

Conference Preview: Differences between the Senate and House Budgets

Now that the Massachusetts Senate has finalized its budget proposal for FY 2014, the next step is for the House and Senate to produce a single budget that reflects the priorities of the Legislature as a whole. To that end, a House-Senate Conference Committee will reconcile the differences between the House and Senate budgets and negotiate a budget that can pass both houses.

Differences between the House and Senate budgets include:

- \$75 million in additional House funding to help make higher education more affordable
- Senate initiatives that begin to address the large and growing wait list for children seeking early education & care.
- An \$11 million gap between the Senate's higher funding level for Youth Empowerment Programs and the House's lower level

These are just a few of the many differences – large and small – that the Conference Committee will have to address.

Looked at more broadly, though, the House and Senate budgets are quite similar. They include comparable amounts of new revenue; they both direct the majority of this new revenue towards fixing and improving our transportation system; and both have only a modest amount of additional funding to invest in other areas, whether education, health care, or beyond.

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

At this point in the process, it is the more targeted differences between the House and Senate budgets – and not the broader differences between these and the Governor – that will be taken up by the Conference Committee and that will shape the budget moving forward. The sections below describe the major differences between the House and Senate budgets for FY 2014. They also describe some of the larger, more prominent amendments that were adopted during Senate debate.

Early Education & Care

The Senate proposal directs just over \$500 million for early education and care programs, \$14.4 million more than the House and essentially level with FY 2013. The proposal still comes far short of historic levels. In FY 2001, early education and care programs received more than \$700 million in inflation adjusted dollars, about \$200 million more than the Senate proposal. For more information about historic funding levels, see [Declines in Spending on Early Education & Care in Massachusetts](#).

During floor debate the Senate altered one Senate Ways & Means (SWM) funding level. **Grants to Head Start** Programs received an additional \$200,000 on the floor bringing the total to \$8.2 million, \$200,000 more than the House proposal.

The majority of Early Education and Care line items contain small funding variances which will need to be reconciled in the Conference Committee. A few contain larger differences.

Income Eligible Child Care and the **Preschool Initiative**, when combined, receive \$18.5 million more in the Senate than in the House. Although called the **Preschool Initiative**, this program is not limited to preschool children instead aiming to provide care for more than 2,000 infants, toddlers, preschool, or after-school children currently on the wait list for **Income Eligible Child Care**. The Senate provides \$15.0 million for this initiative while the House provided no funds for children on the wait list. Currently, there are over 55,000 children on a wait list for this program. The Governor proposed a larger and more targeted approach to provide care for children on the wait list. His proposal directed over \$56 million to the over 30,000 infants, toddlers and preschool age children who need full day care to enable their parents to work. For more information about the Governor's proposal, see [Early Education & Care in the Governor's FY 2014 Budget](#).

The Senate proposal provides \$11.5 million for a rate increase for early education and care providers from potential FY 2013 surplus dollars. The House provided up to \$7.5 million. The Senate also included language that allows providers to spend the rate increase on programmatic quality improvements as well as salaries and benefits of child care workers. House language did not specify how the rate increase could be used.

Supportive Child Care which provides child care for children involved with the Department of Children and Families receives \$3.8 million less in the Senate than in the House.

The Senate introduces one new line item. A **Pre-Kindergarten Curriculum Grant** to develop an innovative STEM (Science, Technology, Engineering, and Math) curriculum for children from 2 years 9 months until kindergarten is funded at \$250,000.

Senate and House proposals also diverged in plans to assess the Department of Early Education and Care (EEC). The Senate provided \$500,000 to hire a nonprofit research organization to undertake a 2 year assessment of the services administered by EEC. The House proposal included \$200,000 for the Office of Compliance Management within state government and another \$150,000 for a consultant to do a similar assessment.

EARLY EDUCATION & CARE LINE ITEMS IN CONFERENCE

Number	Name	FY 2013 Current	FY 2014 House	FY 2014 Senate	Senate minus House	Notes
xxxx-xxxx	Rate Reserve Payment	0	7,500,000	11,500,000	4,000,000	
1599-0500	Early Education & Care Consultant	0	0	500,000	500,000	
3000-1000	Department of EEC	12,112,954	12,353,980	12,844,972	490,992	
3000-1001	EEC Office of Compliance Mgmt	0	200,000	0	(200,000)	
3000-2000	CCR&R (Access Management)	5,933,862	5,933,862	5,873,862	(60,000)	
3000-3000	Pre-K Curriculum Grant	0	0	250,000	250,000	
3000-3050	Supportive Child Care	77,330,875	80,821,506	76,991,445	(3,830,061)	
3000-4060	Income Eligible Child Care	231,870,452	214,340,742	217,870,452	3,529,710	
3000-4065	Early Ed Commission Consultant	0	150,000	0	(150,000)	
3000-4070	Pre-School Initiative	0	0	15,000,000	15,000,000	
3000-5000	Grants to Head Start	8,000,000	8,000,000	8,200,000	200,000	
3000-5075	Universal Pre-Kindergarten	7,432,383	7,500,000	7,000,000	(500,000)	
3000-7000	Healthy Families (CTF)	10,438,346	10,161,347	10,483,563	322,216	
3000-7050	Services for Infants & Parents	18,164,890	18,164,890	17,164,890	(1,000,000)	
3000-7070	Reach Out and Read	750,000	800,000	600,000	(200,000)	

K-12 Education

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

The initial Senate Ways and Means budget for K-12 education was \$47.9 million above the House budget. The gap between these budgets increased to \$58.1 million after Senate floor amendments added roughly \$10.1 million spread across 16 programs. For a description of these programs and for historic funding detail, please click on the hyperlinked titles below, which direct users to MassBudget's [Children's Budget](#).

Of note, the Senate added:

- \$2.0 million for [Regional School Transportation](#), bringing total funding up to \$51.5 million.
- \$1.3 million for [Homeless Student Transportation](#), bringing total funding up to \$7.4 million.
- \$1.2 million for [English Language Acquisition](#), bringing total funding up to \$3.0 million.
- \$1.0 million for the **Education Reform Reserve**, bringing total funding up to \$2.0 million.
- \$1.0 million for [Innovation Schools](#). The initial SWM budget did not fund this program, whereas the Governor funded it at \$1.5 million.
- \$1.0 million for [METCO](#), bringing total funding up to \$18.1 million.

The final Senate budget funds [Chapter 70 education aid](#) at \$4.30 billion, about \$15 million above the House proposal. The House and Senate propose to run the Chapter 70 formula in roughly the same manner, with the Senate adding an additional **target aid** provision, which is not in the House budget. For more detail on the specifics of this difference, please see MassBudget's [Senate Ways and Means Budget Monitor](#).

The Governor's budget increased Chapter 70 by roughly \$100 million over both the House and Senate proposals. The Governor's budget fully phased-in many reforms planned in 2007 and also provided increases to pre-kindergarten and out-of-district special education components of the foundation budget.

During floor debate, the Senate also amended an existing section of the Chapter 70 law that calls for a **foundation budget review commission** to review the state's approach to calculating district foundation budgets. The Senate revises some of the language identifying specific topics of investigation and calls for commission recommendations to be filed no later than June 30, 2014 and again every four years after that. Additionally, revised language directs the commission to conduct at least four public hearings prior to issuing its initial recommendations. The House budget did not amend any of this existing language, so Senate changes will have to be negotiated by the Conference Committee.

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

Please see the table below for a comprehensive listing of all K-12 education programs that need to be reconciled in conference.

K12 EDUCATION LINE ITEMS IN CONFERENCE

Number	Name	FY 2013 Current	FY 2014 House	FY 2014 Senate	Senate minus House	Notes
1233-2401	Chapter 40S Payments	500,000	250,000	500,000	250,000	
7009-1700	Education IT Costs	11,146,336	11,171,336	12,953,723	1,782,387	
7009-6379	Executive Office of Education	748,015	763,272	762,975	(298)	
7009-6402	Gateway Cities Career Academies	500,000	500,000	0	(500,000)	
7009-7000	Data Sharing	0	0	500,000	500,000	
7010-0005	DESE Administration	13,619,988	14,438,400	13,887,895	(550,505)	
7010-0012	METCO	18,142,582	18,642,582	18,142,582	(500,000)	
7010-0020	Bay State Reading Institute	400,000	0	400,000	400,000	
7010-0033	Literacy Programs	3,122,940	1,800,000	3,000,000	1,200,000	
7027-0019	School-Career Connecting Activities	2,870,000	2,000,000	3,370,000	1,370,000	
7027-1004	English Language Acquisition	1,214,937	1,805,319	3,000,000	1,194,681	see text above
7030-1002	Kindergarten Expansion Grants	23,948,947	23,948,947	20,000,000	(3,948,947)	
7030-1005	Reading Recovery	400,000	100,000	400,000	300,000	
7035-0005	Homeless Student Transportation	6,050,000	6,050,000	7,350,000	1,300,000	see text above
7035-0006	Regional School Transportation	44,521,000	46,021,000	51,521,000	5,500,000	see text above
7035-0007	Non-Resident Pupil Transportation	250,000	200,000	3,000,000	2,800,000	
7035-0035	AP Math and Science Programs	2,000,000	2,000,000	2,600,000	600,000	
7053-1925	School Breakfast Program	4,121,215	4,396,215	4,121,215	(275,000)	
7061-0008	Chapter 70 Aid	4,171,079,892	4,285,945,528	4,301,214,591	15,269,063	see text above
7061-0011	Education Reform Reserve	1,000,000	0	2,000,000	2,000,000	see text above
7061-0012	Special Education Circuit Breaker	230,432,288	238,489,224	252,819,241	14,330,017	see text above
7061-0033	Public School Military Mitigation	1,300,000	400,000	1,300,000	900,000	
7061-0928	Financial Literacy Program	250,000	250,000	0	(250,000)	
7061-9010	Charter School Reimbursement	70,454,914	70,454,914	76,354,914	5,900,000	see text above
7061-9011	Innovation Schools	0	0	1,000,000	1,000,000	see text above
7061-9400	MCAS Administration	24,255,548	23,974,543	24,248,033	273,490	
7061-9408	Underperforming Schools	7,617,618	7,677,989	7,890,268	212,279	
7061-9412	Extended Learning Time Grants	14,168,030	14,168,030	13,768,030	(400,000)	
7061-9601	Teacher Certification R.R.	1,405,317	1,405,317	1,842,412	437,095	
7061-9612	Safe and Supportive Schools	0	200,000	0	(200,000)	
7061-9614	Alternative Education Grants	146,140	200,000	146,140	(53,860)	
7061-9634	Mentoring Matching Grants	350,000	350,000	250,000	(100,000)	
7061-9804	Teacher Content Training	346,162	0	346,162	346,162	
7061-9810	Regionalization Bonus	251,950	0	251,950	251,950	
7066-0024	Schools of Excellence	1,300,000	1,300,000	1,400,000	100,000	
not avail.	Creative Challenge Index	0	0	200,000	200,000	
PB3	School Building Trust Fund	682,300,000	725,600,000	732,032,000	6,432,000	

Higher Education

During floor debate, the full Senate only added \$2.7 million to the Senate Ways and Means proposal for higher education funding in FY 2014, leaving a significant gap between House and Senate proposals going into the Conference Committee. While both budgets increase funding over FY 2013 levels, the final House proposal funded higher education at \$75.0 million more than the Senate proposal.

As part of a more comprehensive long-term investment package funded through broad-based tax changes, the Governor's plan would have increased higher education spending by almost \$200 million over FY 2013.

