

Analyzing the House Ways & Means Committee Budget for FY 2017

The House Ways and Means (HWM) Committee budget proposal represents the second step in crafting our state budget. Our state budget is how we as a Commonwealth make decisions about issues that affect all of us: providing quality education to all of our children; keeping our communities vibrant and safe; maintaining our roads, bridges, and transit systems; protecting access to health care; providing support for those facing hard times; keeping our air and water clean, and much more.

The HWM proposal follows the Governor's proposal and the pattern of recent years. It is largely an austerity budget that reduces spending in some accounts, essentially level funds most, and contains only very modest new initiatives.

Among the major ways in which this proposal differs from the Governor's is that the HWM proposal recommends more funding for local public schools. The proposal both directly increases Chapter 70 funding (state aid to local school districts) by more than the Governor recommended and funds a reserve account that can supplement Chapter 70 aid for districts that were adversely affected by changes in the ways the state counts low-income students (explained [here](#) and [here](#)).

The House Ways and Means proposal largely follows the Governor's recommendations on the use of temporary revenue and savings. On the positive side, both reduce the use of temporary revenues compared to recent years. It remains troubling, however, that this far into an economic recovery the state continues to rely on temporary revenue to balance the budget and is not able to deposit into the stabilization fund the full amount of capital gains tax revenue called for by existing law.

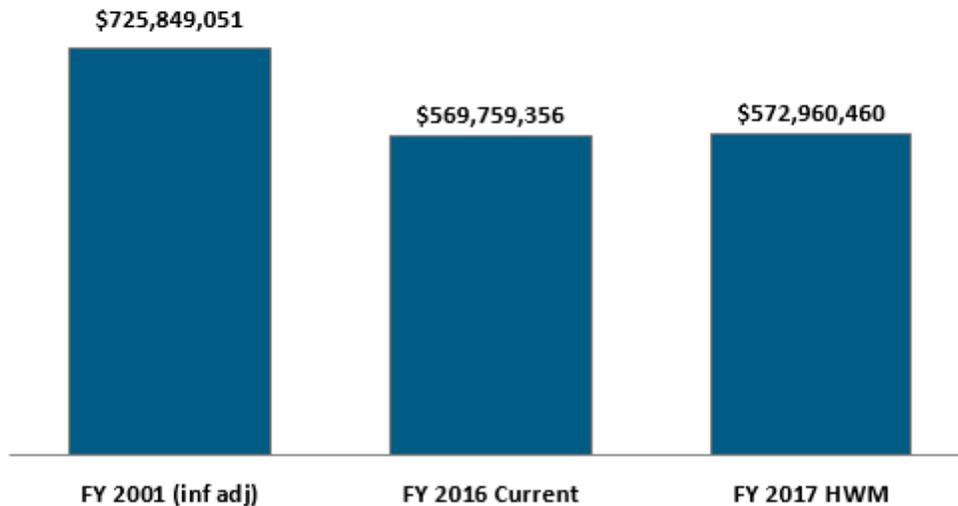
In the pages that follow, this Budget Monitor provides highlights of the House Ways and Means recommendations in specific areas across the budget. We also offer comparisons to the Governor's proposals and to historic spending levels.

Early Education & Care

Quality early education and care helps prepare our young children for K-12 education and to thrive more generally. Early education and care is also a critical work support for parents with young children, arranging safe and reliable child care for parents while they provide for their families.

The House Ways and Means (HWM) Committee budget for FY 2017 allocates \$573.0 million for early education and care programs, a small increase of 0.6 percent over this year, less than the expected rate of inflation. Though the last two state budgets included modest increases for early education, these increases are small in the context of much larger long-term cuts in this area, after state tax cuts were implemented during the late 1990s and early 2000s. Looked at over this longer horizon, the HWM Committee FY 2017 proposal for early education is \$152.9 million (21.1 percent) less than FY 2001 levels, adjusting for inflation (see chart below).

Early Education Funding Would Still Be Down 21 Percent Since 2001



The House Ways and Means Committee budget proposes \$228.4 million for [Supportive & TANF Child Care](#). This program provides child care subsidies for children in the care of the Department of Children and Families (DCF) and those receiving Transitional Aid to Families with Dependent Children (TAFDC). This amount is \$8.5 million, or 3.9 percent, over current levels but \$8.9 million less than the Governor's FY 2017 budget proposal. The greater amount proposed by the Governor (\$237.4 million) was projected to allow 1,500 new vouchers for TAFDC families and allow a full year of services for 600 children under DCF care who had this support for part of 2015-2016. It is unclear how many children would be able to have additional services under the HWM Committee proposal.

The [Income Eligible Child Care](#) program provides subsidies for low-income, working families who do not qualify for other child care assistance. With insufficient funding to meet demand, the waitlist for these subsidies exceeded 27,000 children in November 2015. For the last three years, dedicated funding supported reducing the waitlist. The HWM Committee FY 2017 budget does not propose continuing specific funding to reduce the waitlist. The HWM Committee does include \$10.0 million in additional support for salary increases to early education providers, \$5.0 million above current levels. This salary increase was not included in the Governor's proposal for FY 2017. Salary and benefit increases along with professional development to early education teachers are key mechanisms to improve the quality of services available for young children. Recent evidence suggests that providers across the state are facing difficulties in creating new early education seats and classrooms in a context where they face challenges recruiting and retaining an effective early education workforce.

Overall, in the HWM Committee FY 2017 budget, funding for Income Eligible Child Care, efforts to reduce the waitlist, and salary reserves for early educators, are \$10.9 million below current levels. This calculation likely understates the funding in this area because of consolidations and shifts of early education funding into a new line item (see discussion below). In the Governor's FY 2017 budget, \$9.0 million in Income Eligible Child Care funds were moved into a new line item. The HWM budget includes that new account as well, but doesn't detail what spending from other line items was moved to that new item. If the HWM proposal is following the Governor's in this regard then the total funding

for Income Eligible and related line-items would be roughly \$1.9 million below current levels when adjusted to match the old structure.

Like the Governor’s budget proposal, the HWM Committee budget for FY 2017 consolidates and shifts funding from several early education and care accounts into a new [Quality Improvement](#) line item. The purposes of this funding include meeting standards set in the state’s Quality Rating and Improvement System (QRIS), developing the early educator workforce, undertaking the accreditation of programs, and supporting administrative personnel overseeing quality efforts. The Department of Early Education and Care suggests this reorganization will help align the state’s goals for early education quality, concentrate funding towards common purposes, and identify gaps in resources and supports for young children.

The HWM Committee’s FY 2017 proposal would altogether provide \$31.5 million, \$1.9 million (5.6 percent) less than what the Governor proposed for the new Quality Improvement line item.

SUPPORT FOR EARLY ED QUALITY IMPROVEMENT (QI) INITIATIVES

Line Item #	Name	FY 2017 Governor	FY 2017 HWM	FY 2017 HWM - FY 2017 GOV
3000-1020	Quality Improvement	33,396,638	31,530,665	(1,865,973)

The merging of early education programs into Quality Improvement in the HWM Committee proposal appears to follow the Governor’s approach for the upcoming year. In the Governor’s FY 2017 budget proposal, three programs were entirely consolidated into Quality Improvement:

- [Universal Pre-Kindergarten](#) which supports Pre-K quality improvements for kids between 2 years 9 months old and kindergarten age.
- [Early Childhood Mental Health Consultation](#) – which focuses on early education and wraparound social services for kids facing great challenges. These services focus on prevention of school suspensions and other severe behavioral issues.
- The [Commonwealth Preschool Partnership Initiative](#), which supports expanding seat capacity for existing providers, particularly for 3 year olds.

In the Governor’s FY 2017 budget, four programs had some funding shifted into Quality Improvement:

- [Early Education and Care Administration](#), which supports the statewide oversight of all Early Education services and programs
- Supportive and TANF Child Care
- Income Eligible Child Care
- [Family Support and Engagement \(Services for Infants and Parents\)](#), which provides parent education and outreach on services available for young children.

Several early education accounts are reduced in the HWM Committee proposal:

- [Grants to Head Start](#) would be funded at \$8.6 million, which is \$500,000 (5.5 percent) below current levels. This funding serves as a state supplement to significant federal grants that support early education programs in Massachusetts.
- [Reach Out and Read](#) which funds early literacy programming helps connect health providers with literacy efforts directed at their patients, is funded at \$700,000, which is \$300,000 (30 percent) below current levels.

K-12 Education

Education plays a central role in developing future generations in the Commonwealth, strengthening our communities and our economy over the long term. Overall, the House Ways and Means (HWM) Committee Fiscal Year (FY) 2017 budget proposal for K-12 education increases state aid to districts, but reduces several grant programs below the levels proposed by the Governor. In total, K-12 funding for aid to districts and grants in the HWM Committee proposal is 1.7 percent greater than current FY 2016 levels, roughly in line with inflation. Thus, the HWM Committee does not propose major steps in FY 2017 to address long-standing financial challenges that have limited the educational opportunities available to kids across Massachusetts.

This past October, the Legislature's Foundation Budget Review Commission recommended steps to address the long-term challenges in funding for our local school districts. This group of education policymakers and stakeholders found that funding for students living in poverty and English language learners should be increased enough to support multiple, effective strategies. Such strategies include after-school, summer learning, and wraparound social services for students facing poverty-related barriers to success. The Commission also found that the current Foundation Budget fails to account accurately for the actual costs of health care and special education. Specifically, the Commission found that schools are forced to divert resources away from important strategies that can improve the quality of education. These flaws in the Foundation Budget lead to the need for at least \$432 million in additional Chapter 70 funding (for more detail, see the [final Commission report](#)).

For FY 2017, the HWM Committee proposes increasing [Chapter 70 Education Aid](#) by \$95.8 million (2.0 percent over the current FY 2016 budget) to \$4.61 billion. This amount is \$23.7 million greater than what the Governor proposed for Chapter 70 aid in January, but is less than the previous annual increase of \$111.2 million from FY 2015 to FY 2016.

The difference between the HWM Committee's and Governor's Chapter 70 proposals is that the HWM Committee provides a minimum \$55 per-student aid increase over FY 2016 for all districts that would otherwise not receive increases. This is greater than the \$20 per-student increase the Governor proposed and would direct more funding in percentage terms to predominately higher-income districts.

The HWM Committee budget for FY 2017 proposes \$10.0 million in Chapter 70 reserves to assist districts particularly affected by changes in the way student poverty is measured and how this affects young people supported through Chapter 70 (see below for further discussion). This is a significant increase from the \$3.1 million available in similar reserves in FY 2016.

The HWM Committee Chapter 70 proposal, like the Governor's, uses a new method for calculating the number of low-income students educated in a given district. This change is driven by recent improvements to the federal school meals program that are increasing kids' access to school meals and reducing administrative work for districts. One side effect of the federal changes is that the Commonwealth must alter how low-income kids are counted. Both the Governor's and HWM Committee's Chapter 70 proposals result in significant changes to the absolute numbers of students counted as low-income and, as a result, the additional targeted funding to support these students. For extensive details on the process for counting low-income kids, how it can be improved, and the impact on the FY 2017 budget, see [Direct Certification for School Meals: Feeding Students, Counting Kids, Funding Schools](#), and [Proposed Low-Income Student Changes Would Have Varied Chapter 70 Impact](#). The greater Chapter 70 reserves proposed by the HWM Committee should help provide additional funding to districts that are particularly impacted by transition challenges between these differing methods of calculating students in poverty. However, significant work remains to improve the methods for counting students and addressing issues faced by local communities in the transition.

To that end, an outside section of the HWM Committee FY 2017 budget directs the Department of Elementary and Secondary Education (DESE), in consultation with the Executive Office of Health and Human Services, to study the calculation of students in poverty, propose alternative ways to better identify kids, simulate what effect these alternatives would have, and examine available sources of data and methods to improve the count. The proposal instructs the group to issue a report in December 2016.

