing administrative tasks such as procurement. By consolidating their orders, agencies and their executive offices could save money on the purchases of goods and services. Outside Section 106 of the SWM budget proposes 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.
- Two new programs to improve **auditing of both state agencies and of vendors** who do business with the state. The SWM budget provides \$1.3 million for a competitive grant program for state agencies to hire auditors. To receive the funding, agencies must demonstrate they can save significant funding by auditing their programs. The budget creates a smaller account with \$475,000 in funds to audit vendors that the operational services division determines are at a high risk of committing fraud.

Outside Section of the SWM budget creates a new **Office of Commonwealth Performance, Accountability and Transparency** within the Executive Office of Administration and Finance (ANF). The purpose of this new office is to centralize efforts to improve the delivery of state services. The office will, among other things, work with state agencies to develop performance management plans including the development of goals and measures to achieve those goals; work with agencies to maximize the amount of federal revenue the state can receive; improve transparency by developing a searchable website; forecast economic and revenue growth in the state; and streamline paperwork requirements for state agencies.

## REVENUE

The Senate Ways & Means (SWM) Fiscal Year (FY) 2012 budget proposal, like the proposals from the House and the Governor, does not propose broad-based tax increases or other larger-scale revenue solutions to make up for the close to \$1.5 billion in federal revenues that were available from federal recovery dollars during FY 2011. Although the SWM budget adopts some of the revenue initiatives proposed in the House and Governor's budget, like the House the SWM does not include other of the Governor's ongoing revenue initiatives such as the expansion of the so-called "bottle bill" or a change in the corporate excise factor. The SWM follows the House and the Governor on several new sources of ongoing revenue, but these are primarily strategies to bring in additional federal dollars. Like the House and the Governor, SWM proposes withdrawing slightly more than \$200 million from the state's Stabilization ("Rainy Day") fund. SWM also relies more heavily on other one-time withdrawals from other trust funds.

Taken together, the new revenue proposals in the FY 2012 SWM budget total \$599.1 million in FY 2012, \$112.4 million in tax initiatives and \$486.8 million in non-tax revenues. A portion (\$179.3 million) of these revenue proposals are for ongoing revenues – generating revenues in FY 2012 and into subsequent years – and a portion (\$419.9 million) are one-time or temporary.

FY 2012 SENATE WAYS & MEANS REVENUE PROPOSALS	One-Time or Temporary	Ongoing	Total
<b>Taxes</b>			
Delay of FAS 109 Provision	45,860,105		45,860,105
Expanded Tax Enforcement		61,500,000	61,500,000
Limit Life Sciences Tax Credit	5,000,000		5,000,000
<b>Sub-Total</b>	<b>50,860,105</b>	<b>61,500,000</b>	<b>112,360,105</b>
<b>Non-Tax Revenues</b>			
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
Proceeds from Various Trusts	49,000,000		49,000,000
Sale of Underutilized State Land	12,000,000		12,000,000
Expanded Federal Medicaid Reimbursement		77,750,000	77,750,000
Revenue Maximization Efforts		40,000,000	40,000,000
<b>Sub-Total</b>	<b>369,000,000</b>	<b>117,750,000</b>	<b>486,750,000</b>
<b>Total</b>	<b>419,860,105</b>	<b>179,250,000</b>	<b>599,110,105</b>

## Tax Revenue

The FY 2012 Senate Ways and Means (SWM) 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 revised FY 2011 revenue estimate of \$19.78 billion.

The SWM budget follows the House and Governor in proposing 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 is projected to 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 SWM budget, like 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. Again like the House, the SWM budget 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 price they actually charge their online customers. The Governor had estimated \$8.0 million from this change. The SWM budget does not include the House proposal to create a commission that would review the state's tax expenditures.

## Non-Tax Revenue

Like the House budget, the SWM budget relies on a direct withdrawal of \$200.0 million from the state's Stabilization ("Rainy Day") Fund, as well as the withdrawal of an anticipated \$9.0 million in interest earned by that fund. The SWM budget includes other one-time revenue:

- Relying on \$99 million from increased sales or other disposal of abandoned property.
- "Sweeping" approximately \$49 million of unused funds from various trust funds.
- Selling approximately \$12 million of state assets.

The SWM budget also includes ongoing revenue initiatives, including close to \$40 million that would be brought in from federal reimbursements with expanded revenue maximization efforts.