The Senate proposes less funding for each of the state's three major higher education systems. Specifically:

- **The UMass System:** The Senate proposal is about \$25.0 million below both the House and Governor's proposals. UMass has a goal of creating a 50/50 funding split between state support and other funding sources, **the vast majority of which comes from student payments, such as tuition and fees.** This proposal does not go as far as the House or Governor toward meeting that goal.
- **Community Colleges:** The Senate proposal is about \$21.9 million less than the House proposal and \$16.5 million less than the Governor's budget. In particular, the Senate budget does not include the additional \$20.0 million that House distributed across campuses using a new performance-based funding formula approved last year.
- **State Universities:** The Senate plan is \$16.8 million less than the House proposal.

There is a small difference between the House and Senate regarding the **State Scholarship Program** as the Senate plan funds the program about \$600,000 less than the House. However, the Governor's plan goes much further, more than doubling funding for scholarships to \$199.6 million in FY 2014. This proposal includes a significant increase in the **MASSGrant program**, which provides need-based financial assistance to Massachusetts undergraduates who enroll in any approved public or independent college, university, school of nursing or any other institution of higher education.

See the table below for a more detailed comparison of higher education line items that need to be reconciled by the Conference Committee.

HIGHER EDUCATION LINE ITEMS IN CONFERENCE

Number	Name	FY 2013 Current	FY 2014 House	FY 2014 Senate	Senate minus House	Notes
7100-4000	Massachusetts Community Colleges	0	20,000,000	0	(20,000,000)	
7066-0000	Department of Higher Education	2,378,649	3,018,529	2,111,016	(907,513)	
7066-0004	Office of Coordination	400,000	0	150,000	150,000	
7066-0005	Compact for Education	41,310	0	41,310	41,310	
7066-0020	Nursing and Allied Health Education Workforce Development	400,000	0	400,000	400,000	
7066-0025	Performance Management Set Aside	6,450,000	7,500,000	2,500,000	(5,000,000)	
7066-0035	Science, Technology, Engineering and Mathematics Pipeline Fund	1,500,000	1,500,000	1,000,000	(500,000)	
7066-0036	STEM Starter Academy	0	4,750,000	0	(4,750,000)	
7066-0040	Adult College Transition Services	0	250,000	0	(250,000)	
7066-1221	Community College Workforce Grant Advisory Committee	100,000	1,450,000	0	(1,450,000)	
7070-0065	Mass. State Scholarship Program	87,607,756	90,607,756	90,000,000	(607,756)	
7070-0066	High Demand Scholarship Program	2,051,707	0	1,000,000	1,000,000	
7077-0023	Tufts School of Veterinary Medicine Program	3,250,000	3,500,000	4,000,000	500,000	
7514-0102	Center for Telecommunications and Information Technology	0	0	60,000	60,000	
7515-0121	Reggie Lewis Track and Athletic Center Retained Revenue	524,545	529,843	427,251	(102,592)	

Economic Development

Economic development programs are designed to promote economic growth in Massachusetts through training a better workforce, stimulating new economic activity, and attracting out-of-state tourism and investment. The Senate plan spends \$3.3 million less than the House, most notably \$6.5 million less for the **Massachusetts Office of Travel and Tourism**.

In 2011, the state passed a law expanding casino gaming in Massachusetts. Revenue from casino license applications is directed into various funds, one of which is for manufacturing and economic development. For 2014, the House allocates \$18.8 million from this fund to create a new **Advanced Manufacturing Futures Program**. The program is designed to help local manufacturers with technical assistance, training programs and forging community and cross-sector manufacturing partnerships.

The Senate spends this gambling revenue in a slightly different way, allocating \$15.0 million to the Advanced Manufacturing Futures Program and a separate \$3.0 million for a new **Innovation Institute Fund**, which supports the John Adams Innovation Institute. This institute is charged with helping the state retain and attract innovative technology companies.

ECONOMIC DEVELOPMENT LINE ITEMS IN CONFERENCE

Number	Name	FY 2013 Current	FY 2014 House	FY 2014 Senate	Senate minus House	Notes
0640-0300	Massachusetts Cultural Council	6,462,348	8,082,439	8,089,935	7,496	
2511-0100	Department of Agricultural Resources	4,722,151	5,361,135	4,836,426	(524,709)	
7002-0010	Executive Office of Housing and Economic Dev.	437,278	447,433	437,278	(10,155)	
7002-0020	Workforce Development Grants	750,000	0	2,090,000	2,090,000	
7002-0022	Advanced Manufacturing Futures Program	0	18,750,000	15,000,000	(3,750,000)	See Text Above
7002-0032	Innovation Institute	0	0	3,000,000	3,000,000	See Text Above
7002-0035	Military Base Promotion	350,000	0	350,000	350,000	
7003-0170	Labor & Workforce Dev. Info. Technology Costs	227,297	270,098	289,413	19,315	
7003-0200	Department of Labor Standards	2,005,243	2,018,886	2,035,348	16,462	
7003-0201	Department of Labor Standards Licensing Fees RR	452,850	439,419	452,850	13,431	
7003-0500	Division of Industrial Accidents	19,114,446	19,442,653	19,522,205	79,552	
7003-0605	Massachusetts Manufacturing Extension Partnership	1,225,000	2,000,000	1,000,000	(1,000,000)	
7003-0900	Department of Labor Relations	1,975,872	1,985,578	2,015,389	29,811	
7003-1206	Massachusetts Service Alliance	1,500,000	1,900,000	1,075,000	(825,000)	
7006-0000	Office of Consumer Affairs and Business Regulation	821,160	798,301	837,584	39,284	
7007-0020	Precision Manufacturing Pilot	0	200,000	0	(200,000)	
7007-0801	Microlending	200,000	200,000	0	(200,000)	
7007-1200	MA Technology Collaborative/Mass. Tech. Park Corp.	2,000,000	200,000	0	(200,000)	
7007-1641	Small Business Association Layoff Aversion Program	250,000	0	250,000	250,000	
7008-0900	Massachusetts Office of Travel and Tourism	6,822,109	13,169,651	6,714,728	(6,454,923)	

Environment & Recreation

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

During its debate, the Senate added \$1.4 million in amendments to the Senate Ways and Means proposal for a total of \$187.6 million for Environment and Recreation programs in FY 2014. This amount is \$4.5 million more than the House budget. Even with this increase the Senate budget is still about 36 percent less than funding in FY 2001 in inflation-adjusted dollars. As with many programs funded through the budget, the income tax cuts adopted in the late 1990s and early 2000s combined with the fiscal crisis in 2008 (see http://massbudget.org/report_window.php?loc=tax_cuts_factsheet.html), has forced deep cuts in environment and recreation programs which have not been fully restored.

During conference the House and Senate will have to reconcile a number of differences between their two budgets. The table below outlines the funding differences that will have to be ironed out by the budget Conference Committee. Some of the more notable differences between the two budgets include:

- The Senate provides \$2.5 million for a new **compliance and permitting retained revenue** account proposed in the Governor's FY 2014 budget. DEP would use the funding to hire adequate staff to address compliance and permitting in a timely manner. The House budget does not include new this account.
- The Senate provides **state parks** with \$41.4 million. During its debate the Senate added \$400,000 in funding for specific parks programs in this account but the level is still \$356,000 below the amount approved by the House. With the onset of the fiscal crisis coupled with the adoption of tax cuts, as noted above, funding for state parks has fallen significantly. Some of these cuts have been offset by increases in the amount of revenue that the Department of Conservation and Recreation (DCR) can keep from the fees and fines it collects at its state parks and recreation facilities. Even after accounting for the increase in retained revenue, funding for state parks has fallen by about \$18.0¹ million in inflation adjusted dollars since the onset of the fiscal crisis.
- The Senate adopted an amendment to create a **commission on coastal erosion protection**. The commission would examine the impacts of erosion on the state's coast and recommend strategies to mitigate this erosion. This commission is not included in the House proposal.
- The Senate budget adopted an amendment to update the **bottle bill** to include 5 cent refundable deposits on non-carbonated beverages not covered under the current law, like water, tea, sports and coffee drinks. The Governor's budget also recommended expanding the bottle bill to include fruit drinks which the Senate amendment does not. The Governor proposes using \$4 million from the estimated \$24 million expansion to provide **recycling and redemption centers** with \$4.4 million in FY 2014. The House budget does not include the bottle bill expansion. Instead of increasing funding for redemption centers, the Senate proposes using the revenue

¹ The FY 2010 budget transferred approximately \$525,000 from state park accounts to a new IT account at the Executive Office of Energy and Environmental Affairs.

raised through this expansion to support the Community Preservation Trust Fund.² Because the new deposit law is not scheduled to go into effect until late in the fiscal year (April 2014) it is likely that little revenue will be raised in FY 2014. It is estimated that in future years the expansion could raise an additional \$20 million a year.

ENVIRONMENT AND RECREATION LINE ITEMS IN CONFERENCE

Number	Name	FY 2013 Current	FY 2014 House	FY 2014 Senate	Senate minus House	Notes
2000-0100	EOEEA	5,725,812	5,781,081	5,819,522	38,441	
2000-1011	Environmental Law Enforcement Licen	85,000	80,000	85,000	5,000	
2000-1700	EOEEA Information Technology Costs	7,686,633	8,317,355	10,003,390	1,686,035	
2030-1000	Environmental Law Enforcement	8,976,307	9,399,097	9,423,075	23,978	
2200-0100	DEP	25,624,684	28,104,269	28,122,469	18,200	
2200-0107	Redemption Centers	375,000	475,000	375,000	(100,000)	
2200-0112	Compliance and Permitting Fee RR	0	0	2,500,000	2,500,000	
2210-0105	Toxics Use RR	3,120,894	3,052,627	3,120,894	68,267	
2220-2220	Clean Air Act	824,267	841,297	845,168	3,871	
2220-2221	Clean Air Act Permit and Compliance	1,461,641	1,490,094	1,501,435	11,341	
2250-2000	Safe Drinking Water Act	1,427,019	1,427,019	1,485,185	58,166	
2260-8870	Hazardous Waste Cleanup Program	13,459,640	13,854,337	13,511,481	(342,856)	
2260-8872	Brownfields Site Audit Program	1,178,002	1,150,003	1,195,485	45,482	
2260-8881	Hazardous Waste Cleanup Professio	385,030	384,470	392,730	8,260	
2300-0100	Department of Fish and Game	708,559	722,721	869,979	147,258	
2300-0101	Riverways Protection and Restorator	416,770	475,443	494,488	19,045	
2310-0200	Division of Fisheries and Wildlife	11,072,069	10,840,172	11,666,532	826,361	
2310-0306	Hunter Safety Program	403,815	412,502	414,803	2,301	
2320-0100	Fishing and Boating Access	449,562	461,901	520,556	58,655	
2330-0100	Division of Marine Fisheries	4,682,837	5,537,357	5,309,039	(228,318)	
2511-3002	Integrated Pest Management	63,163	55,468	95,446	39,978	
2800-0100	DCR	3,750,459	4,456,444	4,273,069	(183,375)	
2800-0101	Watershed Management	1,010,223	1,029,747	1,010,223	(19,524)	
2800-0401	Stormwater Management	397,738	405,287	405,042	(245)	
2800-0501	Beach Preservation	12,456,552	12,597,871	12,651,578	53,707	
2800-0700	Office of Dam Safety	354,153	355,472	355,263	(209)	
2810-0100	State Parks and Recreation	40,209,387	41,801,239	41,444,957	(356,282)	
2820-2000	Parkways Snow and Ice	3,055,000	3,055,000	3,000,000	(55,000)	
7006-1001	Residential Conservation Service Pro	220,256	214,559	224,111	9,552	
7006-1003	Division of Energy Resources Assessi	3,477,696	3,537,345	3,651,230	113,885	

² For information on the Trust Fund go to: <http://www.communitypreservation.org/content/trustfund>

MassHealth & Health Reform

Like the Governor's FY 2014 House 1 budget, both the House and Senate budget proposals reflect major changes to MassHealth and other subsidized health programs that will occur when implementation of the federal health reform law, the Affordable Care Act (ACA), begins in January 2014, midway through the fiscal year. However, while the House and Senate budgets assume a restructuring of – and funding for – these programs that is virtually identical to that assumed in the Governor's budget, they also provide less funding than the Governor proposed for restoration of past cuts and new investments in health care programs. The Senate proposes total funding of \$13.37 billion for MassHealth and related health coverage programs in FY 2014 and the House proposes funding of \$13.29 billion for these programs, both well below the Governor's proposal of \$13.52. The lower funding levels reflect the constraints within which House and Senate budget writers had to construct their budget plans once they had rejected the Governor's revenue proposal. Although each chamber made different policy choices as they confronted that task, the two budgets are fairly similar after adjusting for differences in accounting and assumptions about enrollment.