The HWM Committee FY 2017 budget proposes \$85.5 million for [Charter School Reimbursements](#), \$5.0 million over current levels. The current system, when fully funded, reimburses 100 percent of outgoing student funding in the first year and 25 percent of this amount for each of the subsequent five years. However, the formula was \$47.1 million (37 percent) below the amount that would have fully funded the reimbursement formula in FY 2016. According to projections from DESE, the HWM proposal would underfund the reimbursement formula by \$48.9 million in FY 2017, in part because charter enrollment is projected to increase by roughly 3,000 students. The HWM Committee does not include significant policy changes proposed by the Governor to Charter School Reimbursements. For additional detail on charter school funding at large, recent proposals from the Governor and the Legislature to alter the reimbursement system, and the impact of recent underfunding, see [Charter School Funding, Explained](#).

Several small grant programs, including some that serve students in the greatest need, are eliminated or significantly reduced in the HWM Committee proposed budget, including:

- [School to Career Connecting Activities](#) is reduced by \$2.0 million (66.9 percent under last year). Connecting Activities helps teens find employment through internships, career exploration activities, and apprenticeships. The HWM Committee proposal might also decrease business investment in youth jobs because this program includes a required 2:1 funding match from private sector employers. The HWM Committee proposal does not include the expansion of the program proposed by the Governor for FY 2017.
- [Adult Basic Education](#) is reduced by \$1.7 million (5.4 percent under last year). Adult Basic Education programs – e.g. classes in English for speakers of other languages, high school equivalency courses, and citizenship classes – help adults enhance their ability to work and

advance further in education. According to the most recent figures, 16,000 people are currently on waitlists for Adult Basic Education across Massachusetts, including over 13,000 for English language courses.

- [MCAS Low Scoring Student Support](#) would be eliminated. The program, currently funded at \$4.3 million, provides support to high schoolers at risk of failing to graduate. According to recent estimates from DESE students participating in this program increased their passing rates on state tests by 31 percentage points (see the [Department's 2014 legislative report on MCAS support](#)).
- [Chapter 40S Payments](#), which provide aid to districts to account for new students arriving after additional housing development have been built, are eliminated (funded at \$450,000 in FY 2016).
- [Non-Resident Student Transportation](#), which provides state support to help student travel to vocational/technical education programs that are not available in their home districts is eliminated (funded at \$1.8 million in FY 2016).

The HWM Committee FY 2017 budget proposes to fund state-level administration of K-12 schools through the **Department of Elementary and Secondary Education** at \$12.3 million. This amount is 15.2 percent less than the \$14.5 million in the current budget. This figure reflects the departure of around 20 staff from the department during the early retirement program in FY 2016. With fewer staff in place, it is unclear how the Commonwealth will ensure the same level of services to districts and students.

The HWM Committee FY 2017 budget includes several increases to other education grants and services:

- The [Special Education Circuit Breaker](#), which provides additional state support for students with severe special needs, is funded at \$276.6 million, a 1.8 percent increase.
- [Statewide College and Career Readiness Program](#), which provides support to high school youth to ensure they are prepared for higher education studies is funded at \$700,000, compared to \$500,000 last year.

Higher Education

Higher education helps residents of our state contribute to their communities and gain the skills needed to succeed in a competitive economy. Public institutions of higher education, including the University of Massachusetts, the state universities, and the community colleges educate a large majority of the high school graduates who remain in Massachusetts for college. Public graduates are also more likely to stay in Massachusetts after graduation, contributing to our economy over the long term.

The House Ways and Means (HWM) Committee FY 2017 budget proposal is relatively in line with current FY 2016 levels. The following table details appropriations to each of the three campus types. MassBudget totals make the following adjustments in order to facilitate more accurate year-to-year comparisons:

- **Include Collective Bargaining and Other Campus Specific Programs.** MassBudget adds collective bargaining accounts and initiatives located at particular campuses, funded through separate line items, to their respective campus totals.
- **Subtract Tuition Remission.** Since FY 2001, different policies have dictated when public higher education campuses must send different categories of tuition revenue they receive back to the state. When revenue must be sent to the state, it is not available for campus operations and has the same effect as reduced state funding to the campuses. To provide more accurate comparison of state support to campuses over time, using official documents from the Administration and the Legislature, MassBudget deducts tuition revenue sent back to the state from the direct appropriations to each campus. Additionally, a provision from last year’s budget takes effect in FY 2017, allowing the University of Massachusetts to stop sending tuition revenue from in-state students that it had been required to send in prior years.

HIGHER EDUCATION FUNDING TO THE THREE CAMPUS TYPES

Campus Type	FY 2017 Governor	FY 2017 HWM	FY 2017 HWM - FY 2017 Governor
Community Colleges	270,150,371	272,013,001	1,862,630
State Universities	243,972,713	243,972,713	0
UMass	511,242,447	511,542,447	300,000
Total, all campuses	1,025,365,531	1,027,528,161	2,162,630

The HWM Committee proposes to fund **University of Massachusetts** line items at \$511.5 million, basically level with the Governor’s FY 2017 proposal. Barring other measures, this amount of state support makes it possible that tuition and fees will continue to rise at the University of Massachusetts. For example, to meet a commitment to hold the tuition rate constant in FY 2015, the system required \$40 million in additional funding.

The HWM Committee proposes funding **State University** line items at \$244.0 million and **Community College** line items at \$272.0 million. These levels are roughly in line with the Governor’s FY 2017 proposal.

The main **State Scholarship Program** would be funded at \$96.6 million in the HWM Committee FY 2017 proposal, a \$1.0 million (1 percent) increase above current levels.

The **STEM Starter Academies** are level funded at \$4.8 million, an amount which is \$863,000 above what the Governor proposed. These programs provide outreach, exploration, and mentorship activities to help students who may need additional support to pursue coursework in high growth Science, Technology, Engineering, and Math (STEM) fields.

Several higher education grants and programs, including several related to workforce development, would be eliminated in the HWM Committee FY 2017 budget proposal:

- The **Innovation Commercialization Seed Fund** would be eliminated (funded at \$1.0 million in the current FY 2016 budget). This program provides competitive grants for researchers and students to test in the marketplace business ideas created at universities.

- [Community College Workforce Grants](#) would be eliminated (funded at \$750,000 in the current FY 2016 budget). These grants support workforce training initiatives at the 15 community colleges and help connect campuses with local employers.
- [Adult College Transition Service \(Bridges to College\)](#) would be eliminated (funded at \$250,000 last year). This initiative helps people move from adult basic education to college level work.

The HWM Committee FY 2017 budget proposes significant reductions to a number of other areas in higher education:

- **National Guard Tuition and Fee Waivers** would be funded at \$5.3 million, a 64 percent reduction from current levels and a 32 percent reduction from the Governor's FY 2017 proposal.
- **State University Incentive Grants** are proposed to be funded at \$2.5 million, a \$3.1 million reduction (55 percent) from current levels and the same amount proposed in the Governor's FY 2017 budget. In prior years, this funding supported implementation of a Department of Higher Education strategic plan, called the Vision Project. This plan aimed to increase quality, reduce achievement gaps, and improve alignment between higher education and the workforce. It is possible that state university campuses could divert funding from other programs to support some of these initiatives.
- **Community College Administration** would be funded at \$2.7 million, a \$6.4 million (70 percent) reduction from current FY 2016 levels. The amount is consistent with what the Governor proposed in January.
- The **Department of Higher Education** would be funded at \$3.0 million, a \$1.4 million (32 percent) reduction from current FY 2016 levels. This amount is \$964,000 greater than what was proposed in the Governor's FY 2017 budget.

Administrative cuts to higher education may have an impact on the student experience on campus, and on the provision of student aid and supports. These cuts may also impede the Commonwealth's ability to coordinate higher education initiatives with industry and other partners. Notably, these administrative cuts cannot be fully explained by staff reductions due to the early retirement program in FY 2016, because relatively few employees at the Department of Higher Education (equaling \$411,000 in salary and benefits) took early retirement in FY 2016.

Environment & Recreation

The state's environment and recreation budget funds programs that keep our air and water clean, preserve fish and wildlife habitats, and maintain staff parks and recreation facilities in Massachusetts. Like the Governor's FY 2017 proposal, the House Ways and Means (HWM) Committee's budget includes few significant increases for environment and recreation programs, with the exception of \$500,000 for the Department of Environmental Protection (DEP) to help municipalities provide safe drinking water to their residents. The Committee budget further reduces funding for several programs that have had significant cuts over the years.

The HWM Committee's FY 2017 budget recommends \$196.7 million for environment and recreation programs, a cut of \$16.1 million or 7.6 percent below the FY 2016 current budget. Since FY 2001, when the state implemented cuts to the income tax, funding for environment and recreation programs has fallen by 34.6 percent in inflation-adjusted dollars.

As with the Governor's FY 2017 proposal, many of the HWM Committee's funding reductions for environment and recreation programs are likely related to staffing reductions as employees took advantage of an early retirement package included in the FY 2016 budget. Because many of these retired staff will not be replaced, some agencies may have difficulty carrying out their functions effectively. It is also likely that apparent reductions in funding for some environment and recreation programs are actually a shift in funding from individual agencies to the Executive Office of Energy and Environmental Affairs (EOEEA.) In his FY 2017 budget, the Governor recommended consolidating human resources management, which some agencies within EOEEA currently handle, by shifting funding from those agencies to the executive office. Some programs affected by early retirements and possibly the human resources consolidation include:

- The **DEP**, which receives \$25.1 million in the HWM Committee's proposal, a cut of \$4.4 million or 15.0 percent below the FY 2016 current budget. This amount is essentially the same as the Governor's FY 2017 recommendation. DEP is responsible for keeping our air, water, and land clean and making sure businesses and other entities are complying with our state's environmental laws.
- The **Hazardous Waste Clean-up** program receives a proposed \$12.3 million in the HWM Committee's budget, a cut of \$2.1 million, or 14.4 percent below the FY 2016 current budget. This proposal is identical to the Governor's FY 2017 request.
- **State Parks and Recreation** programs receive \$37.4 million, about \$9 million below the FY 2016 current budget and in line with the Governor's FY 2017 proposal. The HWM Committee budget, like the Governor's proposal, recommends increasing the amount of revenue that the Department of Conservation and Recreation (DCR) can retain from parking, camping, and entry fees it collects, to \$19.2 million. Even with this \$3.2 million increase, funding for state parks in the HWM Committee's FY 2017 budget proposal is \$6.0 million below the FY 2016 budget

MassHealth (Medicaid) & Health Reform

In its FY 2017 budget proposal, House Ways and Means (HWM) focuses on a variety of strategies to control costs, with the intent of holding spending growth to 5 percent. Like in the Governor's budget, the HWM budget holds down costs by holding most provider rates flat and by managing caseload. However, HWM does not include language proposed by the Governor to control costs by providing selected benefits only to members in managed care plans, and language that limited member flexibility.

The HWM budget includes \$15.43 billion for MassHealth programs, and \$164.0 million for MassHealth administration and operations – see detailed table below. (Note that the Governor proposed shifting some funding to consolidate administrative and information technology costs, and MassBudget adjusts that funding back in order to allow for more accurate across-year comparisons. Although HWM totals differ from the Governor's it is likely that if HWM is assuming transferring funds within line items as did the Governor, the totals would be more in line, with exceptions described below.) The HWM

budget is a 5.1 percent increase over current year MassHealth budget totals, and just slightly above the Governor’s proposal.

MASSHEALTH (MEDICAID) AND HEALTH REFORM

MassHealth	FY 2016 Current	FY 2017 Governor	FY 2017 HWM
MassHealth Programs	14,686,823,778	15,412,989,192	15,432,653,833
MassHealth Administration	149,812,760	157,877,901	163,967,338
TOTAL	14,836,636,538	15,570,867,093	15,596,621,171

One of the notable differences between the HWM budget and the budget proposed by the Governor is that HWM does not include language that would limit benefits for MassHealth members not enrolled in managed care plans. The Governor had included such language to encourage MassHealth members to move towards managed or coordinated health care plans. Managed care has the potential to encourage more preventive and better-integrated care, but its restricted networks can also limit access to certain specialists or providers. In the Governor’s proposal, effective January 1, 2017, “optional” benefits such as physical therapy, vision services, or speech therapy would no longer be available to MassHealth members enrolled in the Primary Care Clinician (PCC) plan. These benefits would still be available to members enrolled in Managed Care Organizations (MCOs). The intent was that this would provide an incentive for members to move into managed care, and would save approximately \$11 million.