## BUDGET TOTALS: 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 House (Adj.)	FY 2012 SWM (Adj.)	FY 2012 SWM (Adj.) compared to FY 2011 Current
<b>Education</b>	<b>6,664.6</b>	<b>6,639.1</b>	<b>6,635.6</b>	<b>6,582.5</b>	<b>(82.2)</b>
Early Education and Care	510.2	510.1	512.6	499.6	(10.7)
Higher Education	1,012.2	953.4	948.8	946.5	(65.7)
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	505.4	467.4	41.9
K-12: School Building	644.3	678.1	678.1	678.1	33.8
<b>Environment &amp; Recreation</b>	<b>165.1</b>	<b>166.1</b>	<b>158.0</b>	<b>161.2</b>	<b>(3.8)</b>
Environment	74.7	77.1	68.3	71.2	(3.4)
Fish and Game	17.4	17.7	18.7	18.6	1.2
Parks and Recreation	73.0	71.3	71.0	71.4	(1.6)
<b>Health Care*</b>	<b>14,770.6</b>	<b>14,293.3</b>	<b>14,269.3</b>	<b>14,345.1</b>	<b>(425.5)</b>
MassHealth (Medicaid) and Health Reform	12,222.8	11,825.3	11,791.2	11,858.8	(364.0)
Mental Health	628.3	607.0	613.7	644.8	16.5
Public Health	496.7	472.4	475.8	492.3	(4.4)
State Employee Health Insurance*	1,422.8	1,388.6	1,388.5	1,349.2	(73.6)
<b>Human Services</b>	<b>3,361.7</b>	<b>3,337.5</b>	<b>3,350.2</b>	<b>3,329.0</b>	<b>(32.7)</b>
Children, Youth, and Families	887.7	873.4	868.6	864.8	(22.8)
Disability Services	1,356.0	1,360.1	1,370.3	1,357.5	1.6
Elder Services	220.6	216.0	218.5	215.3	(5.3)
Transitional Assistance	769.8	756.8	763.3	760.7	(9.1)
Other Human Services	127.6	131.2	129.6	130.6	2.9
<b>Infrastructure, Housing &amp; Economic Development</b>	<b>1,667.1</b>	<b>1,563.5</b>	<b>1,566.0</b>	<b>1,569.6</b>	<b>(97.5)</b>
Commercial Regulatory Entities	48.3	49.2	49.4	49.4	1.2
Economic Development	100.1	80.0	82.7	77.4	(22.7)
Housing	330.6	299.1	299.2	298.3	(32.3)
Transportation	1,188.2	1,135.2	1,134.7	1,144.5	(43.7)
<b>Law &amp; Public Safety</b>	<b>2,320.5</b>	<b>2,244.4</b>	<b>2,222.8</b>	<b>2,251.1</b>	<b>(69.4)</b>
Courts and Legal Assistance	628.7	586.9	565.7	595.9	(32.8)
Law Enforcement	327.3	326.1	314.2	317.5	(9.8)
Prisons, Probation and Parole	1,184.4	1,147.4	1,158.1	1,152.6	(31.8)
Prosecutors	131.7	136.2	136.6	134.8	3.1
Other Law and Public Safety	48.4	47.9	48.1	50.3	1.9
<b>Local Aid</b>	<b>925.2</b>	<b>870.4</b>	<b>870.1</b>	<b>868.4</b>	<b>(56.8)</b>
General Local Aid	899.0	834.0	834.0	834.0	(65.0)
Other Local Aid	26.2	36.4	36.1	34.4	8.2
<b>Other</b>	<b>4,122.7</b>	<b>4,228.5</b>	<b>4,263.3</b>	<b>4,225.8</b>	<b>103.1</b>
Constitutional Officers	82.1	67.6	69.4	68.3	(13.7)
Debt Service	2,104.7	2,260.2	2,260.8	2,255.5	150.7
Executive and Legislative	65.5	62.8	65.4	65.4	(0.1)
Libraries	21.5	21.0	21.5	21.0	(0.4)
Pensions	1,441.8	1,478.0	1,478.0	1,478.0	36.2
Other Administrative	407.1	338.9	368.2	337.5	(69.6)
<b>Total Appropriations &amp; Transfers*</b>	<b>33,997.6</b>	<b>33,342.8</b>	<b>33,335.3</b>	<b>33,332.7</b>	<b>(664.9)</b>

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