MassHealth and Commonwealth Care programs currently provide health coverage for about 1.6 million Massachusetts residents, including more than one in three children in the state. Under the ACA, MassHealth will expand to include all adults with incomes up to 138 percent of the Federal Poverty Level (FPL). People currently enrolled in Commonwealth Care who become eligible for MassHealth will enroll in a new MassHealth CarePlus program. People with incomes from 139 to 400 percent of FPL, including some current Commonwealth Care enrollees, and certain legal immigrants with incomes from 0 to 400 percent of FPL, will be eligible to enroll in Qualified Health Plans (QHPs) sold through the state's Health Insurance Connector. The state will receive enhanced federal revenue – 75 percent, instead of the usual 50 percent of costs – for these new MassHealth enrollees, and will realize savings as some people transition to QHPs, which will be subsidized through the federal tax code rather than by the state. The state will use some of these savings to provide supplemental wrap coverage for people moving from Commonwealth Care to QHPs, in order to maintain their coverage at existing levels, but still expects to realize about \$200 million in savings and new federal revenue in FY 2014.

At first glance, the Senate and House budgets appear to provide very different levels of funding for the Commonwealth Care Trust Fund (CCTF), which will support the Commonwealth Care program through the end of December, 2013 and pay for the costs of the QHP wrap program starting in January, 2014. However, the apparent difference simply reflects differences in the way the two budgets treat \$94.0 million in revenue from an employer assessment that will be available in the second half of the fiscal year, as well as different assumptions about tobacco tax revenue. The current employer assessment funds the off-budget Medical Security Program (MSP), which provides health coverage for people receiving unemployment insurance benefits. When that program ends in December, 2013, the assessment will be renamed and revenue from it will be used for other health costs. The House budget assumes that the revenue will be transferred to the General Fund to pay for health programs, while the Senate budget assumes that the revenue will remain off-budget and be deposited directly into the Commonwealth Care Trust Fund. The Senate also assumes that revenue from the portion of the tobacco tax that is deposited in the CCTF will increase (due to a tobacco tax increase included in separate bills currently being reconciled by a Conference Committee). We adjust for the House's shift of MSP revenue on budget by subtracting \$94.0 million from a new line item that will pay for new costs related to ACA implementation.

Line Item	Program	FY 2014 House	FY 2014 Senate	Senate minus House
4000-0940	ACA Expansion Populations	355,177,060	453,877,324	98,700,264
1595-5819	CCTF - Operating Transfer	467,346,393	340,078,633	(127,267,760)
PB4	CCTF - Tobacco Tax Transfer	120,000,000	151,267,760	31,267,760
	Employer Assessment Revenue*	94,000,000	94,000,000	0
TOTAL		1,036,523,453	1,039,223,717	2,700,264

*The House budget assumes this revenue will be transferred to the General Fund; the Senate budget assumes that it will remain off-budget and be directly deposited into the CCTF.

While their overall approach to implementation of the ACA is similar, the House and Senate budgets differ in other ways. Key items the Conference Committee will need to resolve include the following:

Restoration of Adult Dental Coverage

The Senate budget includes language, added during debate, earmarking \$13.0 million for a partial restoration of dental coverage for adults enrolled in MassHealth and Commonwealth Care, and increased the appropriation to support the earmark. The restoration would provide coverage for fillings for all teeth (front teeth were covered in the FY 2013 budget). The House budget contains language authorizing the use of any FY 2013 year-end surplus revenue for a number of purposes, including a similar partial restoration of dental coverage. In contrast, the Governor's budget proposed \$68.8 million for a full restoration of dental coverage, which was cut in 2010.

ACA Expansion Line Funding

The House and Senate budgets both rely on similar assumptions about enrollment and costs for people who are newly eligible for MassHealth, costs that are funded in this line item. However, the two budgets differ on three of four smaller funding items that the Governor's budget included in this line item. Both budgets include funding for standardization of MassHealth benefits for pregnant women. The House budget also provides funding for the extension of coverage terminations to the end of the month, to reduce lapses in MassHealth coverage. The Senate budget does not fund this provision, but does fund coverage for a small category of legal immigrants who are not eligible for any other coverage under ACA rules, and also funds extension of MassHealth eligibility to a small group of disabled adults; the House budget does not include funding for this coverage.

Provider Rates

Both budgets adopt the Governor's proposal for a base rate increase for hospitals, but do not include \$10.0 million in funding for payments for primary care providers who move to a global payment system. The two budgets also differ on a variety of provider rate proposals:

- The House earmarks \$14.8 million for supplemental rate payments to hospitals that serve high-risk pediatric patients. The Senate does not include funding for this purpose. Similar rate payments were authorized in the FY 2014 budget, but were reduced when mid-year budget cuts were implemented last December.
- The House appears to include \$23.0 million for Infrastructure and Capacity Building grants for hospitals and community health centers within the broader 4000-0700 line item appropriation, while the Senate includes \$16.0 million for this purpose.
- The Senate budget includes language adopted during debate that would allocate nearly \$40 million from the Distressed Hospital Trust Fund created in 2012 cost reform legislation (Chapter

224) for increases to in- and out-patient rates at hospitals with high numbers of patients in public health insurance programs.

Managed Care Capitation Payments

The Senate appropriates \$4.54 billion for the costs of health coverage provide to MassHealth members enrolled in managed care programs, an amount that \$14.0 million less than the Governor's proposal, due to updated data on FY 2013 spending. The House appropriates almost \$40 million less than the Senate for these costs. The two budgets also include different provisions within the line item language – the Senate requires MassHealth to work with an actuary to develop capitation rates for managed care organizations that reflect increases in MassHealth rates for hospitals; if such rates aren't put into effect in FY 2014, then capitation rates would go up automatically. The House earmarks \$1.0 million for in-patient behavioral health providers within the capitated rate for the primary care clinician mental health and substance abuse plan funded from this appropriation.

Nursing Home Supplemental Rates

The House budget increases funding for supplemental rates paid to nursing homes to a level slightly higher than the amount initially approved in FY 2013, before mid-year budget cuts reduced funding for rates, and earmarks \$2.8 million for incentive payments joint employee-management initiatives to improve quality of care at nursing homes. The Senate provides the same, lower, level of funding that the Governor proposed.

MassHealth Senior Care

The Senate appropriates \$7.5 million less than the Governor recommended, due to an assumption of a) \$3 million in savings from expansion of a Department of Public Health Academic Detailing program to improve prescribing practices among MassHealth providers, and b) \$4.5 million in savings from a reduction in rates paid for beds that are held open during a patient's temporary absence from a nursing home. The House budget appropriates \$50.0 million less than the Governor, but does not indicate how these savings will be achieved.

MassHealth Operations

The Senate budget proposes funding of \$2.3 million for this line item, which was created in FY 2013 to address backlogs in processing MassHealth applications. The House allocates \$1.3 million. Both budgets provide less than the \$3.4 million requested by the Governor, a decision that could affect efforts to enroll uninsured people who are newly eligible for MassHealth under the ACA.

MASHEALTH & HEALTH REFORM LINE ITEMS IN CONFERENCE

Number	Name	FY 2013 Current	FY 2014 House	FY 2014 Senate	Senate minus House	Notes
4000-0300	EOHHS	88,144,888	88,785,816	88,247,730	(538,086)	
4000-0301	MassHealth Auditing & Util Reviews	1,736,313	4,416,519	3,236,357	(1,180,162)	Adjusted for transfer
4000-0309	Field Auditing Taskforce	1,000,000	0	1,180,512	1,180,512	Adjusted for transfer
4000-0430	MassHealth CommonHealth Plan	73,165,557	91,074,613	96,628,909	5,554,296	
4000-0500	MassHealth Managed Care	4,081,345,376	4,500,411,804	4,538,960,913	38,549,109	
4000-0600	MassHealth Senior Care	2,756,130,662	2,861,335,505	2,903,835,505	42,500,000	
4000-0640	MassHealth Nursing Home Supp Rates	303,600,000	319,300,000	298,600,000	(20,700,000)	
4000-0700	MassHealth FFS Payments	1,941,722,476	2,170,142,290	2,156,269,290	(13,873,000)	
4000-0880	MassHealth Family Assistance Plan	213,894,591	222,766,943	227,161,472	4,394,529	
4000-0940	ACA Expansion Populations	0	355,177,060	453,877,324	98,700,264	Adjusted; see above
4000-1400	MassHealth HIV Plan	18,744,723	18,744,723	23,693,667	4,948,944	
4000-1602	MassHealth Operations	1,000,000	1,333,756	2,333,756	1,000,000	
4000-1604	Health Care System Reform	750,000	349,766	949,766	600,000	
4000-1700	Health and Human Services IT Costs	91,917,894	96,616,423	100,081,424	3,465,001	
4100-0060	Center for Hlth Info & Analysis	21,809,221	22,500,000	26,667,824	4,167,824	
9110-1455	Prescription Advantage	17,925,869	15,789,821	16,488,368	698,547	
PB4	CCTF - Tobacco Tax Transfer	120,000,000	120,000,000	151,267,760	31,267,760	See above
1595-1068	Medical Assistance Trust Fund	565,006,556	392,000,000	394,000,000	2,000,000	FY14 reflects payment timing
1595-5819	CCTF - Operating Transfer	740,272,286	467,346,393	340,078,633	(128,267,760)	See above

Public Health

During budget debate the Senate approved amendments adding almost \$8 million in spending on public health programs to the amount initially proposed by the Senate Ways and Means (SWM) Committee, including additional funding to support Department of Public Health (DPH) health safety efforts. The additional funds bring the Senate's total proposed appropriation for these programs to \$542.5 million (including funding for a youth violence program that is located in the Office of Health and Human Services, but that is similar to two other programs within the Department of Public Health). This total reflects an adjustment to account for a shift on budget of \$14.0 million in spending for pharmacy services provided to, and reimbursed by, the Department of Corrections that had previously occurred off budget. The proposed appropriation represents an increase of \$21.5 million, or 4.1 percent, compared to FY 2013.

The Senate's proposed appropriation for public health programs overall is \$11.6 million higher than the amount included in the House budget. Of course, this is a net difference – the Senate budget funds some public health activities at higher levels, and others at lower levels, than did the House (see below for detail on key differences). More striking than these differences, however, is the extent to which support for public health activities has been cut over the past decade. Since FY 2001, funding has dropped by about 25 percent, after adjusting for inflation, a decline that may have hampered the ability of the Department of Public Health to protect the health of the public through regulation of health facilities and other potential hazards. Cuts have also affected a variety of programs – such as smoking cessation and disease prevention – designed to promote health and wellness and reduce long-term health costs. The Senate's proposed funding level represents a modest step towards restoring some of these cuts, as did the Governor's proposed public health budget. The House budget, on the other hand, balances some proposed increases with other cuts, for an overall FY 2014 spending increase of just under 2 percent, essentially level funding.