HWM also does not include the Governor’s language that would have limited members’ ability to shift enrollment within managed care plans over the course of a year. The Governor would have “locked in” members to a single managed care plan for a twelve-month period, regardless of whether a consumer’s changing health care needs could no longer be met by their initial managed care organization.

HWM increases funding for nursing home rates by \$15.0 million above the Governor’s recommendation, for a \$45.0 million increase above FY 2016 rates. HWM includes language stating that at least \$35.5 million would go to support wages for the direct care workers in the facilities. The Governor did not include this earmark in his budget.

The HWM budget also includes language that would direct \$14.8 million in supplemental payments to pediatric hospitals that provide complex care. This earmark was not included in the Governor’s budget. The FY 2016 budget includes \$7.4 million for a half year of supplemental payments to two hospitals for the costs of their high acuity payments.

The Administration is in the process of reforming health care delivery, and shifting MassHealth to a system of accountable care organizations (ACOs). In the course of moving the rest of MassHealth into ACOs, and supporting the integration of community-based providers into the ACOs, the Administration is expecting that FY 2017 will be a transition year. The Administration is increasing an assessment on hospitals by \$250 million, an increase from 0.8 percent to 2 percent of their private pay revenue. This revenue is transferred into the Delivery System Reform Incentive Trust. According to the Administration, hospitals “as a class” will not experience an increase in costs associated with this assessment, as they will receive this assessment back in rate payments. Although hospitals “as a class” will receive back the full amount of this assessment, some hospitals will pay in more than they receive back, and others will receive back more than they pay in. HWM adds language to the budget to sunset this provision after five years, as this federal initiative is intended to be transitional. The Governor’s budget noted that the Administration would be using \$73.5 million from this assessment as a transfer into the General Fund to help balance the budget.

In addition to funding for MassHealth, the HWM health care budget proposal includes funding for supplemental payments to health safety net providers, funding for other subsidized health programs, and other administrative and operational supports (see table.)

MASSHEALTH (MEDICAID) AND HEALTH REFORM

Supplemental Payments to Providers	FY 2016	FY 2017	FY 2017
	Current	Governor	HWM
Medical Assistance Trust	1,027,500,000	462,000,000	462,000,000
Delivery System Transformation Initiative	189,141,606	205,597,334	205,597,334
TOTAL	1,216,641,606	667,597,334	667,597,334
Other Health Subsidies			
Commonwealth Care Trust	55,732,786	47,203,947	47,203,947
Prescription Advantage	18,668,169	18,521,922	18,521,922
TOTAL	74,400,955	65,725,869	65,725,869
Other Administration and Operations			
Center for Health Info. & APCD	31,140,523	28,453,693	28,410,511
Information Technology	121,340,895	117,665,406	117,664,941
Health Information Trust	8,153,272	12,853,272	12,853,272
Other Health Finance	2,200,000	9,542,285	9,542,285
TOTAL	162,834,690	168,514,656	168,471,009

Payments to health safety net providers through a variety of trusts are funded by a combination of operating transfer appropriations, re-distributed assessments on providers, and federal reimbursement. Because of the variations in the timing of these payments and revenues, there can appear to be wide swings in the totals over the course of the budget process. Between FY 2016 and FY 2017, there are no significant changes anticipated in these trusts.

ConnectorCare (the “State Wrap”) is the subsidized program for people previously covered by the Commonwealth Care Program who are not eligible for MassHealth coverage and have incomes at or below 300 percent of the federal poverty level. ConnectorCare plans have relatively low monthly premiums and out-of-pocket costs. This program is administered by the Health Connector, and is funded through the Commonwealth Care Trust Fund rather than by line-item appropriations in the budget. A portion of the state’s tobacco tax revenue is directed into the fund to help pay for this program. There is also funding from tax assessments on individuals who do not choose to purchase health insurance and similarly from an assessment on employers. Because of the availability of federal revenue to pay for some of health care costs previously borne by the state, as in FY 2016, the FY 2017 budget allows for transferring up to \$110 million from this trust into the General Fund to help balance the budget. In FY 2016, the actual transfer will likely be closer to \$79.9 million.

Unlike the Governor, HWM makes an appropriation into the Health Safety Net (via funds from the Commonwealth Care Trust Fund) to support the costs associated with providing care to uninsured or underinsured individuals. The HWM proposes a transfer of \$15.0 million, whereas in previous years that transfer has been \$30.0 million.

Starting June 1, 2016, coverage by the Health Safety Net will become more restrictive, limiting state-funded reimbursements for health care providers who provide care to these individuals, and potentially shifting the cost of that care on to people who are unlikely able to afford it. The Health Safety Net reimburses acute care hospitals and community health centers for the costs of care provided

to people who are uninsured or underinsured, and currently provides full reimbursement for care provided to people with incomes up to 200 percent of the federal poverty level. People with incomes up to 400 percent of the poverty level are billed for a portion of the costs of their care. Even with Massachusetts' nation-leading health coverage rates, there are still residents of the Commonwealth who do not have health insurance, and for whom even emergency health costs can lead to significant medical debt. The new changes lower the eligibility threshold for partial coverage by the Health Safety Net from 400 percent to 300 percent of the federal poverty level.

Mental Health

The House Ways and Means FY 2017 mental health budget proposal of \$759.6 million is an increase of \$11.4 million or 1.5 percent over FY 2016, and just slightly under the Governor's proposed budget. As in the Governor's budget, the HWM budget includes a notable increase in funding for residential behavioral health treatment, an important component of the continuing commitment to treating drug addiction.

The Department of Mental Health (DMH) serves approximately 21,000 adults and children who have severe and persistent mental illness. The vast majority of persons receiving mental health services receive those services in the community, rather than in inpatient facilities. Funding for DMH operations is \$27.4 million in the HWM proposal, a decrease of \$1.1 million, or 4.0 percent compared to FY 2016 funding, which could have an impact on the ability of the Commonwealth to provide these essential services.

The budget proposes increasing funding for inpatient care by \$9.7 million, for a total of \$206.3 million. HWM includes budget language noting that this will cover the costs of 45 substance use treatment beds at Taunton State Hospital. The Governor included this provision as well, added in part to eliminate the need to use civil commitment to the MCI-Framingham facility for women who need substance abuse treatment.

HWM proposes \$21.5 million for statewide homeless support services, which is level with FY 2016, but \$1.4 million less than proposed by the Governor. HWM consolidates a new line item added by supplemental budget legislation earlier this month funding community-based placements for people discharged from continuing care with other funding for community-based placements. Together, these line items receive \$382.7 million, \$1.3 million more than FY 2016 current funding, and level with the Governor's budget.

Children's mental health is essentially level-funded at \$88.0 million, just \$996,000 more than in FY 2016. HWM includes budget language designating \$3.6 million for the Massachusetts Child Psychiatry Access Project (MCPAP), an innovative program that improves access to treatment for children with behavioral health needs and their families by providing quick and ready access to psychiatric consultation for primary care providers across Massachusetts. This is the same amount received by this program in FY 2016.

Public Health

The House Ways and Means (HWM) budget continues to direct more funding to substance abuse services, but HWM proposes cuts to funding for other programs. In the HWM budget total public health funding is \$599.9 million. MassBudget has adjusted the Governor's budget total to account for the Governor's proposed shift of funding from the Department of Children and Families (DCF) to prevent domestic violence. The Governor's budget moved approximately \$24 million from domestic

violence services at DCF into the Department of Public Health (DPH) in order to consolidate services to prevent domestic violence. If we assume that both the Governor and HWM make this \$24 million transfer (see discussion below), the HWM public health budget would be \$576.0 million, \$8.6 million below the Governor's proposal, and \$4.4 million below FY 2016 current totals.

In keeping with the commitment to addressing the opioid addiction epidemic and combating substance abuse, the HWM budget increases funding for various substance abuse services in the Department of Public Health (DPH) by \$8.2 million to \$139.1 million. The HWM budget includes language that would provide \$2.0 million for 46 additional transitional support services beds (for a total of 388), and \$2.0 million to support case management for up to 500 families.

As does the Governor, HWM essentially proposes level funding or cuts to almost all other public health programs. Maternal and child health programs are cut by \$3.2 million. This includes a \$1.0 million cut to early intervention services, bringing the total to \$27.4 million. The Governor had recommended level funding at \$28.4 million. Early intervention services are available to infants and toddlers who are at high risk for developmental delay or who already exhibit developmental delay. The program is designed to help give these at-risk children a boost before they are preschool age. The WIC (Women, Infants, and Children) program state supplement receives \$12.5 million in the HWM budget, level with FY 2016 totals. WIC is a nutrition program that serves low- and moderate-income pregnant women and small children. It provides access to healthy food and nutrition counseling during pregnancy and in the early years of life.

The state's anti-smoking efforts, funded in DPH through Smoking Prevention and Cessation, are funded at \$3.9 million, the same as in FY 2016. At one time, Massachusetts led the nation with its successful public health campaign to reduce smoking. In FY 2001, for example, before dramatic cuts in state taxes, the state budgeted close to \$90 million (in inflation-adjusted dollars) to support anti-smoking efforts. Since then, these efforts were at first cut significantly, and then have dwindled year by year.

Other programs are cut or level-funded as well. There is a cut to the department's oral health program, for example, as Dental Health Services receive \$367,000 less than in FY 2016, for a total of \$1.7 million. As noted above, funding to prevent sexual assault and domestic violence likely reflects a shift of dollars previously provided to the Department of Children and Families (see table below and in the Child Welfare section of this *Budget Monitor*.) HWM funds the Domestic Violence and Sexual Assault Prevention programs at \$30.6 million, almost identical to the Governor's total. The Governor's budget proposed to better consolidate and coordinate domestic violence prevention and services by shifting approximately \$24 million from DCF to DPH, and since the HWM totals are similar, it is likely HWM is also proposing this shift. Accounting for these likely transfers, these services in fact are essentially level-funded with FY 2016. Unlike the Governor, however, HWM eliminates funding for the Healthy Relationships Grant Program, which had received \$150,000 in FY 2016. Funding for the Sexual Assault Nurse Examiner program is flat at \$4.5 million.

DOMESTIC VIOLENCE SERVICES AND PREVENTION

Line Item #	Name	FY 2016 Current	FY 2017 Governor	FY17 Gov. (showing shifts)	FY 2017 HWM
4513-1130	Dom. Viol. Prev.	6,482,068	30,647,153	6,482,068	30,572,153
4800-1400	At Risk of Dom. Viol.	26,148,905	0	26,403,264	0
4800-0038	FY17 Funding within Svcs. For Children & Fams.			(2,238,178)	
TOTAL		32,630,973	30,647,153	30,647,154	30,572,153

Note: Budget proposals sometimes change how funding is allocated among line items. "FY17 Gov. (showing shifts)" uses data provided by the Exec. Office of Admin. and Finance showing funding shifts so that readers can better compare FY17 proposals to FY16 funding levels.

The HWM budget, unlike the Governor's budget, does not provide a meaningful increase to the Safe and Successful Youth Initiative, administered through the Executive Office of Health and Human Services. This program targets high-risk young men in communities across the Commonwealth and provides a public health approach to reducing gun-related violence. HWM proposes \$6.0 million for this program, level with FY 2016 totals, and \$2.9 million less than proposed by the Governor. Other youth engagement programs are also cut or level-funded in the HWM budget. The Youth-at-Risk matching grants are cut in half to \$2.0 million, and the Youth Violence Prevention grants are level-funded at \$1.3 million.

State Employee Health Insurance

The House Ways and Means (HWM) budget proposal for state employee health insurance maintains the current structure of employee contributions to health insurance. HWM does not follow the Governor's recommendation to shift \$30 million in costs onto longtime employees, and \$3 million onto retirees. Because the HWM proposal does not include these provisions, the HWM budget is \$32.9 million higher than the Governor's.