Key differences between the two budgets include:

- **Health Safety**

During budget debate the Senate approved three amendments that added a total of \$2.8 million to line items that fund regulatory activities intended to protect the health of the public. The final Senate budget includes an appropriation of \$4.4 million for **Environmental Health Services** (whose programs include inspection of food manufacturers and indoor air quality assessments at elementary and middle schools), \$658,000 more than the House proposes. The Senate also adopted an amendment bring funding for the **Division of Health Care Quality and Improvement**, to \$7.8 million, similar to the level proposed by the Governor, and an increase of \$1.5 million compared to FY 2013; the new funds will help restore the agency's ability to inspect facilities and respond to consumer complaints. The House provides a smaller appropriation. Finally, although the Senate added \$601,000 to the appropriation for the **Board of Registration in Pharmacy**, its proposed spending level remains \$473,000 below the House proposal. Both the Governor's and House budgets proposed a substantial new investment of \$1.1 million intended to support increased inspections of compounding pharmacies and increased training of inspectors.

- **Youth Violence**

The House and Senate propose nearly identical funding for two programs that address youth violence, the Violence Prevention Grant program, and Youth-at-Risk Matching Grants, but differ on a third, the Safe and Successful Youth Initiative (located in the Office of Health and Human Services). The Senate proposes funding of \$4.0 million, the same level as in FY 2013; the House does not include any funding for this program in its budget. The Governor's budget proposed a \$10.0 million appropriation. For a discussion of this and other Youth Empowerment programs, see the "Youth Empowerment" section below.

- **Substance Abuse**

While the Senate and House appear to differ on funding for the **Bureau of Substance Abuse Services**, the \$3.3 million difference is largely due to the Senate's assumption that revenue in an off-budget Substance Abuse Trust Fund will carry forward from the current fiscal year and supplement funding for this line item, and does not reflect a difference in expected spending.

- **Family Health Services**

The SWM Committee initially proposed to level fund this program, which provides **family planning services** for adolescents and adults, but an amendment adopted during Senate budget debate added \$500,000, bring the total appropriation to \$5.2 million. This amount represents a 10.8 percent increase, compared to FY 2013, for a program that has been cut substantially over the past decade. The House provides a lower level of funding.

- **School-Based Health Programs**

During budget debate the Senate adopted an amendment adding \$1.7 million in additional funding for School-Based Health programs, including **School-Based Health Centers**. The addition brings total funding for these programs to \$12.9 million, a 10.1 increase over FY 2013, and \$1.3 million higher than the House's proposed appropriation. Funding for these programs has shifted among line items over the past decade; after taking these shifts into account and adjusting for inflation, total funding for school health has declined by more than two-thirds (see detail in the MassBudget [Budget Browser](#)).

- **Early Intervention**

The SWM budget initially proposed an appropriation of \$26.2 million for **Early Intervention** services, similar to the amounts proposed in the Governor's and House budgets, but an amendment adopted during debate increased the appropriation by \$1.3 million and added language that directs the use of any surplus funds for program operating costs, including salary increases for early intervention specialists. Early Intervention providers have gone several years without a rate increase.

- **Pediatric Palliative Care**

After the addition of \$675,000 during debate, the Senate's appropriation for this program – which provides supportive services to children with life-limiting illnesses and their families – totals \$1.5 million. The House provided level funding of \$825,000 for the program. The higher funding level will allow some children and families who are currently on a wait list for services to receive them.

- **Postpartum Depression**

The House budget creates a new line item with \$200,000 in funding for a **Postpartum Depression Pilot Program** at community health centers. The program would provide a part-

time Community Health Worker at four health centers to assist women who receive a positive screen for postpartum depression in receiving mental health and other support services. The Senate budget does not include funding for such a program.

- **Academic Detailing**

The Senate budget includes an appropriation of \$500,000 for an **Academic Detailing** program designed to promote cost-efficient drug prescribing practices among providers who serve high numbers of MassHealth members (the budget also assumes savings to the MassHealth program of \$3.0 million from this initiative). The House budget does not include funding for this program. The FY 2013 budget initially provided \$500,000, but funding was eliminated in mid-year budget cuts last December.

PUBLIC HEALTH LINE ITEMS IN CONFERENCE

Number	Name	FY 2013 Current	FY 2014 House	FY 2014 Senate	Senate minus House	Notes
4000-0005	Youth Violence Prevention Grants	4,000,000	0	4,000,000	4,000,000	
4510-0020	Food Protection Program	375,000	233,203	0	(233,203)	
4510-0100	Department of Public Health	17,871,474	18,474,624	18,796,603	321,979	
4510-0112	Post-partum Depression Pilot	0	200,000	0	(200,000)	
4510-0600	Environmental Health Services	3,386,819	3,733,538	4,391,414	657,876	
4510-0710	Div of Hlth Quality and Improvement	6,341,939	6,974,392	7,826,326	851,934	
4510-0715	Primary Care Cntr & Loan Forgiveness	157,000	0	157,000	157,000	
4510-0716	Academic Detailing Program	0	0	500,000	500,000	
4510-0722	Board of Registration in Pharmacy	182,623	1,300,527	827,605	(473,462)	
4510-0723	Bd of Reg in Medicine & Acupuncture	1,088,151	1,034,251	1,035,472	1,221	
4510-0810	SANE & Pediatric SANE	3,160,740	3,160,740	3,165,665	4,925	
4510-3008	ALS Registry	125,000	0	250,049	250,049	
4512-0103	HIV/AIDS Prev, Treatment and Svs	32,101,023	32,101,023	32,108,793	7,769	
4512-0200	Division of Substance Abuse Svs	77,029,178	84,633,094	81,300,683	(3,332,411)	See discussion
4512-0202	Secure Facilities for Opiate Addiction	2,000,000	1,000,000	2,000,000	1,000,000	
4512-0225	Compulsive Behavior Treatment	1,270,000	1,500,000	1,270,000	(230,000)	
4512-0500	Dental Health Services	1,403,897	1,415,040	1,474,040	59,000	
4513-1000	Family Health Services	4,666,697	4,671,059	5,171,112	500,053	
4513-1002	WIC Nutritional Services	12,366,617	12,748,384	12,672,030	(76,354)	
4513-1020	Early Intervention Services	28,025,263	26,241,573	27,491,573	1,249,964	
4513-1026	Suicide Prevention and Intervention	3,839,455	3,863,305	3,856,126	(7,179)	
4513-1111	Hlth Promotion & Disease Prevention	3,293,000	3,278,401	3,278,133	(268)	
4513-1130	DV & Sexual Assault Prev & Trtmnt	5,514,340	5,718,990	5,518,987	(200,003)	
4516-1000	State Laboratory	12,129,950	12,382,567	12,364,668	(17,899)	
4530-9000	Teen Pregnancy Prevention Services	2,378,411	2,265,015	2,532,662	267,647	
4570-1502	Infection Prevention Program	262,168	281,181	270,071	(11,110)	
4590-0250	School-Based Health Programs	11,714,634	11,597,967	12,900,000	1,302,033	
4590-0300	Smoking Prevention and Cessation	4,151,958	3,972,621	4,018,489	45,868	
4590-0912	Western Mass Hospital (fed ret rev)	17,081,671	17,457,470	17,736,047	278,577	
4590-0915	Public Health Hospitals	144,071,833	147,241,414	146,044,923	(1,196,491)	
4590-0917	Shattuck Hospital (DOC ret rev)	4,209,388	4,292,247	4,387,282	95,035	
4590-0922	Western Mass Hospital Expansion	0	0	2,944,385	2,944,385	
4590-0924	Tewksbury Hospital (ret rev)	0	0	1,800,000	1,800,000	
4590-1503	Pediatric Palliative Care	821,051	825,184	1,500,000	675,027	
4590-1506	Violence Prevention Grants	1,501,178	1,501,178	1,501,229	51	
4590-2001	Tewksbury Hospital (DDS ret rev)	3,437,342	3,437,342	3,503,637	66,295	

Youth Empowerment

Youth empowerment programs received significantly greater funding—about \$11.4 million, or 55.6 percent more—in the Senate budget than in the House. These programs help disadvantaged and at-risk youth transition into adulthood through the aid of career training and violence prevention programs.

While the Senate's \$31.8 million plan is higher than the House plan, both are still lower than the Governor's \$38.3 million proposal. The Governor's budget included significant new revenue to support investments in programs such as these.

The Senate budget funds four youth empowerment programs at levels above the House budget. For more information on each program please click the *Children's Budget* link following the description. These programs are:

- YouthWorks** (officially the Summer Jobs Program for At-Risk Youth), which received \$4.0 million more in the Senate than in the House. A Senate amendment increased funding from \$8.0 million to \$9.0 million.
Children's Budget Link: <http://children.massbudget.org/summer-jobs-program-risk-youth>
- The Safe and Successful Youth Initiative**, which is eliminated under the House plan, received \$4.0 million in the Senate proposal.
Children's Budget Link: <http://children.massbudget.org/safe-and-successful-youth-initiative?source=commonthread>
- School to Career Connecting Activities**, which received \$1.4 million more under the Senate plan. A Senate amendment increased funding from \$2.9 million to \$3.4 million.
Children's Budget Link: <http://children.massbudget.org/connecting-activities?source=commonthread>
- Shannon Grants (Gang Prevention Grant Programs)**, which received \$2.5 million more under the Senate plan. A Senate amendment increased funding from \$6.3 million to \$7.0 million.
Children's Budget Link: <http://children.massbudget.org/gang-prevention-grant-program-shannon-grants?source=commonthread>

YOUTH EMPOWERMENT LINE ITEMS IN CONFERENCE

Number	Name	FY 2013 Current	FY 2014 House	FY 2014 Senate	Senate minus House	Notes
4000-0005	Safe and Successful Youth Initiative	4,000,000	0	4,000,000	4,000,000	
7002-0012	Summer Jobs Program for At-Risk Youth (YouthWorks)	3,000,000	5,000,000	9,000,000	4,000,000	
7009-6402	Gateway Cities Career Academies	500,000	500,000	0	(500,000)	
7027-0019	School to Career Connecting Activities	2,870,000	2,000,000	3,370,000	1,370,000	
8100-0111	Gang Prevention Grant Program (Shannon Grants)	6,250,000	4,500,000	7,000,000	2,500,000	

Human Services

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

In floor debate, the Senate added just under \$10 million for Human Service programs and included an additional \$11.5 million one-time rate reserve payment for human service workers from potential FY 2013 surplus dollars. The House allocated \$7.5 million for a rate reserve payment from a potential FY 2013 surplus.

Children, Youth & Families

While the Majority of line items needing to be reconciled in Conference Committee have small funding differences, a few programs contain larger variances including the Department of Children and Families (DCF) **Regional Administration** line item. The House eliminated this line item as it has for the last few years while the Senate provided \$6.0 million, level with FY 2013. Regional Administration funds contracts with nonprofit "lead agencies" that help coordinate services. Proponents of lead agencies note the important coordination function they fill between DCF social workers, families and other professionals involved in a child's case. Critics claim that lead agencies duplicate work done in the past by social workers and that funding should be spent on services.

Family Access Centers which neither the House nor Senate Ways & Means (SWM) funded, received \$1.1 million during floor debate. These centers make it easier for children and families to access many public services including Transitional Aid to Families with Dependent Children (TAFDC), Supplemental Nutrition Assistance Program (SNAP), Women, Infants, and Children's Program (WIC), Fuel Assistance, and MassHealth. The Governor provided \$1.5 million in his proposal.

Support Services for People at Risk of Domestic Violence received another \$1.2 million during floor debate bringing the Senate total to \$22.8 million, \$1.3 million more than the House. The increase would add 12 shelter rooms for victims of domestic violence. **Services for Children and Families** receives \$75,000 more during floor debate, but is still \$1.2 million below the House. A new earmark for Julie's Family Learning Program of \$75,000 makes up the entire difference between the Senate and SWM proposals.

During floor debate the Senate added language requiring DCF to maintain a timely fair hearing system for families who disagree with a DCF decision. The SWM proposal only called for DCF to report on wait times. The House did not include any language concerning fair hearings. The FY 2013 budget provided \$152,000 to hire staff specifically dedicated to this issue. In the current Senate proposal, no funding is earmarked for this purpose. The data contained in reports sent to the legislature and the exact requirements to maintain a timely fair hearing system will have to be reconciled in Conference Committee.

CHILDREN YOUTH & FAMILIES LINE ITEMS IN CONFERENCE

Number	Name	FY 2013 Current	FY 2014 House	FY 2014 Senate	Senate minus House	Notes
xxxx-xxxx	Rate Reserve Payment	20,000,000	7,500,000	11,500,000	4,000,000	
4000-0051	Family Access Centers	0	0	1,100,000	1,100,000	
4200-0100	Non-Residential - Committed	22,512,944	22,972,474	22,956,829	(15,645)	
4200-0200	Residential - Detained	20,783,713	21,535,479	21,738,695	203,216	
4200-0300	Residential - Committed	102,350,356	106,668,785	106,622,349	(46,436)	
4200-0500	DYSTeacher Salaries	2,809,809	2,809,809	3,136,439	326,630	
4800-0015	DCF Administration	66,976,557	67,910,267	68,828,898	918,631	
4800-0025	Foster Care Review	2,943,098	2,995,812	3,018,999	23,187	
4800-0030	DCF Regional Administration	6,000,000	0	6,000,000	6,000,000	
4800-0036	Sexual Abuse Intervention Network	697,508	699,379	698,740	(639)	
4800-0038	Services for Children and Families	248,083,481	250,589,828	249,361,051	(1,228,777)	
4800-0040	Family Support and Stabilization	44,015,551	44,610,551	45,510,551	900,000	
4800-0041	Congregate Care (Group Care)	193,128,991	207,967,991	206,488,950	(1,479,041)	
4800-0151	Placement Services for Juveniles	1,004,678	1,034,178	1,028,388	(5,790)	
4800-1100	Social Workers - Case Management	165,718,468	172,501,659	171,921,284	(580,375)	
4800-1400	Domestic Violence Support Services	21,022,430	21,530,430	22,830,532	1,300,102	

Disability Services

Funding for many of the programs serving people with disabilities is different in the House and Senate. Although most of the differences are small, all will have to be reconciled in Conference Committee.

Turning 22 Services for the Developmentally Disabled, which has one of the larger differences, received a \$1.0 million increase during Senate floor debate bringing it to \$7.0 million, \$1.0 million more than the House proposal and FY 2013 spending.

Supports for **Independent Living** received \$1.1 million during floor debate. These supports are found in two separate line items (4120-0200, 4120-4000). When combined, the Senate appropriation of \$14.4 million is \$1.3 million more than the House. The Senate provided \$3.1 million for **Vocational Rehabilitation for the Blind**, \$255,000 below the House proposal.

A few programs received increases on the Senate floor bringing them nearly level with the House.

- **Respite Family Supports** - increased \$2.0 million, level with the House at \$51.5 million.
- **Autism Division** - increased \$1.0 million, \$10,000 below the House at \$5.6 million.

DISABILITY SERVICES LINE ITEMS IN CONFERENCE

Number	Name	FY 2013 Current	FY 2014 House	FY 2014 Senate	Senate minus House	Notes
4110-0001	Mass. Comm. for the Blind Admin.	1,348,142	1,361,524	1,361,789	265	
4110-1000	Community Services for the Blind	3,954,067	4,022,805	4,023,165	360	
4110-2000	Turning 22 MCB	11,214,866	11,734,132	11,771,590	37,458	
4110-3010	Vocational Rehab. for the Blind	3,053,118	3,308,118	3,053,118	(255,000)	
4120-0200	Independent Living Centers	0	0	1,100,000	1,100,000	combined 4120-4000
4120-1000	Mass. Rehab. Admin.	404,678	417,294	411,824	(5,470)	
4120-2000	Vocational Rehabilitation	10,011,824	10,037,118	10,082,859	45,741	
4120-3000	Employment Assistance	2,058,907	2,140,011	2,175,164	35,153	
4120-4000	Independent Living Assistance	12,654,279	13,099,883	13,291,439	191,556	combined 4120-0200
4120-4010	Turning 22 MRC	794,210	795,620	797,711	2,091	
4120-5000	Home Care for the Multi-Disabled	4,280,624	4,280,684	4,281,156	472	
4120-6000	Head Injury Treatment Services	11,215,519	12,215,519	12,126,408	(89,111)	
5911-1003	DDS Administration	62,787,273	64,062,658	63,942,324	(120,335)	
5911-2000	Community Transport Services	12,486,611	13,023,918	12,486,611	(537,307)	
5920-2000	Community Residential Supports	783,075,585	840,683,458	844,215,391	3,531,933	
5920-2010	State-Operated Res. Supports	180,001,867	188,966,551	189,429,571	463,020	
5920-2025	Community Day and Work Program	133,522,784	150,001,736	149,501,736	(500,000)	
5920-3010	Autism Division	4,613,085	5,623,439	5,613,086	(10,353)	
5920-5000	Turning 22 DDS	6,000,000	6,000,000	7,000,000	1,000,000	
5930-1000	State Facilities DDS	142,703,774	129,477,329	129,552,557	75,229	

Elder Services

The Senate made one change in appropriations for elder services. **Elder Congregate Housing** received \$214,000 on the floor bringing the Senate total to \$2.1 million, \$212,000 above the House proposal. The Senate also added a \$428,000 earmark for naturally occurring retirement communities.

Many of the programs serving seniors will need to be reconciled during Conference Committee. **Elder Enhanced Home Care Services** received \$52.9 million in the Senate, \$4.2 million more than the House. The Senate is projecting that the increase would be enough to eliminate the need for wait lists in FY 2014. **Residential Placement for Homeless Elders** was eliminated in the Senate proposal, but received \$186,000 in the House. Other programs for seniors contain smaller funding differences.

The Senate included the **Elder Economic Security** commission which was introduced in the House proposal. Commission recommendations will help older residents remain in their communities. The **LGBT Aging Commission**, a new commission, studies the long term needs of LGBT adults making recommendations to improve services. The commission will also look at how state policies affect equality of access and other care issues affecting LGBT adults. Recommendations are due no later than 12 months after the first convening of the commission.

Language added during debate would also cap fares charged to paratransit riders based on income.

ELDER SERVICES LINE ITEMS IN CONFERENCE

Number	Name	FY 2013 Current	FY 2014 House	FY 2014 Senate	Senate minus House	Notes
9110-0100	Department of Elder Affairs Administ	1,990,108	2,001,256	2,080,965	79,709	
9110-1500	Elder Enhanced Home Care Services I	47,461,487	48,766,383	52,946,054	4,179,671	
9110-1604	Supportive Senior Housing Program	4,014,802	4,014,802	4,150,900	136,098	
9110-1630	Elder Home Care Purchased Services	97,780,898	97,780,898	98,752,624	971,726	
9110-1633	Elder Home Care Case Management ;	35,738,377	35,145,060	35,545,490	400,430	
9110-1636	Elder Protective Services	17,250,554	21,942,106	22,125,558	183,452	
9110-1660	Elder Congregate Housing Program	1,824,616	1,874,616	2,086,626	212,010	
9110-1700	Residential Placement for Homeless	186,000	186,000	0	(186,000)	

Transitional Assistance

The Senate made no changes in appropriations to the SWM proposal for Transitional Assistance services and only a few changes in language. Even without changes, many of the programs will need to be reconciled during Conference Committee. Most of the differences between the Senate and House proposals are quite small.

One program with a larger split is the **Employment Services Program** which receives \$4.3 million under the Senate proposal. The House provided \$6.5 million and current FY 2013 spending amounts to \$7.1 million. This program provides Transitional Aid to Families with Dependent Children (TAFDC) recipients with education, occupational skills and the employment support services needed to acquire and retain jobs. The Senate funding level amounts to a cut of 86 percent since pre-recession levels.

TAFDC receives \$302.0 million, \$4.3 million below the House proposal and \$13.4 million below FY 2013. The Conference Committee will most likely decide their funding level based on the latest anticipated caseload levels for FY 2014.

Two language changes in floor debate help families receiving TAFDC. The first increases to 90 days the advance notice the Governor must give to the legislature before cutting benefits or changing eligibility rules. This allows time for the legislature to work with the Governor on ways to avoid cuts to families. Language in the House proposal requires 60 days advance notice. The second change allows families who receive a cut in benefits due to a combination of the monthly reporting requirement and a loss of income to receive a supplemental benefit to compensate them.

The Senate is expected to propose more significant changes to TAFDC and other transitional assistance programs outside the budget process.

TRANSITIONAL ASSISTANCE LINE ITEMS IN CONFERENCE

Number	Name	FY 2013 Current	FY 2014 House	FY 2014 Senate	Senate minus House	Notes
4400-1000	Dept. of Transitional Assistance	55,114,985	63,289,182	61,312,902	(1,976,279)	
4400-1001	SNAP Participation Rate	3,097,436	2,910,728	3,151,832	241,104	
4400-1025	Domestic Violence Specialists	798,944	805,087	890,620	85,533	
4400-1100	Caseworker Salaries and Benefits	60,854,012	61,084,483	62,084,483	1,000,001	
4401-1000	Employment Services Program (ESP)	7,109,035	6,530,000	4,284,733	(2,245,267)	
4403-2000	TAFDC Grant Payments	315,351,679	306,244,402	301,971,532	(4,272,870)	
4403-2119	Teen Structured Settings Program	7,393,207	8,694,318	9,194,372	500,054	
4405-2000	State Supplement To SSI	235,730,438	233,188,118	236,475,427	3,287,309	
4408-1000	EAEDC	87,263,877	92,844,480	93,082,843	238,363	

Other Human Services

During floor debate, programs and services for veterans received a good deal of attention. A number of veteran's **War Memorials** projects received funding bringing the Senate appropriation to \$380,000. These projects were not funded in the House proposal. The Senate doubled proposed funding to \$250,000 for **Train Vets to Treat Vets** which would establish a behavioral health career development program for returning veterans. The new appropriation is \$125,000 over the House proposal and FY 2013 spending.

The Veteran's Administration received a parcel of land to build housing for homeless veterans on a former National Guard Armory site in Worcester. Fees for a veteran's indicator on a driver's license would be no more than fees for other licenses and would be free for veterans over the age of 70.

Line items which will need to be reconciled during Conference Committee are listed in the table below.