MassBudget's totals for state employee health insurance include adjustments that allow for more accurate across-year comparisons (see table.) MassBudget removes from budget totals the amounts each year that are simply pass-throughs of funding for municipal health insurance. Municipalities have the option of taking advantage of the state's purchasing power by using the Group Insurance Commission (GIC) to purchase their employees' health insurance. Municipalities reimburse the state for the costs of this insurance, so there is no cost to the state for adding these municipal employees to the GIC caseload.

STATE EMPLOYEE HEALTH INSURANCE WITH MUNICIPAL PASS-THROUGH ADJUSTMENT

Line Item #	Name	FY17 HWM	MassBudget Adjustment	FY17 HWM with Adjustment
1108-5200	Group Insur. Prem.	1,674,331,829	(562,990,948)	1,111,340,881
1108-5400	Ret. Mun. Teachers	54,160,000	(54,160,000)	0

State Retiree Benefits

The state has adopted a schedule to move towards full funding of health and other non-pension post-employment benefits (“OPEB”) for retirees. The Commonwealth funds the current and future OPEB through a variety of transfers to the State Retiree Benefits Trust. Like the Governor, HWM recommends \$450 million in an operating transfer directed to the State Retiree Benefits Trust (SRBT), and transfers an additional \$72.5 million in from unexpended debt payments (described below). This total is \$48.3 million less than the amount stated in the statute, and that underfunding constitutes a one-time saving used to balance the budget. (See Non-Tax Revenue section of this *Budget Monitor*.)

In order to fully fund the costs of future retirees’ benefits, in FY 2012 the state decided to dedicate an increasing share of its annual Master Tobacco Settlement award to the State Retiree Benefits Trust. By FY 2016, the intent of the statute was that 40 percent of the Settlement award would go to fund retiree benefits, and a full 50 percent of the Settlement would be directed to the SRBT in FY 2017.

The FY 2016 budget reduced the share of the Tobacco Settlement funds that would go to the SRBT. The budget kept the transfer to the equivalent of only 30 percent of the Settlement award, which was approximately \$24.4 million less than the 40 percent amount directed by the statute. Moreover, instead of using just the Tobacco Settlement money for this transfer to the SRBT, in FY 2016 the state plans to use unexpended debt service appropriations at the end of the year, with the balance made up for by tax amnesty revenues in excess of \$100 million.

The HWM FY 2017 budget proposes again to suspend the required transfer from the Tobacco Settlement and to use unexpended debt service appropriations at the end of the year to fund state retirees’ benefits, but does not indicate where the balance might come from if these so-called reversions are insufficient. Even though the statute indicates that by FY 2017 the state should be transferring 50 percent of the Tobacco Settlement to the SRBT, HWM limits the transfer to the equivalent of only 30 percent of the Settlement. This total proposed transfer to support state retiree benefits is \$72.5 million, which is \$48.3 million less than the amount indicated by the statute.

Housing

The state budget funds programs that create and maintain affordable housing and provide shelter and services to homeless families and individuals. In recent years, the state has been focused on reducing the number of low-income families with children who are homeless. The House Ways and Means Committee (HWM) budget provides only small new investments in programs that increase access to permanent, affordable housing for lower-income families.

The HWM Committee budget for FY 2017 proposes spending \$442.3 million on housing programs, which is \$23.1 million less than the Governor’s FY 2017 proposal and \$46.5 million less than the current FY 2016 budget. The Committee’s lower spending level reflects the fact that it provides significantly less funding for the **Emergency Assistance (EA) shelter program** for low-income, homeless families. It is likely that this amount will not be sufficient to fully fund EA during FY 2017 and would require the Legislature to provide supplemental funding. In its budget, the HWM Committee also recommends increasing funding to \$100.0 million for the Massachusetts Rental Voucher Program (MRVP) by transferring close to \$15 million in unspent MRVP funds from FY 2016 to FY 2017.

A large portion of the state’s housing budget funds programs that provide shelter and short-term housing assistance to low-income families with children who are homeless or at risk of becoming homeless. In FY 2016, the state expects to spend close to \$200 million on the EA program to shelter about 4,000 homeless families in both family shelters and in hotels and motels because the family shelters are full. The HWM Committee budget proposes spending \$155.1 million on EA in FY 2017, which is \$40.9 million below the current FY 2016 budget and \$36.8 below the Governor’s FY 2017 proposal. Previous years’ budgets have reduced funding for EA at the beginning of each year, in anticipation that fewer low-income families will become homeless and need shelter. But over the course of each year the need for shelter has exceeded the amount provided in the original budget and the Legislature has approved supplemental funding.

The HWM budget for EA also provides \$300,000 in **HomeBASE** funds to help low-income, homeless families move from temporary shelters or treatment programs run by state agencies other than the Department of Housing and Community Development (DHCD) into permanent housing. These include families living in domestic violence shelters, shelters supported by the Department of Children and Families or residential substance abuse treatment programs. HomeBASE provides up to \$8,000 in temporary housing assistance over 12 months to low-income families who meet EA eligibility guidelines (please see MassBudget’s [Children’s Budget](#) for a discussion of EA eligibility). The HWM Committee’s FY 2017 budget provides \$31.9 million for HomeBASE, which is identical to the amount proposed by the Governor and \$1.8 million less than the FY 2016 current budget.

In recent years, the state has increased funding for the **Massachusetts Rental Voucher Program (MRVP)**, which provides vouchers to low-income renters in Massachusetts. With this additional funding DHCD has created new vouchers to help families move out of EA shelters and hotels and motels into permanent apartments and to reduce the number of people who have applied for the vouchers but are on waiting lists.

The HWM Committee proposes providing \$100.0 million for MRVP in FY 2017. Of this total, the HWM Committee proposal provides \$85.3 million in new funding and transfers \$14.7 million in surplus funding from FY 2016 in to FY 2017. This amount is \$17.1 million above the Governor’s proposal and is \$9.1 million more than the FY 2016 budget after accounting for this transfer.

Massachusetts Rental Voucher Program

	FY 2016 current	FY 2017 Governor	HWM Proposed Transfer	FY 2017 new HWM funding	FY 2017 HWM Total
7004-9024	90,931,597	82,931,597	14,652,294	85,347,706	100,000,000

Documents provided by the HWM Committee estimate that its \$100.0 million funding level will allow DHCD to create 375 new vouchers in FY 2017. There is some question, however, whether renters will be able to use these vouchers unless their value is increased to meet high rents in high-cost areas. The value of most MRVP vouchers is set at the 2005 HUD Fair Market Rent which means that some voucher-holders are unable to find units they can afford to rent particularly in high cost areas like Greater Boston.¹ The Governor did include in his FY 2017 proposal language that gives DHCD discretion in increasing the value of vouchers based on criteria including the size of the family, their income, and the area where they are renting. The HWM Committee’s budget does not include this language.

Other highlights of the HWM Committee budget proposal include:

- Providing \$1 million more than the FY 2016 current budget for **subsidies to public housing authorities**, raising the total to \$65.5 million.
- Providing \$840,000 less than the FY 2016 current budget to \$44.0 million for a program that provides **shelter and services to homeless individuals**. The HWM budget level funds at \$1.8 million the **Home and Healthy for Good** program, which provides services to individuals who have been chronically homeless.
- Eliminating funding for the account that provides shelter and services to **unaccompanied homeless youth**. Both the FY 2016 budget and the Governor's FY 2017 proposal provide \$2.0 million for this program.
- Eliminating funding for the **End Family Homelessness Reserve Fund**, housed at the Executive Office of Health and Human Services. This account, which received \$1.0 million in FY 2016 and a proposed \$1.5 million in the Governor's proposal, would fund up to 5 regional consortiums to provide services to families at risk of becoming homeless.

Child Welfare

The Department of Children and Families (DCF) is the state's child welfare and child protection agency, and has a dual mission: to protect children and to strengthen families. Although the House Ways and Means (HWM) budget does not fund local and regional oversight offices (discussed below), HWM essentially follows the Governor's child welfare funding proposal, which increases funding to support the hiring of more caseworkers and funds additional out-of-home foster care. Since the time of the Governor's proposal in January, the Legislature has added \$14.9 million to the FY 2016 budget through supplemental appropriations for child welfare. Total funding for child welfare in the HWM budget is \$930.7 million, while the Governor had proposed \$938.2 million. MassBudget, however, adjusts the Governor's totals to reflect the Governor's proposed shift of \$23.9 million out of DCF and into the Department of Public Health (DPH), which would bring the Governor's total to \$959.9 million. Because the HWM budget seems to follow a similar structure as the Governor's budget, it is likely that HWM is also proposing transferring approximately \$24 million into DPH. If so, this would put the HWM budget approximately \$5 million below the Governor's proposal and approximately \$27 million above FY 2016 current budget totals.

Like in the Governor's budget proposal, the HWM proposal includes a 7.8 percent increase in support for child welfare case workers compared to current FY 2016 appropriations, for a total of \$226.4 million. HWM proposes \$223.5 million, a 9.6 percent, (or \$19.6 million) increase over FY 2016 funding to fund the caseworkers who work directly with vulnerable families. According to the Administration, this funding level would be sufficient to bring on 281 newly hired staff. After taking retirements into account, DCF will have 236 new workers. Like in the Governor's budget, funding to train these new workers is cut slightly by \$44,000 from FY 2016, for a total of \$2.5 million. In part due to highly publicized cases of tragedy involving children and families involved with DCF, there has been broad attention to the challenges faced by DCF staff who works directly with vulnerable families. Although their union contract limits caseworker caseloads to 15 cases each, neither the Governor's nor HWM budgets are sufficient to reach that goal. These proposals aim for a ratio of 18:1.

The vast majority of children connected to DCF are not in foster care, but rather live with their families with supports and services provided by, or coordinated with, DCF. Estimates from March 2015 suggest that close to 9 of every 10 children involved with DCF either live at home with their families or are in foster care but awaiting return to their homes. The HWM budget includes \$46.9 million for family support services, a \$1.4 million increase over FY 2016 levels, and just under the amount proposed by the Governor. These funds will essentially support a required rate increase, not additional services. This is an important increase, but likely not sufficient to effectively help needy families stay safely together and prevent child neglect.

Reflecting recent increases in the removal of children to out-of-home placements, but also reflecting the relative scarcity of foster families, the HWM budget – like the Governor’s – provides slight increases to foster care and adoption services, targeting increased funding to congregate residential care. HWM funds services for children and families at \$282.8 million (a slight decrease compared to FY 2016) and proposes \$265.1 million for group residential foster care, a 2.3 percent (or \$5.9 million) increase – even higher than proposed by the Governor. This amount incorporates a previously planned rate increase, as well as additional funds to cover anticipated growth in the number of children sent to live in group foster care. Although fewer children live in group foster homes, that service model is significantly more expensive than family foster care.

In the Governor’s budget, this totals also includes \$2.2 million shifted from the domestic violence services line item to support case workers specially trained to work with victims of domestic violence. Because the HWM budget seems to follow the Governor’s structure, it is likely that this total includes a similar shift of funds. (See discussion and table below.)

The Governor proposes shifting funding for support services for families at risk of domestic violence to the Department of Public Health (formerly funded at DCF in 4800-1400), in order to consolidate domestic violence prevention and support services. Since the HWM budget seems to follow the Governor’s, it is likely that HWM is proposing these shifts as well (see table below.)

DOMESTIC VIOLENCE SERVICES AND PREVENTION

Line Item #	Name	FY 2016 Current	FY 2017 Governor	FY17 Gov. (showing shifts)	FY 2017 HWM
4513-1130	Dom. Viol. Prev.	6,482,068	30,647,153	6,482,068	30,572,153
4800-1400	At Risk of Dom. Viol.	26,148,905	0	26,403,264	0
4800-0038	FY17 Funding within Svcs. For Children & Fams.			(2,238,178)	
TOTAL		32,630,973	30,647,153	30,647,154	30,572,153

Note: Budget proposals sometimes change how funding is allocated among line items. "FY17 Gov. (showing shifts)" uses data provided by the Exec. Office of Admin. and Finance showing funding shifts so that readers can better compare FY17 proposals to FY16 funding levels.

HWM cuts funding for family resource centers by \$2.5 million. The Governor had proposed a slight increase for these centers. Currently, there are centers funded through the Executive Office, and centers funded through DCF. These centers, located throughout the Commonwealth, help connect families to a variety of community and state services, and are particularly important for families seeking help for a “Child Requiring Assistance” working with the juvenile courts. Instead, HWM eliminates funding for

the centers within the Executive Office and proposes level funding the centers at DCF at \$7.4 million (see table.)

FUNDING FOR FAMILY RESOURCE CENTERS

Line Item #	Name	FY 2016 Current	FY 2017 Governor	FY 2017 HWM
4000-0051	Family Resource Ctrs	2,500,000	0	0
4800-0200	DCF Fam. Res. Ctrs.	7,398,054	9,978,898	7,398,054
TOTAL		9,898,054	9,978,898	7,398,054

Elder Services

The House Ways and Means Committee (HWM) proposes funding Elder Services at \$267.6 million, a \$2.8 million increase above current FY 2016 levels. This 1.1 percent increase is likely insufficient to keep up with rising costs associated with inflation.

The Department of Elder Affairs largely funds elder home care services, which include case management, homemaker and chore services, transportation, protective services, and others that enable elders to remain at home instead of moving to a nursing home. While the HWM Committee proposes funding these home care programs at the same level as the Governor's FY 2017 budget proposal, there is one major difference. The Governor's proposal consolidated some of the major accounts that fund home care services, while the HWM proposal did not propose consolidations. In aggregate, the HWM proposal, like the Governor's, would reduce funding for these services by approximately \$770,000 below current levels.

FUNDING FOR ELDER HOME CARE SERVICES

Line Item #	Name	FY 2016 Current	FY 2017 Governor	FY17 Gov. (in FY16 structure)	FY 2017 HWM
9110-1500	Elder Enhanced Home Care Services Program	70,255,327		70,548,399	74,345,122
9110-1630	Elder Home Care Purchased Services	104,595,483	158,143,535	105,282,312	101,485,589
9110-1633	Elder Home Care Case Management and Administration	35,546,961	51,482,919	33,795,743	33,795,743
TOTAL		210,397,771	209,626,454	209,626,454	209,626,454

Note: Budget proposals sometimes consolidate what had been several line items into one account or otherwise change how funding is allocated between line items. The columns showing the FY17 Gov in FY16 structure use data provided by budget writers to show the new proposals in the old structure so that readers can better compare FY17 proposals to FY16 funding levels.

The HWM proposal has some other notable differences when compared to the Governor's FY 2017 proposal and current spending levels:

- **Elder Congregate Housing Program**, at \$1.4 million, is \$642,000 (31.2 percent) below the Governor's proposal and \$737,000 (34.2 percent) below current spending levels.
- **Elder Nutrition Program**, at \$6.5 million, is approximately \$750,000 (10.3 percent) below both the Governor's proposal and current levels. This would cut approximately 100,000 meals for older and disabled individuals in greatest social and economic need.

- **Elder Protective Services**, at \$28.0 million, is slightly below the Governor's proposal and is approximately almost \$5.0 million above current levels.
- **Grants to Council on Aging**, at \$14.1 million, is \$1.3 million (9.8 percent) above the Governor's proposal and \$410,000 (3.0 percent) above current levels.
- The HWM proposes establishing a 20-person permanent, **special commission on older lesbian, gay, bisexual, and transgender (LGBT) adults** to study the health, housing, financial, psychological, and long-term care needs of these groups.

For information about how MassHealth and the Prescription Advantage program supports elders, see the Health Care portion of this Budget Monitor.

Disability Services

The state budget supports a range of programs for individuals with disabilities. These include targeted job training programs that help people participate in the workforce as well as community-based supports that more broadly assist people with disabilities and their families. In total, the House Ways and Means (HWM) Committee FY 2017 budget provides \$1.89 billion for disability services, a 2.4 percent increase from current FY 2016 levels, and about the same amount proposed by the Governor's FY 2017 budget.

At the same levels as the Governor's budget proposal, the HWM budget proposes increases from the current FY16 budget to some workforce development programs for individuals with disabilities, namely:

- [Community Day and Work Programs for the Developmentally Disabled](#) would receive \$192.2 million, a 4.9 percent increase from current FY 2016 levels. This program offers a wide variety of group and individual supports, helping people with developmental disabilities find work and build skills.
- **Community Transportation Services for the Developmentally Disabled** would receive \$22.7 million, a 3.0 percent increase from current FY 2016 levels. These services offer transportation assistance from home to community-based day or work programs.

Conversely, [Community Based Employment](#) would remain at the current funding level of \$3.0 million, a decrease from the \$7.6 million proposed in the Governor's budget. This program moves individuals with disabilities from sheltered work to competitive work opportunities in the community.

Several other programs are close to level-funded, including **Autism Omnibus Services** and [Turning 22 Services for the Developmentally Disabled](#). For these programs, level funding may be tantamount to a cut because available resources do not keep pace with inflation.

Additionally, the HWM budget proposes to fund the [Respite Family Supports for the Developmentally Disabled](#) at \$62.7 million, a 12.2 percent increase from current FY 2016 levels and the same amount as the Governor's proposal. Respite Family Supports provides families with children with disabilities, with specialized caregiving or other flexible community-based resources.

The HWM budget proposes \$36.2 million for the legally required **Chapter 257 rate** increases. This amount would be a \$1.2 million decrease from current FY 2016 levels and a \$3.4 million increase above the Governor's budget proposal. Chapter 257 standardizes rates according to the services delivered by providers to make the system more efficient and fair. This funding increase is spread across many programs, but we do not have an accounting of the impact on individual programs. For more information on the rate standardization paid to contracted human and social service providers, see MassBudget's [Chapter 257 update](#).

Juvenile Justice

The Department of Youth Services (DYS) receives \$176.5 million for juvenile justice programs in the House Ways and Means (HWM) FY 2017 budget proposal. This is virtually identical to the [Governor's FY 2017 proposal](#) and most accounts at DHS are either level-funded or slightly decreased from last year.

Similar to the Governor's FY 2017 proposal, the HWM proposal would increase funding for the **Alternative Lock Up Program** to \$2.3 million from \$2.1 million in the current FY 2016 budget. This program provides secure placements for youth arrested when courts are not in session and is designed to provide a safe environment for youth who are awaiting a court appearance. Learn more about the state's [Alternative Lock Up Program](#) and its funding history in our [Children's Budget](#).

Transitional Assistance

Transitional assistance programs help low-income individuals and families meet their basic needs and improve their quality of life when faced with an emergency. In total, the House Ways and Means (HWM) FY 2017 budget proposes a decrease to transitional assistance programs of \$22.2 million (3.9 percent) from current FY 2016 levels. The reductions are deeper when looked at over a longer time horizon, as funding for these programs has been reduced by 35.9 percent since FY 2001 in inflation-adjusted dollars.

The bulk of this proposed decrease--\$16.9 million--comes from **Transitional Assistance for Families with Dependent Children (TAFDC)**. This reduction assumes a continuation of declining caseloads. With an improving economy, we would expect more people to find jobs and improve their circumstances. However, current caseload reduction may partially result from new administrative changes that make it harder for clients to maintain their benefits. (For more detailed information on caseload levels for transitional assistance accounts, see "Research and Statistics" on the [Department of Transition Assistance](#) home page.) Unlike the Governor's budget proposal, the HWM budget would not require DTA to begin counting Supplemental Security Income (SSI) benefits in determining TAFDC eligibility, a measure that would reduce or eliminate TAFDC benefits to some families receiving SSI.

The HWM budget proposes decreases to several programs for workforce development, including:

- [Employment Services Program](#), which would receive \$5.0 million in the HWM budget proposal, an \$8.0 million (61.5 percent) decrease from current FY 2016 levels and a \$7.4 million (59.7 percent) decrease from the Governor's FY 2017 budget proposal. Employment Services is the primary education and job-training program for TAFDC clients.
- [Pathways to Self-Sufficiency](#), which would be reduced from \$3.0 million in the current budget to \$1.0 million. The Governor proposed increasing this program to \$15.0 million. This funding

supports employment services for TAFDC clients who will no longer be exempt from the work requirement resulting from the 2014 welfare reform's mandated alignment of state disability standards with federal SSI disability standards.

The HWM committee proposal would fund **Caseworker Salaries and Benefits** at \$70.8 million, a 4.7 percent decrease from current FY 2016 levels and a 2.0 percent decrease below the Governor's budget.

Conversely, **Emergency Aid to the Elderly, Disabled, and Children (EAEDC)** would receive \$79.2 million, the same amount as in the Governor's budget and a 3.9 percent increase over current FY 2016 levels.

Other Human Services

There are a variety of other human service programs funded in the state budget, including supports for veterans, funding for the Soldiers' Homes, and a few cross-agency initiatives. Total funding for veterans' services (including the Soldiers' Homes) is \$146.1 million in the House Ways and Means (HWM) budget proposal, a \$4.6 million reduction from FY 2016 totals, and \$1.9 million less than proposed by the Governor. Both HWM and the Governor reduce funding by \$2.3 million for operations of the Soldiers' Home in Holyoke, as well as a variety of other small reductions across several line items.

The state's Emergency Food Assistance Program (MEFAP), which supplements federal funding for a network of food banks, is funded in the state budget within the Department of Agricultural Resources. Like the Governor, HWM proposes \$17.0 million for these community-based organizations, a slight reduction from funding in FY 2016. Although this state funding is just a supplement to federal dollars, the demand at food banks has been increasing, and there is concern that demand will grow again with the [impending reduction](#) in federal SNAP (food stamp) benefits for thousands of low-income people this spring.

HWM eliminates funding for the Family Resource Centers within the Executive Office, funded at \$2.5 million in FY 2016. The Governor, on the other hand, had proposed maintaining this funding, but consolidating it with funding for the centers administered by the Department of Children and Families. See also the Child Welfare section of this *Budget Monitor* for a discussion of funding.

Economic Development

The state budget supports workforce and business development programs designed to boost the skills of working people and stimulate economic activity. In total, the House Ways and Means (HWM) FY 2017 budget proposes reducing these programs by \$26.7 million (17.5 percent) from current FY 2016 levels.

Specifically, the HWM budget proposes decreases to several programs in workforce development, including the following:

- [Advanced Manufacturing Workforce Development Grants](#) would receive zero funding under this proposal. The Governor's FY 2017 budget proposed to continue funding the program at its current \$1.5 million level.

- [Gang Prevention Grant Program \(Shannon Grants\)](#) would receive \$5.0 million, a 28.6 percent decrease from both current FY 2016 levels and the Governor's proposal. As part of a comprehensive youth violence prevention strategy by law enforcement, this program provides funding for employment and training opportunities to youth in communities throughout the Commonwealth.
- [One-Stop Career Centers](#) would receive \$4.0 million, a decrease of \$525,491 from both current FY 2016 levels and the Governor's FY 2017 proposal. These centers help job seekers improve their skills and navigate the job search process as well as help employers find new workers.
- [Workforce Competitiveness Trust Fund](#), which invests in training for unemployed workers, would receive no funding under this proposal. It is currently funded at \$2.2 million and the Governor's FY 2017 budget proposal would increase funding to \$4.0 million.
- [Workforce Training Fund](#) would receive \$21.4 million, a 4.5 percent decrease from current FY 2016 levels, and the same reduction as in the Governor's proposal.
- [YouthWorks](#) (formerly Summer Jobs Program for At-Risk Youth) would receive \$9.0 million, a 23.1 percent decrease from current FY 2016 levels, and a 21.7 percent decrease from the Governor's proposal. Funding for this program is often budgeted in one fiscal year to be spent in the next. This program pays for the salaries of low-income and at-risk youth living in targeted communities for summer and some year-round jobs. The proposed funding decrease may cause fewer youth hires as compared to previous years.