OTHER HUMAN SERVICES LINE ITEMS IN CONFERENCE

Number	Name	FY 2013 Current	FY 2014 House	FY 2014 Senate	Senate minus House	Notes
1410-0010	Dept. Veterans' Services Admin.	2,695,839	2,770,789	2,711,487	(59,302)	
1410-0012	Veterans' Outreach Centers	2,167,611	2,222,236	2,275,992	53,756	
1410-0015	Women Veterans' Outreach	75,000	75,000	75,218	218	
1410-0075	Train Vets to Treat Vets	125,000	125,000	250,000	125,000	
1410-0250	Assistance to Homeless Veterans	2,520,518	2,520,518	2,646,544	126,026	
1410-0251	New Eng. Shelter for Homeless Vets	2,278,543	2,278,543	2,392,470	113,927	
1410-0630	Veterans' Cemeteries	1,014,825	1,060,474	1,100,297	39,823	
1410-1616	War Memorials	0	0	380,000	380,000	
4000-0050	Personal Care Attendant Council	235,485	237,517	238,212	695	
4000-0114	Quality Care Fund Reserve	1,000,000	0	1,000,000	1,000,000	
4003-0122	Low-Income Citizenship Program	237,500	237,500	400,000	162,500	
4180-0100	Soldiers' Home in Massachusetts	26,942,840	27,439,998	27,732,672	292,674	
4190-0100	Soldiers' Home in Holyoke	20,177,267	20,552,990	20,920,146	367,156	

Transportation

The Senate and House FY 2014 budgets for transportation assume final passage of similar long-term transportation funding bills that recently passed both chambers and are currently being reconciled in Conference Committee. For more detail on these bills please see MassBudget's recent Budget Brief [Comparing Revenue Proposals for Transportation, Education, and Other Investments](#).

In its first year, FY 2014, revenue raised under the Senate bill is identical to that in the companion House bill. While total new revenue raised is the same, this money is spent in slightly different ways across the Senate and House FY 2014 budgets (see descriptions below).

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

The three largest transportation funding categories in the House and Senate budgets are:

- The **Massachusetts Bay Transportation Authority (MBTA)**, which both budgets fund at \$1.07 billion, an increase of \$127.7 million over FY 2013. This funding comes from two budgeted sources: \$799.3 million from an automatic pre-budget transfer from sales tax revenue and \$275.2 million from the Commonwealth Transportation Trust Fund.
- The **Regional Transit Authorities (RTAs)** account. Both House and Senate budgets provide about \$18.5 million for regular operations and an additional roughly \$80 million for **forward funding**. Currently, the state reimburses RTAs at the end of the year, rather than providing that support in advance, forcing them to borrow money to cover the coming year's budget. Legislative proposals for FY 2014 reflect a large one-year increase to forward-fund the RTAs so that they would no longer have to borrow this money to fund operations.

The Senate and House proposals differ, however, in how they distribute money for forward funding. The Senate provides the \$80 million for forward funding through the MTTF appropriation (described below), whereas the House provides this money directly through the RTA account.

- The **Massachusetts Transportation Trust Fund (MTTF)**, which the Senate funds at \$295.0 million, an increase of \$133.3 million over FY 2013. The House funds the MTTF at \$206.5 million, \$88.5 million below the Senate proposal. While \$80 million of this difference is the accounting difference discussed in the RTA description above, the remaining roughly \$8 million is the result of higher Senate estimates for Registry of Motor Vehicle fee collections, which help support the MTTF.

The MTTF helps fund Massachusetts Department of Transportation (MassDOT) functions, which include supporting the Regional Transit Authorities; maintaining and improving state roads, highways, and bridges; maintaining and improving airports and rail and transit lines; administering the Registry of Motor Vehicles (RMV); and covering specific transportation-related debt service costs.

TRANSPORTATION LINE ITEMS IN CONFERENCE

Number	Name	FY 2013 Current	FY 2014 House	FY 2014 Senate	Senate minus House	Notes
1595-6367	MassDOT Perform. & Asset Council	0	100,000	0	(100,000)	
1595-6368*	Mass. Transportation Trust Fund	161,713,136	206,513,135	295,022,270	88,509,135	<i>see text above</i>
1595-6369	Mass. Bay Transportation Authority	160,000,000	275,200,000	275,218,785	18,785	
1595-6370*	Regional Transit Authorities	18,500,000	98,600,000	18,500,000	(80,100,000)	<i>see text above</i>
1595-6379	Merit Rating Board	8,699,046	8,942,439	8,960,017	17,578	

*Senate amounts are adjusted for a \$49.1 million transfer from RTA to MTTF account, based on SWM budget materials.

Housing

The state budget provides housing assistance, including shelter for homeless families, to low- and moderate-income people in Massachusetts. The House and Senate housing budgets both continue the changes made in FY 2013 that limit low-income homeless families' access to shelter. The two budgets, however, differ on both funding levels and language governing particular shelter and housing programs that help low-income families. See the table below for a comparison of the funding differences for housing line items that will need to be reconciled by the Conference Committee.

The state budget primarily supports low-income homeless families through **Emergency Assistance (EA)** shelter and **HomeBASE** short-term housing assistance. For a detailed discussion of these programs, please see MassBudget's "Shelter, Housing, and Homeless Policy in Massachusetts" http://www.massbudget.org/report_window.php?loc=homelessness_policy.html. The Senate's proposed budget for EA is \$38.9 million below the FY 2013 current budget and is \$9.7 million less than the House budget. The differences between the House and Senate budgets for EA reflect the fact that the House recommends providing \$8.7 million more than the Senate for families sheltered in **hotels and motels**.

The Senate's budget for HomeBASE, which provides short-term housing supports for families who are eligible for EA, is only slightly lower than the House recommendation. Both budgets are about \$30 million less than the current FY 2013 budget which reflects the fact that as many as 6,000 families will lose their HomeBASE rental assistance during FY 2014. The Conference Committee will have to iron out differences in the language governing how this program is managed. During its floor debate, the Senate adopted an amendment designed to help prevent families who run out of their rental assistance from falling back into homelessness. The Senate budget allows these families access to long-term housing subsidies, including the Massachusetts Rental Voucher Program (MRVP), as well as to short term assistance through RAFT. Families whose rental assistance ends could also receive access to EA shelters if they are eligible. The House budget does not include this provision.

The Senate and House funding levels for a number of affordable housing programs will also need to be reconciled during conference. For instance:

- The Senate provides \$11.0 million more than the House for the **MRVP**, which provides vouchers to low-income renters, for a total of \$57.5 million. The House increased MRVP by \$4.5 million over the FY 2013 current budget to allow the Department of Housing and Community Development (DHCD) to fully-fund the 900 new vouchers created in FY 2013. The Senate estimates its additional funding will create 1,000 new vouchers in FY 2014 to help families' secure permanent housing.
- The Senate provides \$2.3 million more for **Residential Assistance for Families in Transition (RAFT)** than the House for a total of \$11.1 million. The Senate budget allows \$500,000 of these funds to provide up to 7 days of temporary accommodations for low-income families. These accommodations would be provided to families who are not eligible for EA and are at risk of becoming homeless and living in places not meant for human habitation such as a car or public park. The Senate passed an amendment clarifying that DHCD immediately refer families, who are likely to become homeless within 24 hours, directly to the organizations that provide these temporary accommodations. The House does not include this provision.

- The Senate provides \$3.5 million for funding to help homeowners and renters keep their current housing through the **housing services and counseling** and **tenancy preservation** programs. The House provides \$1.8 million less for these two programs combined.
- The House provides \$2.1 million more for **public housing authorities** than the Senate for a total of \$64.5 million. These authorities manage over 45,000 state-supported units for low-income renters. Both budgets do not include \$5.0 million proposed in the Governor's FY 2014 budget to manage the consolidation of the state's 240 housing authorities into 6 regional authorities.³
- The House budget provides a total of \$600,000 more than the Senate for programs that help **homeless individuals** including **Home and Healthy for Good**. The House level for these two programs is \$42.3 million.
- The House includes the Governor's proposal to create a **Housing and Preservation Stability Trust Fund** while the Senate does not. The House funds this trust with up to \$10 million of the FY 2013 surplus, should one exist, as well as any surpluses from the EA, HomeBASE, MRVP and RAFT programs rather than having them revert to the General Fund at the end of the fiscal year.

HOUSING LINE ITEMS IN CONFERENCE

Number	Name	FY 2013 Current	FY 2014 House	FY 2014 Senate	Senate minus House	Notes
7004-0099	DHCD	7,109,734	6,647,129	6,362,790	(284,339)	
7004-0101	EA - Family Shelters and Services	118,992,354	91,476,700	90,406,700	(1,070,000)	
7004-0102	Homeless Individuals Assistance	40,350,335	40,450,335	40,250,335	(200,000)	
7004-0103	EA - Hotels and Motels	16,636,800	15,000,000	6,347,538	(8,652,462)	
7004-0104	Home and Healthy for Good	1,400,000	1,800,000	1,400,000	(400,000)	
7004-0108	HomeBASE	88,674,371	58,963,556	58,788,556	(175,000)	
7004-3036	Housing Services and Counseling	1,445,996	1,395,996	3,000,000	1,604,004	
7004-3045	Tenancy Preservation Program	350,000	350,000	500,000	150,000	
7004-9005	Subsidies to Public Housing Authorit	64,450,000	64,500,000	62,400,000	(2,100,000)	
7004-9024	MRVP	42,000,000	46,500,000	57,500,000	11,000,000	
7004-9033	Rental Subsidy for DMH Clients	4,000,000	4,250,000	4,125,000	(125,000)	
7004-9316	RAFT	8,760,000	8,760,000	11,106,000	2,346,000	

³ The Governor's January 11, 2013 press release announcing the public housing consolidation is available here: <http://www.mass.gov/hed/economic/eohed/dhcd/improvements-to-oversight-of-local-housing-authorities.html>

Local Aid

The Senate budget funds **Unrestricted General Government Aid (UGGA)** at \$899 million, level with FY 2013 funding, and \$21.3 million below the House proposal. The initial Senate Ways and Means proposal was amended by the full Senate to include a provision directing an extra \$21.3 million to UGGA if sufficient surplus revenue is available coming out of FY 2013. This increase would bring total funding under the Senate proposal equal to the House's proposal. The Governor proposed a somewhat larger increase of \$31.0 million over FY 2013.

UGGA is a form of general local aid, money that flows from the state budget to city and town budgets, helping them fund vital local services such as police and fire protection, parks, public works, and schools. UGGA is separate from direct school support that districts receive from Chapter 70 education aid.

General local aid has been cut dramatically since FY 2001, roughly 46 percent, when adjusted for inflation. Even if UGGA is increased the full \$21.3 million, or 2 percent, over FY 2013, this would only be sufficient to help offset the effects of annual cost growth, doing little to offset the larger long-term cuts since FY 2001.

Cuts since 2001 were driven largely by the combined effect of state-level tax cuts fully implemented in the early 2000's and the economic downturn that began in 2007. For more detail on historic funding levels, please see the General Local Aid page in MassBudget's [Budget Browser](#).

The state also supports a few smaller local aid programs targeted to communities with specific needs. Of these programs, the **Municipal Regionalization and Efficiencies grant program** (1599-0026) has the largest funding difference—\$7.5 million—remaining to be reconciled in Conference Committee. This competitive grant program provides support for municipalities, school districts, and regional planning agencies undertaking regionalization projects or other efforts to deliver local services more efficiently.

All local aid line items that need reconciliation in Conference Committee are detailed in the table below.

LOCAL AID LINE ITEMS IN CONFERENCE

Number	Name	FY 2013 Current	FY 2014 House	FY 2014 Senate	Senate minus House	Notes
1233-2350	Unrestricted General Gov't Aid	898,980,293	920,230,293	898,980,293	(21,250,000)	see text above
1233-2400	State Owned Land Reimbursements	26,270,000	26,270,000	27,270,000	1,000,000	
1599-0026	Municipal Improvement Grants	6,890,000	2,800,000	10,250,000	7,450,000	

Libraries

The state budget supports libraries by providing direct aid to local libraries, supporting the regional library network that includes the interlibrary loan program and the Library of the Commonwealth (see below), and funding the two talking book programs for the visually impaired located in Worcester and Watertown. As with many programs funded through the budget, income tax cuts adopted in the late 1990s and early 2000s combined with the fiscal crisis (see http://massbudget.org/report_window.php?loc=tax_cuts_factsheet.html), has forced deep cuts that have not been restored. Since the adoption of the FY 2001 budget, funding for libraries has fallen by over 50 percent in inflation-adjusted dollars.

The Senate recommends providing \$22.4 million in state aid to libraries in FY 2014, which is \$259,000 more than the House. Below is a table showing the differences in funding that the House and Senate will have to reconcile during their conference on the FY 2014 budget.

During its debate the Senate adopted an amendment that increased the amount of funding that the **Boston Public Library (BPL)**, as the Library for the Commonwealth can receive.⁴ The Senate boosted aid for BPL's research services from a rate of 35.9 cents per resident of the Commonwealth to 38.3 cents and provided \$500,000 in additional funding to the account that provides state aid to the regional library network. The House budget includes the current rate of 35.9 cents and provides \$452,000 less in funding than the Senate budget.

LIBRARIES LINE ITEMS IN CONFERENCE

Number	Name	FY 2013 Current	FY 2014 House	FY 2014 Senate	Senate minus House	Notes
7000-9101	Board of Library Commissioners	998,778	1,012,047	1,018,754	6,708	
7000-9401	Regional Public Libraries Local Aid	9,231,475	9,279,475	9,731,475	452,000	
7000-9506	Technology and Resource Networks	1,929,238	2,129,238	1,929,238	(200,000)	

⁴ For information on the Library of the Commonwealth please see: <http://www.bpl.org/research/aboutrl.htm#lfc>

Revenue

With regard to revenues, the Senate's final FY 2014 budget differs little from the Senate Ways and Means (SWM) budget. Both are built upon the Fiscal Year 2014 consensus revenue estimate – as are the budget proposals of the Governor and the House - agreed to back in January, a total of \$22.334 billion. The Senate FY 2014 budget proposal, like the House and the Governor's budget proposals, relies on additional revenue above and beyond this consensus figure by drawing on a combination of new tax and non-tax revenues. Some of these new revenues come from ongoing sources and others from one-time sources.

A number of revenue-related items were amended during Senate floor debate, though the Senate and House revenue totals and proposals remain quite similar. Earlier in the legislative session, each chamber passed a transportation-related tax package and though there are some differences between the two packages, they are identical as far as FY 2014 revenues are concerned. Both the Senate and the House incorporate the revenue from their respective packages into their FY 2014 budgets. Other, smaller tax proposals are contained in each chamber's FY 2014 budget, and these introduce some differences that will need to be addressed during the conference budget process. These proposals focus on efforts to enhance collections by the Department of Revenue and are covered in greater detail below.

The House and Senate budgets differ more so as regards *non-tax* revenues, though these differences likewise are relatively small and therefore likely will not present major obstacles for conference negotiators. Non-tax revenues are discussed in greater detail below.

Notably, overall, neither the House nor Senate tax packages would raise the level of new revenue proposed by the Governor, and hence, neither chamber's budget includes the kinds of investments in education proposed by the Governor. (For a detailed description of the revenue proposals, see [our Budget Brief](#).) Additionally, because the House and Senate tax packages are much smaller than the Governor's, each has less revenue available than does the Governor to close the state's estimated \$1.28 billion FY 2014 budget gap. (For a detailed discussion of this budget gap estimate, see: http://www.massbudget.org/report_window.php?loc=budget_preview_2014.html)

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

FY 2014 TAX REVENUE INITIATIVES	FY 2014 Governor	FY 2014 House	FY 2014 Senate
ONGOING TAX REVENUES			
PERSONAL INCOME TAX			
Increase rate from 5.25% to 6.25%	1,163,000,000		
Double value of personal exemption	(437,000,000)		
Eliminate more than 40 tax breaks	332,000,000		
SALES AND EXCISE TAX			
Decrease rate from 6.25% to 4.5%	(591,000,000)		
Eliminate exemptions for candy and soda	22,000,000		
Increase cigarette tax by \$1.00/pack; qualize tax rates for cigars & smokeless tobacco with cigarettes	70,000,000	152,250,000	144,200,000
Eliminate exemption for custom modifications of software and related services	65,000,000	150,000,000	150,000,000
Raise motor fuels tax by \$0.03/gallon		95,000,000	95,400,000
Index motor fuels tax to inflation	13,000,000		
Eliminate hotel tax exemption for corporate executive apartment rentals	2,600,000		
CORPORATE TAX			
Eliminate FAS 109 deduction	45,900,000		
Delay FAS 109 deduction			
Clarify market sourcing rules for corporate excise sales factor	21,000,000	21,000,000	21,000,000
Reclassify utility businesses	29,000,000	29,000,000	29,000,000
Reclassify certain securities investment businesses	21,000,000		
OTHER TAX INITIATIVES			
Implement enhanced tax reporting (liquor wholesalers, franchisees, electronic reporting, pass-through entities, etc.) and collections	27,000,000		35,000,000
Implement Amazon.com sales tax agreement	26,200,000	32,600,000	36,700,000
Tax settlement revenue			35,000,000
Total Ongoing Tax Revenues	809,700,000	479,850,000	546,300,000
TEMPORARY TAX REVENUES			
CORPORATE TAX			
Delay FAS 109 deduction		45,900,000	45,900,000
OTHER TAX INITIATIVES			
Implement enhanced tax enforcement (DOR software upgrades, etc.)		36,300,000	
Total Temporary Tax Revenues	0	82,200,000	45,900,000
TOTAL TAX REVENUE INITIATIVES	809,700,000	562,050,000	592,200,000

Tax Revenue

Prior to the release of the SWM FY 2014 budget (the document upon which the Senate budget is built), the House and Senate each approved its own revenue package. Either of these packages would generate new, ongoing tax revenue in FY 2014 and beyond, a substantial portion of which is dedicated in each case to transportation funding.

(See MassBudget's report comparing the transportation bills of the Governor, House and Senate: http://www.massbudget.org/report_window.php?loc=comparing_investments_fy14.html).

The approved Senate budget assumes \$430.6 million in additional tax revenue will be available in FY 2014 from the changes included in the Senate's earlier tax package. The Senate budget incorporate this new revenue while also increasing funding to the principal transportation line items by a combined total of about \$260 million. This leaves about \$170 million in new revenue from the Senate's tax package for other, non-transportation budgetary purposes (\$430.6 million - \$260 million = \$170.6 million).

This differs little from the House proposal. As noted, the House tax package would raise an identical amount of new revenue in FY 2014 (though the plans diverge somewhat in later years). Like the Senate,

the House incorporates this revenue into its FY 2014 budget, spending a similar amount on transportation and therefore leaving a similar amount of new revenue available for other, non-transportation budgetary purposes. Overall, therefore, the minor differences in these tax policies between the House and Senate budgets as they affect the FY 2014 budget will require a very limited amount of negotiation during the conference process.

In addition to the revenue related directly to its earlier tax package, the Senate budget generates another \$46 million in FY 2014 revenue by delaying for one year the FAS 109 business tax break. The House budget also adopts this delay (the Governor proposed eliminating this tax break altogether rather than delaying its implementation). The Senate budget also assumes \$36.7 million from increased sales tax collections. These new revenues would result from the agreement the Administration negotiated with Amazon.com to begin collecting the sales tax from its Massachusetts customers on their online purchases. Again, the House also assumes the revenue from this source in its budget.

One area of difference between the House and Senate budgets is the additional revenue each intends to generate by enhancing tax collection efforts at the Department of Revenue (DOR). Based on a proposal originally put forward by the Governor, the SWM budget called for \$25 million to be raised from several tax law changes that would allow DOR to "more accurately audit and pursue outstanding revenue obligations owed to the Commonwealth."⁵ The SWM budget also increased funding for DOR by \$1.4 million above the Governor's proposal in order to hire more auditors and collectors. The Senate budget includes both the new provisions and the increased DOR funding which together are estimated to raise a combined \$35 million in additional tax revenues. The Senate also, however, removes other language contained in the SWM budget that would have allowed DOR to enter into agreements with other departments and outside contractors to identify and pursue tax revenue owed to the Commonwealth. Senate budget writers believe that DOR already has the authority to enter into such agreements absent any new language.

The House budget includes only one of the Governor/Senate's tax law changes and does not anticipate any additional revenue to be generated from this change. Importantly, many of the Governor/Senate's provisions are ones designed to improve the identification and collection of taxes that legally are due to the Commonwealth but which go unpaid. By choosing not to include these collection-enhancing provisions, the House budget misses an opportunity to improve the Commonwealth's fiscal condition by reducing tax non-compliance. These differences will need to be resolved in conference.

Beyond these tax law provisions, the Senate additionally aims to enhance tax collections by increasing funding to several DOR accounts. The FY 2014 Senate budget recommends providing the DOR administrative account with \$89.7 million, an increase of \$3.6 million above the FY 2013 current budget and \$4.0 million more than the House (and \$1.4 million above the Governor, as described above). The Senate budget also proposes increasing funding for the retained revenue account that DOR uses to pay for additional auditors by \$1.5 million above current FY 2013 levels to \$27.9 million. This amount is \$1.0 million above the House proposal (and identical to the Governor's proposal).

⁵ These proposals were presented first by the Governor in a January 2013 supplemental spending bill for the FY 13 budget (see filing letter: <http://www.mass.gov/governor/legislationexecorder/legislation/supp-budget-fy13.html>). The supplemental spending bill that actually was enacted, however, did not include these provisions. In his FY 14 budget, the Governor assumes the revenue to be gained from these provisions (the supplemental had not been passed/changed prior to the submission of the Governor's budget).

These additional funds will allow DOR to fully staff and implement a set of tax enhancement initiatives begun in FY 2013, including the Audit Model Office, Interagency Data Services, and the Office of Operations Research. DOR estimates that the lower funding amounts provided in the House budget will prevent the agency from collecting a significant amount of revenue owed to the state. Nevertheless, while providing less funding for the DOR accounts, the House relies on \$36.3 million in additional revenue to be generated from these enhanced tax enforcement efforts. These differences are ones that will need to be resolved during the conference process.

Principal Department of Revenue Line Items

Number	Name	FY 2013 Current	FY 2014 House	FY 2014 Senate	Senate minus House	Notes
1201-0100	Department of Revenue	86,038,100	85,685,473	89,668,584	3,983,111	
1201-0130	Additional Auditors Retained Revent	26,452,257	26,940,257	27,938,953	998,696	

Finally, the Senate budget includes language establishing two tax-related commissions and calls for the Commissioner of Energy Resources to file a report on a possible carbon tax. The first of the two commissions initially appeared in the SWM budget. Unlike the House (or Governor), SWM proposed creation of a Tax Fairness Commission to "review and evaluate the equity of historical tax rates and methods in relation to the changing income and wealth of residents of the Commonwealth since 1990." Under the SWM proposal, this commission would report back to the legislature by March 1, 2014 with findings and recommendations related to the equity of tax costs paid by taxpayers of differing income levels, the adequacy of tax revenues to fund investments in public infrastructure and to generate prosperity for all residents, and the best practices of other states. The Senate budget adopts the SWM proposal, but adds language requiring that the commission also examine "tax rates necessary to ensure economic competitiveness with peer competitor states; tax rates necessary to avoid destabilization of household budgets or undue hardships for citizens; and tax rates necessary to foster and encourage robust private sector investment in capital equipment and the state's workforce." During conference negotiations, the House and Senate will have to determine whether this commission will remain part of the Legislature's final budget.