Conversely, the HWM budget proposes renewed investment in the **Big Data Innovation and Workforce Fund** at \$2.0 million. The Administration eliminated funding for the program during emergency budget reductions. (To learn more about such cuts, read MassBudget's brief, [What Are 9C Cuts?](#)). This fund would bring the public and private sectors together to prepare workers for big data careers and help identify and solve technology-based issues in transportation, public health, energy and other areas of public policy concern.

General Local Aid

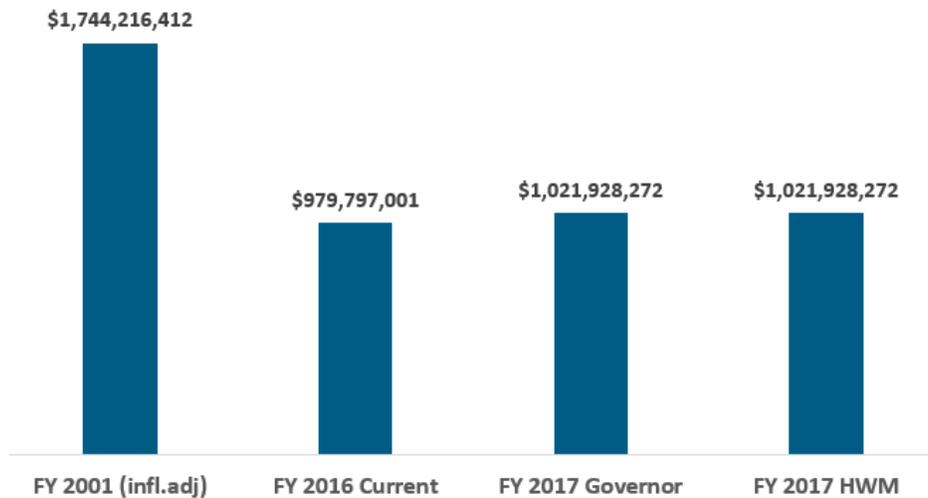
The House Ways & Means (HWM) Committee budget proposes the same increase to Unrestricted General Government Aid (UGGA) as the Governor's proposal, an increase of \$42.1 million (4.3 percent) over current FY 2016 levels to \$1.02 billion.

General local aid helps cities and towns fund vital local services such as police and fire protection, parks, and public works. For more information on general local aid, please see [Demystifying General Local Aid in Massachusetts](#).

The Commonwealth's capacity to fund general local aid has been hindered by a series of significant state-level tax cuts during the 1990s and 2000s. While over the past several years, general local aid funding has increased in step with or slightly above inflation, it still remains 41.4 percent below FY 2001 figures, adjusted for inflation.

Unrestricted General Local Aid cut by over 40 percent since 2001

Inflation adjusted 2017\$



Some cities and towns receive other forms of non-education local aid, but these categories represent much smaller total amounts and only go to a subset of qualifying cities and towns. For example, local aid programs for libraries were level-funded, as was payments in lieu of taxes to communities with state-owned land that is not subject to local property taxes.

The proposed budget would reduce funding for the **Municipal Regionalization and Efficiencies Incentive Reserve** to \$5.2 million, a 51.9 percent reduction from the amount that had already been reduced by \$3.0 million as a result of the Governor’s 9C budget cuts. (To learn more about such cuts, read MassBudget’s brief, [What Are 9C Cuts?](#)) Like the Governor’s proposal, the HWM FY 2017 budget proposal would provide \$2.7 million for the Community Compact program’s incentive program to support best local practices. It would also hold the Governor’s proposed \$2.0 million for continuing a District Local Technical Assistance Fund administered by the Division of Local Services within the Department of Revenue. The HWM proposal eliminates provisions in last year’s budget for a competitive public safety grants program for populous communities with low per-capita police funding. In last year’s budget, the program received \$4.325 million in available funds and would be capped at \$1.0 million under the Governor’s FY 2017 proposal. Unlike the Governor’s proposed budget, the HWM budget proposes one-time grants as part of this line item to the city of Quincy for \$240,000 and Plymouth County of \$350,000.

The largest form of local aid is for K-12 education, which is discussed separately in the K-12 Education section of this *Budget Monitor*.

Transportation

The House Ways and Means (HWM) Committee's FY 2017 budget proposes the same amounts for transportation as the Governor's FY 2017 proposal, with an updated estimate of the sales tax revenue transferred by law to the Massachusetts Bay Transportation Authority (MBTA).

Like the Governor's proposal, the most significant change for transportation is a \$30.9 million reduction to the **Massachusetts Transportation Trust Fund** as compared to the current FY 2016 budget. This fund contributes to highways, transit, intercity rail, small airports, the Massachusetts Turnpike, and Motor Vehicle Registry, while also receiving funds from the Commonwealth Transportation Trust Fund, tolls, and federal transportation sources. The proposed FY 2017 amount of \$327.7 is 8.6 percent below the current FY 2016 budget of \$358.5 million, which itself had been reduced \$6.5 million by the Governor's January 9c cuts. The proposed amount roughly matches the \$328.5 million that the Department of Transportation (MassDOT) projects it will spend from this fund in FY 2016. This amount is lower than previously anticipated as a result of 412 employees with salaries totaling \$28.8 million accepting early retirement incentives.

It is not clear whether reduced staffing from early retirement incentives will downgrade the capacity of the Department of Transportation. Insofar as retirements are part of an efficiency-enhancing reorganization or are voluntarily replacing long-standing employees with less expensive, but equally qualified workers, then agency capacity need not be compromised. But the law caps replacements overall at 20 percent of the cost of those retiring. Lack of personnel, such as skilled oversight of transportation contractors, has sometimes been very costly to the Commonwealth. Among the retiring employees are contract specialists, auditors, inspectors, accountants and compliance officers, as well as engineers, mechanics and inspectors of construction and safety. Employees at the MBTA have not yet been eligible for early retirement incentives.

While early retirement offers are intended to save money, the HWM budget could have proposed to reinvest those savings in other transportation programs. Like the Governor's proposal, the HWM budget instead proposes to level fund or slightly reduce other line items. State aid to the **MBTA** would remain at the current FY 2016 level of \$187.0 million. The HWM budget also proposes \$80.0 million for the state's 15 **Regional Transit Authorities**, a 2.4 percent reduction from the FY 2016 current budget.

Most transportation funds are not allocated directly through the budget process. Spending on long-term capital assets are generally financed by borrowing against dedicated transportation revenues such as the gas tax, license fees, and federal funds. Since finances for the MBTA were reorganized in 2000 to rely heavily on a dedicated portion of the sales tax, these receipts have failed to keep pace with the economy due to an economic shift in consumption toward consumer health care spending, online transactions, and other services – all of which are exempt from sales taxes.

The House Ways and Means Committee's FY 2017 budget proposal projects receipt of \$1.027 billion from an automatic transfer of sales tax revenue to the **MBTA State and Local Contribution Trust Fund**, an increase of \$41.8 million over FY 2016. This amount is \$25.9 million more than was projected at the time of the Governor's budget proposal.

Like the Governor's budget, the HWM budget also projects that funding for the **Merit Rating Board**, which maintains driving records and reports them to insurance companies, will remain more or less

unchanged at \$9.7 million. This contribution is borne by companies doing motor vehicle insurance business with the Commonwealth.

Law & Public Safety

Overall, the House Ways and Means (HWM) FY 2017 budget provides \$2.66 billion in funding for Law & Public Safety (L&PS) accounts. This total is \$41.3 million (or 1.5 percent) less than current FY 2016 levels and \$37.7 million (or 1.4 percent) less than the Governor proposed. Elements of the HWM budget, however, present challenges in making apples-to-apples comparisons with either FY 2016 funding levels or the Governor's proposal. In particular, the HWM budget includes a \$26.4 million reduction relative to current FY 2016 funding levels (\$25.0 million less than the Governor) for Private Counsel Compensation (PCC), an account that typically is replenished mid-year through supplemental appropriations. Best budgeting practices would encourage including the full, anticipated cost for all programs as part of the annual budget, rather than assuming supplemental mid-year appropriations. It is unlikely that HWM actually plans a 21 percent reduction in funding for the PCC account during FY 2017.

The overall decline in FY 2017 L&PS funding also includes elimination of \$18.0 million in supplemental funding provided in FY 2016 to a reserve account for sheriffs. To the extent that similar supplemental funding is required again in FY 2017, this also would create the appearance of a significant "funding drop" from FY 2016 to FY 2017 that ultimately may be inaccurate.

Removing from consideration the decreases associated with these accounts, overall L&PS funding in the HWM budget is close to level-funded. When rising costs (due to inflation) then are taken into account, however, the HWM budget provides lower levels of funding than in FY 2016.

Apart from the accounts discussed above, some of the notable items in L&PS accounts include the following:

- Most trial courts are provided with a 1 percent increase. The Chief Justice of Administration and Management of the courts nevertheless has warned that the funding proposed by HWM for the trial courts would not fully support the cost of maintaining current services and therefore would require him to lay off approximately 300 court staff.
- Specialty drug courts are provided with an additional \$2.8 million, bringing the total proposed FY 2017 funding to \$6.0 million.
- [Shannon Grant](#) gang-prevention funding is reduced by \$2.0 million, bringing proposed FY 2017 funding down to \$5.0 million. Shannon Grants help fund anti-gang and youth violence prevention efforts undertaken by law enforcement, community-based organizations, and government agencies in communities throughout the Commonwealth.
- The Department of State Police receives a \$20.6 million or 7.8 percent increase. It is likely that a significant portion of this increase is intended to support the cost of adding new troopers to the department - in the FY 2016 budget, \$5.9 million was provided to train a new class of state police officers.

- A \$1.0 million appropriation for a new grant program for district attorneys to design and implement youth and young-adult non-violent drug offender programs.
- The sheriff's departments see a decrease of 2.5 percent when compared to current spending (which includes mid-year funding provided in FY 2016 to two sheriff's reserve accounts). These reserve accounts are used to fund a variety of costs, including one-time budget deficiencies such as overtime pay and other unbudgeted expenses. They also are used to cover initial costs associated with collective bargaining agreements. It is unclear if or to what extent HWM (or the Governor) incorporated any ongoing expenses funded in FY 2016 through these reserve accounts into the individual sheriff's line-item accounts in their FY 2017 budget recommendations.
- The [Massachusetts Legal Assistance Corporation](#) - which provides support to low income people facing civil legal problems - is funded at \$18.0 million, a \$1.0 million increase.

Pensions

The House Ways and Means (HWM) FY 2017 budget, like the Governor's, makes the Commonwealth's scheduled \$2.169 billion payment to the Pensions Reserves Investment Trust (PRIT) Fund, along with an additional contribution to cover the added costs associated with the Commonwealth's recent early retirement program.²

The early retirement program - in which almost 2,500 employees chose to participate - brings more retirees into the system sooner than previously anticipated. To offset the additional pension costs associated with the early retirement program, the annual contributions to the PRIT will need to increase by \$29 million going forward.³ Taking this added cost into account, the total FY 2017 contribution to the PRIT - under both the HWM and Governor's budget proposals - is \$2.198 billion.⁴

The specific amounts to be contributed annually by the Commonwealth to the PRIT are stipulated in Massachusetts General Law, with a five-year schedule included therein, currently running from FY 2012 through FY 2017.⁵ The schedule of annual pension contributions is updated every three years by the Secretary of Administration and Finance, drawing on the most recent actuarial valuation report.⁶ The Secretary of Administration and Finance will update the schedule again in early 2017.⁷

Assets held and managed within the PRIT are used to fund the anticipated retirement costs of current state employees, as well as the current and future retirement costs of now-retired former employees.⁸ The funds in the PRIT come from three sources: required pension contributions made by employees, the Commonwealth's contributions toward employee pensions, and the investment returns generated from the PRIT (to learn more about the Massachusetts state pension system, see MassBudget's report, "[Demystifying the State Pension System](#)").

Revenue

The House Ways and Means (HWM) FY 2017 budget proposal relies on additional revenues beyond those available as part of the Consensus Revenue Estimate. Together, these additional FY 2017 revenues come from both tax and non-tax sources. More than half of these revenues are one-time - in other words, they are not derived from sources that will be replenished with new revenues beyond FY

2017. One-time revenue sources are useful for balancing the budget only in the current fiscal year and their use most often adds to the challenge of balancing the budget in future years. (To read more about the state's projected FY 2017 budget gap, see [MassBudget's FY 2017 Budget Preview](#)).