The second commission will study the economic impact of the illegal tobacco market in Massachusetts. It will focus on the tax revenue impacts of illegal tobacco sales and how these losses can be minimized. The Commission will report back to the Legislature not later than March 1, 2014. Depending on the commission's findings and recommendations - and how those recommendations are acted upon by the legislature/Governor - in future years the Commonwealth might be able to reduce the amount of tax revenue lost to illegal tobacco sales and thereby improve overall collections. Following the lead of the House, the Senate adds this commission to its FY 2014 budget, amending the SWM budget, which did not include language establishing such a commission.

The Senate budget also calls for the Commissioner of Energy Resources to submit a report detailing the steps that would be required were the Commonwealth to broaden the current gas tax to include all forms of carbon-based fuels. The report would examine "any statutory, regulatory and administrative changes, arrangements and calculations that may be required." The Commissioner must submit the report to the various legislative committees by December 1, 2013.

OTHER TAX REVENUE

Beyond the tax revenue sources and proposals discussed above, the Senate budget draws on another source of tax dollars: a portion of the anticipated proceeds from one-time tax settlements. A recent state law requires that one-time tax settlements that exceed \$10 million be deposited in the state's Rainy Day Fund. The Senate - as well as the House and the Governor - estimates that there will be approximately \$125 million in such tax or other settlements in FY 2014. While the House and Governor deposit all of this revenue into the Rainy Day Fund, the Senate budget includes new language that would direct \$35 million of this total into the General Fund and deposit the remainder (\$90 million) into the Rainy Day Fund. This difference will need to be reconciled in conference.

Non-Tax Revenue

There are several non-tax revenue items that will need to be resolved during the Conference Committee negotiations, discussed in more detail below. Among the items that will be reconciled in the Conference Committee are differences in:

- Federal revenues, based on differences in the proposed MassHealth budget
- Departmental revenues, including the expansion of the "bottle bill" and estimates in revenues from the sale of state assets
- Other revenues, due to differences in language about deposits into the state's Stabilization ("Rainy Day") fund.

FEDERAL REVENUE

The Senate budget proposal counts on approximately \$8.60 billion in federal revenues, slightly more than the \$8.58 billion assumed by the House. The differences in federal revenue between the SWM budget proposal and the Senate proposal, and the differences between the House budget and the Senate budget are largely a function of differences in the proposed budget for MassHealth. The largest share of federal revenue comes in to the state as reimbursement for state spending on MassHealth and other health programs. The federal government generally reimburses the Commonwealth for approximately 50 percent of its spending on the Medicaid program. Resolving differences in the MassHealth budget will resolve these differences in federal revenue assumptions.

DEPARTMENTAL REVENUE

On the floor, the Senate added language that would expand the "bottle bill" to include other bottled drinks such as bottled water, sports and coffee drinks, and tea drinks. The Governor's budget included a similar proposal, but the House budget did not. Under the Senate proposal, any resulting additional revenue generated from this expansion would be directed to the Community Preservation Trust Fund and not to the General Fund. This additional revenue therefore would not be available to help balance the budget. For more discussion of this proposal, see the section of this Budget Monitor on Environment & Recreation.

Another difference between the House and Senate budget proposals is that they include different estimates for temporary revenues brought in from the sale or lease of certain state assets or properties. The House estimated \$41.6 million from these transactions, while the Senate anticipates \$36.6 million.

On net, the Senate budget proposal relies on \$3.04 billion in departmental revenues, approximately \$23.4 million more than anticipated by the House. (MassBudget adjusts revenue totals to align with adjustments made to budget totals. These adjustments allow for more accurate across-year comparisons.)

FY 2014 NON-TAX REVENUE INITIATIVES	FY 2014 House	FY 2014 Senate
TEMPORARY NON-TAX REVENUES		
DEPARTMENTAL REVENUES*		
Sale or rent of state assets	41,600,000	36,600,000
Gaming licenses	83,125,000	83,100,000
OTHER SOURCES OF FUNDS		
Stabilization ("Rainy Day") Fund withdrawal	350,000,000	350,000,000
Stabilization ("Rainy Day") Fund interest transfer	5,650,000	11,000,000
Proceeds from various trusts	46,000,000	46,000,000
Total Temporary Non-Tax Revenues	526,375,000	526,700,000
TOTAL NON-TAX REVENUE INITIATIVES	526,375,000	526,700,000
*Does NOT include new departmental revenues specific to their respective transportation funding packages. For more details on these proposals see MassBudget's report: http://www.massbudget.org/report_window.php?loc=comparing_investments_fy14.html		

OTHER REVENUES

The House and the Senate both propose a withdrawal of \$350 million from the state's Stabilization ("Rainy Day") Fund. Both the House and the Senate withdraw interest earned by the balance in the Rainy Day Fund, although the House estimated that amount to be \$5.7 million, and the Senate estimates \$11.0 million. The Senate budget proposal also proposes depositing only \$90.0 million of a total estimated \$125.0 million in tax settlements into the Rainy Day Fund (see discussion above.)

Based on new assumptions, both the Senate and House budgets now assume that there will be \$46.0 million in unused funds from a variety of non-budgeted trusts would be available to balance the FY 2014 budget.

In addition, the Senate budget permanently repeals the requirement that one-half of one percent of tax revenue each year be deposited into the Rainy Day Fund, while the House budget only suspended the requirement for FY 2014. (In this current budget year, this would be approximately \$110 million.) The Senate budget also – similarly – repeals the requirement that one-half of one percent of tax revenue be available to carry forward into the next fiscal year. The House budget only suspended this requirement.

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

forward. (The required deposit into the Rainy Day Fund has been replaced by other statutorily required deposits of capital gains tax revenue and tax settlement revenue.)

One-Time or Temporary Revenues and Savings for Balancing the Budget

The Senate budget relies on about \$572.6 million in one-time or temporary tax and non-tax revenues (see above), while the House relies on approximately \$608.6 million. Both the House and the Senate also assume approximately \$71.0 million in one-time savings. These are resources that are only available for use in the current fiscal year, and will likely have to be made up for in the following year.

The one-time or temporary savings include \$41.0 million in one-time savings that will come with adjusting the timing of MassHealth payments to hospitals providing care to low-income patients. It is possible that the House budget anticipates saving more than \$41 million, although this is not clear from the materials provided. The Senate and House budgets also count on \$30.0 million in anticipated savings from a variety of procurement reforms across the budget.

Breakdown by Category

The table below shows how the Senate FY 2014 budget compares to other recent budgets and budget proposals. FY 2001 and FY 2009 GAA are adjusted for inflation, FY 2013 is not.

BUDGET BY CATEGORY AND SUBCATEGORY (millions)	FY01 (adjusted)	FY09 GAA (adjusted)	FY13 Current	FY14 Governor	FY14 House	FY14 Senate
Education	7,300.5	7,614.5	6,926.9	7,528.2	7,160.5	7,157.9
Early Education & Care	703.9	646.6	499.3	630.9	488.3	502.7
Higher Education	1,474.9	1,196.8	1,006.0	1,205.3	1,106.2	1,031.2
K-12: Chapter 70 Aid	4,018.7	4,327.0	4,173.5	4,397.3	4,285.9	4,301.2
K-12: Non-Chapter 70 Aid	665.7	674.9	565.8	586.9	554.5	590.9
K-12: School Building	437.2	769.3	682.3	707.8	725.6	732.0
Environment & Recreation	291.7	235.2	176.2	194.7	183.1	187.6
Environment	129.9	100.4	78.1	90.6	81.6	85.8
Fish & Game	23.6	23.3	21.2	21.5	22.2	23.0
Parks & Recreation	138.2	111.5	76.9	82.6	79.3	78.7
Health Care*	9,708.6	14,067.1	15,159.9	16,081.4	15,833.2	15,922.4
MassHealth (Medicaid) & Health Reform	7,341.7	11,384.8	12,722.1	13,515.6	13,294.7	13,370.2
Mental Health	801.3	751.1	673.9	696.5	696.9	704.6
Public Health	703.6	651.4	521.0	545.0	531.0	542.5
State Employee Health Insurance	862.1	1,279.8	1,242.8	1,324.4	1,310.6	1,305.1
Human Services	3,624.3	3,844.7	3,509.0	3,652.5	3,608.6	3,626.4
Children, Youth & Families	935.4	1,095.3	909.3	951.5	934.1	941.5
Disability Services	1,304.6	1,479.1	1,441.3	1,532.9	1,518.6	1,523.6
Elder Services	252.8	261.5	222.8	226.3	229.3	235.3
Transitional Assistance	1,007.7	850.7	773.9	790.4	776.8	773.6
Other Human Services	123.8	158.1	161.7	151.4	149.7	152.3
Infrastructure, Housing & Economic Development	2,019.4	1,611.9	1,699.1	1,972.3	1,946.4	1,953.9
Commercial Regulatory Entities	58.1	56.4	50.9	54.1	54.3	54.7
Economic Development	291.2	189.5	104.7	175.6	149.0	145.7
Housing	329.0	303.1	407.8	353.2	354.4	356.5
Transportation	1,341.1	1,062.8	1,135.7	1,389.3	1,388.7	1,397.0
Law & Public Safety	2,511.3	2,784.6	2,448.1	2,493.0	2,449.2	2,462.2
Courts & Legal Assistance	760.3	717.9	645.8	659.6	634.5	639.1
Law Enforcement	367.3	456.9	369.4	367.7	351.4	358.6
Prisons, Probation & Parole	1,184.2	1,400.5	1,242.9	1,274.3	1,275.8	1,269.2
Prosecutors	155.3	160.0	143.1	147.3	143.5	145.8
Other Law & Public Safety	44.2	49.3	46.9	44.0	44.1	49.5
Local Aid	1,717.8	1,475.7	933.3	963.3	950.5	937.7
General Local Aid	1,691.5	1,440.7	899.0	930.0	921.4	900.1
Other Local Aid	26.3	34.9	34.3	33.3	29.1	37.5
Other	4,476.6	4,613.9	4,483.3	4,636.5	4,570.8	4,587.8
Constitutional Officers	105.8	98.0	75.5	72.9	71.4	71.5
Debt Service	2,085.5	2,274.2	2,360.9	2,422.7	2,422.5	2,422.5
Executive & Legislative	81.5	75.8	70.8	71.0	71.0	71.0
Libraries	46.5	37.4	21.8	21.8	22.1	22.4

Pensions	1,399.1	1,605.3	1,552.0	1,630.0	1,630.0	1,630.0
Other	758.1	523.3	402.4	418.1	353.8	370.4
Total Budget	31,650.1	36,247.6	35,335.9	37,521.8	36,702.3	36,835.9

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

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

We also make three additional adjustments. In FY 2014, these amount to approximately \$632.9 million subtracted from the budget total for the Governor and House, and \$538.9 million for the Senate. We add approximately \$17.7 million to make up for budget reductions made when public higher education campuses were allowed to retain a greater share of the student tuition; we subtract approximately \$542.7 million to account for budget increases that simply reflect increased funding "passing through" the Group Insurance Commission from municipalities, we adjust for the shifting in funding of the State Office Pharmacy Services (\$14 million) and we temporarily subtract \$94 million in health care spending from the Governor's and House totals to account for the mid-year addition of on-budget costs that in prior years had been accounted for off-budget.