Tax Revenue

The starting point for every state budget is the Consensus Revenue Estimate (CRE). The Fiscal Year 2017 CRE figure agreed to by the Administration, the House, and the Senate is \$26.860 billion, an amount 4.3 percent above DOR's updated FY 2016 forecast of \$25.751 billion.⁹ *Baseline* revenue in FY 2017 would total \$27.181 billion or 5.6 percent above the updated FY 2016 estimate (for more detail on the FY 2017 revenue adjustments see MassBudget's [FY 2017 Budget Preview](#)).¹⁰ The CRE's lower 4.3% estimated growth rate for actual tax collections represents the baseline tax revenue growth figure reduced by the cost of several tax cuts.

These tax cuts include the automatic reduction in the tax rate on personal income that occurred January 1st, 2016 (from 5.15 percent to 5.10 percent) and another automatic rate reduction that likely will occur half way through the 2017 fiscal year, dropping the rate from 5.10 percent to 5.05 percent. The CRE also accounts for the recent increase in the value of the state's Earned Income Tax Credit, as well as other smaller tax changes. Notably, the CRE assumes collection of \$1.484 billion in capital gains income taxes and assumes further that, as prescribed by law, \$356 million of this total will be deposited automatically into the Stabilization Fund (see more discussion of capital gains taxes, below, and MassBudget's [FY2017 Budget Preview](#)).¹¹ More detailed discussion of particular elements of the HWM FY 2017 budget that relate to tax revenues follows, below.

Diverting Capital Gains Taxes from the Stabilization Fund to the General Fund

Capital gains income tax collections that exceed an annually adjusted threshold (\$1.128 billion for FY 2017) are designated by law for deposit into the Stabilization Fund rather than being made available for budgetary appropriation.¹² As with the Governor's budget, the HWM FY 2017 budget proposes transferring capital gains income taxes above \$1.278 billion to the Stabilization Fund (rather than revenues above the \$1.128 billion threshold).¹³ With this change, HWM makes available an additional \$150 million to support the FY 2017 operating budget.¹⁴ In effect, this is similar to making a draw of \$150 million on the Stabilization Fund to help balance the FY 2017 budget. While the use of these one-time revenues will help balance the FY 2017 budget, it will reduce the state's reserves for future emergencies and will add to the structural gap heading into FY 2018. Because capital gains income tax revenue is expected to total \$1.484 billion in FY 2017, however, both the HWM's and Governor's plans also are expected to result in the deposit of about \$206 million into the Stabilization Fund from this source.¹⁵

Film Tax Credit

Unlike the Governor, HWM proposes no changes to the state's Film Tax Credit. For more discussion of the Governor's proposed changes, see MassBudget's Budget Monitor on the [Governor's FY 2017 budget](#).

Life Sciences Cap

Like the Governor's budget, the HWM budget limits the amount of funding to be transferred from the state's consolidated net surplus to the Massachusetts Life Sciences Fund.¹⁶ This limit on the funding available for distribution through the Massachusetts Life Sciences Credit program is expected to save \$5 million in FY 2017.¹⁷ This fund supports the cost of a corporate tax credit program that is intended to incentivize companies involved in "life sciences research and development, commercialization and manufacturing" to create and retain full-time permanent jobs within the Commonwealth.¹⁸ Companies must apply for and be awarded these credits, but credits are available only to the extent that funds are available.

Large Settlements & Judgments Exceeding \$10 Million Each

The FY 2015 budget amended the General Laws to allow much of the revenue derived annually from large tax-related and non-tax-related settlements and judgments to be used for budget appropriations rather than be deposited into the state's Stabilization Fund, as had been done in years prior. Under the new law, each year, the annual average for these types of collections over the prior five years is calculated and set as a threshold. Collections below the threshold are available for budgetary appropriations, but once total collections exceed the threshold, all additional such revenues are deposited into the Stabilization Fund.

In the five years from FY 2011 through FY 2015, annual collections from these excesses ranged considerably, from a low of \$133 million in FY 2013 to more than \$436 million in FY 2014. The 5-year average has hovered around \$250 million, thus directing significant resources to the Stabilization Fund during years when collections exceeded this threshold. For FY 2015, the threshold was calculated at \$263 million and for FY 2017 it likely will be a similar amount. Such collections in FY 2015 totaled \$226 million.¹⁹ In no recent year have collections from this source been below \$130 million. The HWM FY 2017 budget relies, conservatively, on \$125 million from this source.²⁰ This amount is \$10 million higher than the amount relied on by the Governor, but matches the current projection from the Executive Office of Administration and Finance for FY 2017 revenues available from this source.²¹

Notably, these revenues are the direct result of the efforts of Department of Revenue staff who identify non-compliance and other issues that, in some cases, ultimately lead to large settlements. Funding cuts that affect the Department of Revenue's ability to hire and retain staff could reduce the amount of revenue available from this -- and other -- sources in future years (see discussion below).

Funding Cuts to the Department of Revenue

Among its other activities, the Department of Revenue (DOR), through its Office of Tax Administration, makes sure that taxpayers are paying taxes they legally owe to the state. DOR hires auditors and collectors who identify taxes legally owed to the state that have not yet been paid and works with taxpayers to collect these unpaid taxes. These activities are funded through two primary accounts including the DOR administrative account (1201-0100) and the Additional Auditors Retained Revenue account (1201-0130).

Like the Governor, the HWM FY 2017 budget proposes funding DOR's tax activities at \$105.5 million, which is \$15.8 million (or 13.0 percent) less than the FY 2016 current budget amount of \$121.3 million. Notably, current FY 2016 funding levels already have been reduced by \$1.5 million from the levels

approved in the FY 2016 GAA due to mid-year emergency 9C cuts implemented by the Governor. Relative to FY 2016 GAA funding levels, the HWM’s proposed cuts are still more severe (a 14.1 percent reduction).

DEPARTMENT OF REVENUE PROGRAMS

Line Item #	Name	FY 2016 Current	FY 2017 Governor	FY17 Gov. (in FY 16) structure	FY 2017 HWM
1201-0100	Department of Revenue	93,323,535	77,536,444	77,536,444	77,536,444
1201-0130	Additional Auditors Ret. Rev.	27,938,953	27,938,953	27,938,953	27,938,953
TOTAL		121,262,488	105,475,397	105,475,397	105,475,397

Note: Budget proposals sometimes consolidate what had been several line items into one account or otherwise change how funding is allocated between line items. The columns showing the FY17 Gov or FY17 HWM in FY16 structure use data provided by budget writers to show the new proposals in the old structure so that readers can better compare FY17 proposals to FY16 funding levels.

A substantial portion of the proposed cut reflects anticipated personnel reductions, as more than 220 DOR employees took part in the Commonwealth’s early retirement program.²² The combined salaries of these retiring DOR employees totals \$19.0 million. While DOR will fill a portion of the vacated positions, a significant share of the positions will remain unfilled.²³ Large staff reductions can have implications for DOR’s ability to identify and collect all the taxes owed to the Commonwealth, such as those that lead to large tax settlements (for example). As described in the Large Settlements & Judgments section (above), the Commonwealth relies on such large settlements to fund both annual operating expenses and to build reserves in our Stabilization Fund.

Auditors and collectors recover far more in unpaid taxes than they earn in salaries and benefits. During debate on the FY 2014 budget, a legislative proposal recommended a \$3.6 million cut in DOR’s budget, which the Department estimated would cause the layoff of 60 full time positions resulting in the loss of almost \$50 million in revenue. If the Governor’s proposed FY 2017 funding level for DOR is included in the Legislature’s final budget, this reduction could result in the loss of tens of millions of dollars in revenue -- or more -- in FY 2017 and beyond. Moreover, if these funding cuts are not restored in future years, there is a danger that the cuts not only could reduce permanently the Commonwealth’s *ability* to collect unpaid taxes that are legally owed to the state, but also that such cuts could engender greater levels of tax evasion. If sophisticated, well-financed individual and corporate taxpayers come to view DOR’s audit and collection capacities as permanently degraded, some of these taxpayers could see this as an opportunity to reduce their tax payments through increased levels of tax evasion or other forms of non-compliance.

Non-Tax Revenue

The House Ways and Means (HWM) budget proposal relies on many of the same non-tax revenues that the Governor’s budget proposal does, with a few differences. In particular, HWM balances its budget with the additional use of one-time funds transferred into the General Fund from other sources. There are three main types of non-tax revenue that support the state budget: federal revenues, which are mostly reimbursements from the federal government for state spending on the Medicaid (MassHealth) program; departmental revenues, which are fees, assessments, fines, tuition, and similar receipts; and what are known as “transfer” revenues, which include lottery receipts, revenues from the

newly-licensed gambling facilities, and funds that the state draws from an assortment of non-budgeted trusts.

HWM documents note that the HWM budget follows the Governor's proposals for one-time revenues. One-time non-tax revenue highlights include:

- The Administration had planned that the Commonwealth would sell the Sullivan Court House in East Cambridge this year; however, this sale is now budgeted for FY 2017, which would bring in approximately \$30 million in one-time revenue.
- There have been continual downgrades in the expectations for revenues associated with the expansion of slot parlors in Massachusetts. Although initially the projections for FY 2016 were \$105.0 million, the Governor's budgets now assume that revenues from slots will be \$64.0 million in FY 2016 and \$64.0 million in FY 2017.
- The Administration assumes that \$73.5 million will be available to the General Fund from the health care provider assessments generated in the Delivery System Reform Initiative (see MassHealth and Health Reform section of this *Budget Monitor*.)
- Both the HWM and Governor's budget proposal count on transferring \$12.7 million remaining in several human services trust funds to the General Fund to help balance the budget. These "trust sweeps" are uses of surplus funds that are available only on a one-time basis.
- HWM uses expected surpluses from FY 2016 budgeted appropriations to cover the costs of retiree health insurance and affordable housing supports. (See State Employee Health Insurance and Housing sections of this *Budget Monitor*.)

Overview of Temporary Revenue and Savings Used to Balance the Budget

The HWM budget, like the Governor's budget, relies on a number of temporary solutions to balance the budget. Temporary revenues and savings consist of items, such as selling state assets, pulling money out of dedicated trust funds, and postponing or delaying required payments.

The HWM budget includes proposals totaling \$406.7 million to:

- Divert \$150.0 million in tax revenue from the Stabilization Fund (see Tax Revenue section above).
- Reduce the transfer to the life sciences credit program by \$5.0 million (see Tax Revenue section above).
- Sell the Sullivan Court House for approximately \$30.0 million (see Non-tax Revenue section above)
- Transfer \$12.7 million from dedicated human services trust funds to the General Fund (see Non-tax Revenue section above).

- Transfer \$73.5 million from the Delivery System Reform Trust to the General Fund (see Non-tax Revenue section above).
- Underfund the required contribution for “other post-employment benefits” (“OPEB”) for state retirees by \$48.3 million (see State Employee Health Insurance section of this *Budget Monitor*).
- Use surplus funds (reversions) from FY 2016 to fund state retiree benefits and affordable housing (see Non-Tax Revenue section above).

FY 2017 TEMPORARY REVENUES & SAVINGS (\$ millions)	FY 2017 Governor	FY 2017 HWM
Portion of capital gains revenue diverted from Stabilization Fund to General Fund	150.0	150.0
Life sciences tax credit cap	5.0	5.0
Court house sale	30.0	30.0
Funds in human services trusts transferred to General Fund	12.7	12.7
Funds in Delivery System Reform trust transferred to General Fund	73.5	73.5
Not funding the full required deposit to State Retiree Benefits Trust	48.3	48.3
Using debt reversions to fund the State Retiree Benefits Trust	72.5	72.5
Using reversions to fund the Mass. Rental Voucher Program		14.7
TOTAL	392.0	406.7

The HWM FY 2017 budget proposal also counts on \$79.8 million from other strategies to balance the budget (see table below). For details on these initiatives, see the Housing, Courts & Legal Assistance, and Prisons, Probation & Parole sections of this *Budget Monitor*.

OTHER BUDGET-BALANCING STRATEGIES (\$ millions)	
Underfunding of Emergency Assistance	36.8
Underfunding of Committee for Public Counsel Services	25.0
Underfunding of Sheriff's reserve account	18.0
TOTAL	79.8

Total Budget by Category and Subcategory

In order to allow for more accurate comparisons from year to year and to better include all appropriated spending, MassBudget makes certain adjustments to the way budget data are presented by the Administration. Details are below the chart.

BUDGET BY CATEGORY AND SUBCATEGORY (\$ millions)	FY 2001 Final Adjusted for Inflation to FY17	FY 2016 Current	FY 2017 Governor	FY 2017 House Ways & Means
Education	7,346.8	7,689.0	7,818.0	7,827.8
Early Education & Care	725.8	569.8	574.3	573.0
Higher Education	1,339.7	1,171.8	1,153.9	1,154.6
K-12: Chapter 70 Aid	4,144.0	4,511.9	4,584.0	4,607.7
K-12: Non-Chapter 70 Aid	686.5	631.7	638.7	625.5
K-12: School Building	450.8	803.9	867.1	867.1
Environment & Recreation	300.8	212.8	197.1	196.7
Environment	134.0	94.0	85.8	85.9
Fish & Game	24.3	28.4	27.6	27.1
Parks & Recreation	142.5	90.4	83.7	83.7
Health Care	10,011.2	19,224.2	19,466.7	19,539.2
MassHealth (Medicaid) & Health Reform	7,570.5	16,290.5	16,472.7	16,498.4
Mental Health	826.3	748.2	761.0	759.6
Public Health	725.5	580.4	584.6	599.9
State Employee Health Insurance	888.9	1,605.0	1,648.4	1,681.3
Human Services	3,737.3	4,125.8	4,179.3	4,134.8
Child Welfare	799.3	928.0	959.9	930.7
Disability Services	1,345.3	1,847.0	1,896.8	1,892.0
Elder Services	260.6	264.8	267.9	267.6
Juvenile Justice	165.2	177.1	176.6	176.5
Transitional Assistance	1,039.1	693.8	672.2	666.6
Other Human Services	127.7	215.1	205.9	201.4
Infrastructure, Housing & Economic Development	2,025.2	2,295.1	2,267.8	2,257.8
Commercial Regulatory Entities	59.9	58.4	60.1	57.7
Economic Development	293.3	153.2	136.9	126.4
Housing	346.2	488.8	465.4	442.3
Transportation	1,325.8	1,594.7	1,605.5	1,631.4
Law & Public Safety	2,590.2	2,703.2	2,699.6	2,661.9
Courts & Legal Assistance	784.7	723.9	725.2	703.6
Law Enforcement	378.7	382.6	395.5	395.1
Prisons, Probation & Parole	1,221.1	1,374.8	1,356.1	1,341.0
Prosecutors	160.2	161.2	168.6	167.4
Other Law & Public Safety	45.6	60.6	54.2	54.8
Local Aid	1,771.4	1,018.6	1,055.5	1,055.1
General Local Aid	1,744.2	979.8	1,021.9	1,021.9
Other Local Aid	27.2	38.8	33.6	33.2
Other	4,673.2	5,017.2	5,446.8	5,427.9
Constitutional Officers	109.1	76.8	83.0	83.8
Debt Service	2,207.6	2,630.7	2,644.5	2,642.5
Executive & Legislative	84.1	74.2	74.0	75.0
Libraries	48.0	25.3	25.2	25.0
Pensions	1,442.7	1,972.0	2,198.1	2,198.1
Other Administrative	781.7	238.2	422.0	403.5
Total Budget	32,456.0	42,285.8	43,130.8	43,101.2

NOTE: The FY 2016 and FY 2017 MassHealth and Health Reform totals are not comparable because of the timing of payments for certain trusts. MassBudget makes adjustments to the totals to allow for better across-year comparisons. We subtract \$262.8 million from the FY 2016 budget in "Other Administrative" to reflect the total net savings from early retirement in FY 2016.

- MassBudget’s totals include the “pre-budget transfers” of funds. Statutes require that the Legislature transfer portions of revenue prior to the appropriation process to support certain functions. Although these transfers function no differently from appropriations, the Governor and Legislature do not reflect these expenditures in their budget totals; instead, they are shown as amounts deducted or transferred from revenue prior to the budgeting process. To better reflect total state funding, MassBudget includes these pre-budget transfers in appropriation totals. In FY 2017, these add \$4.23 billion to the total: tax revenues dedicated to the MBTA and school building assistance, the cigarette excise dedicated to the CCTF, the state contribution to the pension system, a transfer to the State Retiree Benefits Trust, and transfers to the Workforce Training Trust.
- MassBudget’s totals include annual appropriations into non-budgeted (“off-budget”) trusts. The transfer of funds from the General Fund or another budgeted fund into a non-budgeted trust is a form of appropriation, and should be treated as any other appropriation. Prior to FY 2011, the budget authorized these transfers in Outside Section budget language. Starting in FY 2011, a new section of the budget, Section 2E, systematically accounted for the transfer of funds into off-budgeted trusts. MassBudget’s totals include these operating transfers in all budget years.
- When spending that is now included in the budget was previously “off-budget,” MassBudget’s totals include the prior years’ “off-budget” spending totals in order to reflect more accurate year-to-year comparisons. For example, funding directed to health care providers as partial reimbursement for uncompensated care was previously funded by a transfer of federal revenue directly into the off-budget Uncompensated Care Trust Fund. This spending was brought on-budget in FY 2009, and incorporated into the state’s budgeted health care appropriations. MassBudget health care budget totals include the off-budget spending for these services in order to reflect a more accurate across-year comparison.
- MassBudget reduces State Employee Health Insurance totals to exclude spending on health insurance for municipal employees and retired teachers for which the state is fully reimbursed by municipal government.
- MassBudget reduces funding for the community colleges, state universities, and University of Massachusetts campuses by the amount of tuition that these campuses remit to the state treasury each year. These adjusted totals more accurately reflect the “net” appropriations available to the campuses to support operations, and allow for more consistent comparisons across the years, since the policies about tuition remission have varied from year to year and from campus to campus. For example, until FY 2003, all the University of Massachusetts (UMass) campuses were required to remit to the state treasury all tuition from all students. From FY 2004 – FY 2011, UMass Amherst (only) remitted only in-state tuition, and retained tuition from out-of-state students. Starting in FY 2012, the remaining UMass campuses were also allowed to retain tuition from out-of-state students. Starting in FY 2017, UMass will retain all tuition revenue, remitting none. The MassBudget adjustments make it possible to make meaningful comparisons of appropriations to these campuses even with these policy changes.

- MassBudget’s totals include funding paid for out of prior years’ reversions. For example, a portion of funding for health care for retired state employees has in some years come from anticipated reversion of prior years’ funds.
- MassBudget’s totals reflect legislatively approved “prior appropriation continued” (PAC) amounts. In most instances, MassBudget shifts the PAC amount from the year in which the funding was first appropriated into the year in which the Administration expects to spend the totals.

¹ The HUD FMR for 2005 for a two-bedroom apartment in Greater Boston is \$1,266. In 2016, the HUD Fair Market Rent for a two bedroom is \$1,567. <https://www.huduser.gov/portal/datasets/fmr/fmrs/docsys.html?data=fmr16>

² HWM FY 2017 budget, Section 1A: <https://malegislature.gov/Budget/FY2017/House>

Commonwealth Official Statement, General Obligation Bond, Consolidated Loan of 2016 Series A, March 3, 2016 (pg. A-36):

<http://www.massbondholder.com/sites/default/files/downloads/MACCommonwealth01a-OS.pdf>

³ Commonwealth Actuarial Valuation Report, January 2015 (pg. 2):

<http://www.massbondholder.com/sites/default/files/downloads/2015commonwealth.pdf>

⁴ HWM FY 2017 budget, Section 1A: <https://malegislature.gov/Budget/FY2017/House>

Governor’s FY 2017 budget, Section 1A: http://www.mass.gov/bb/h1/fy17h1/brec_17/hsect1a.htm

⁵ MGL Ch. 32, Section 22C, Paragraph (I): <https://malegislature.gov/Laws/GeneralLaws/PartI/TitleIV/Chapter32/Section22C>

Note: The FY 2017 \$2.198 billion total includes an upward revision of \$29 million to the scheduled contribution of \$2.169 billion, reflecting estimated increased pension costs associated with the Commonwealth’s early retirement program for some state employees.

⁶ Commonwealth Official Statement, General Obligation Bond, Consolidated Loan of 2016 Series A, March 3, 2016 (pg. A-35):

<http://www.massbondholder.com/sites/default/files/downloads/MACCommonwealth01a-OS.pdf>

⁷ Commonwealth Official Statement, General Obligation Bond, Consolidated Loan of 2016 Series A, March 3, 2016 (pg. A-35):

<http://www.massbondholder.com/sites/default/files/downloads/MACCommonwealth01a-OS.pdf>

⁸ The employees covered by the PRIT include not only state-level workers, but also all the teachers working in cities, towns, and regional school districts throughout the Commonwealth.

Commonwealth Official Statement, General Obligation Bond, Consolidated Loan of 2016 Series A, March 3, 2016 (pg. A-32 and A-33):

<http://www.massbondholder.com/sites/default/files/downloads/MACCommonwealth01a-OS.pdf>

⁹ Commonwealth Official Statement, General Obligation Bond, Consolidated Loan of 2016 Series A, March 3, 2016 (pg. A-18):

<http://www.massbondholder.com/sites/default/files/downloads/MACCommonwealth01a-OS.pdf>

¹⁰ Calculation: \$25.751 B + \$1.430 B = \$27.181 B (See MassBudget’s [FY 2017 Budget Preview](#) for details.)

¹¹ Commonwealth Official Statement, General Obligation Bond, Consolidated Loan of 2016 Series A, March 3, 2016 (pg. A-15):

<http://www.massbondholder.com/sites/default/files/downloads/MACCommonwealth01a-OS.pdf>

(Calculation: \$1.484 billion - \$1.128 billion = \$356 million for deposit to Stabilization Fund)

¹² Commonwealth Official Statement, General Obligation Bond, Consolidated Loan of 2016 Series A, March 3, 2016 (pg. A-15):

<http://www.massbondholder.com/sites/default/files/downloads/MACCommonwealth01a-OS.pdf>

¹³ HWM FY 2017 Budget, Outside Section 34: <https://malegislature.gov/Budget/FY2017/House>

¹⁴ Calculation: \$1.278 B - \$1.128 B = \$150 M

¹⁵ Commonwealth Official Statement, General Obligation Bond, Consolidated Loan of 2016 Series A, March 3, 2016 (pgs. A-15 and A-18):

<http://www.massbondholder.com/sites/default/files/downloads/MACCommonwealth01a-OS.pdf>

(Calculation: \$1,484 M - \$1, 278 M = \$206 M)

¹⁶ HWM FY 2017 Budget, Section 1A: <https://malegislature.gov/Content/Documents/Budget/House/FY2017/Section1A.pdf>

¹⁷ HWM FY 2017 Budget, Section 1A: <https://malegislature.gov/Content/Documents/Budget/House/FY2017/Section1A.pdf>

¹⁸ Massachusetts Life Sciences Center: <http://www.masslifesciences.com/programs/tax/>

¹⁹ Communication with DOR, 2-2-2016

²⁰ Governor’s FY 2017 Budget (H.2), Section 1A (see “House 2 Tax Initiatives and Other Tax Revenues”):

http://www.mass.gov/bb/h1/fy17h1/brec_17/hsect1a.htm

²¹ Commonwealth Official Statement, General Obligation Bond, Consolidated Loan of 2016 Series A, March 3, 2016 (pg. A-20):

<http://www.massbondholder.com/sites/default/files/downloads/MACCommonwealth01a-OS.pdf>

²² Communication with ANF, 2-2-2106

²³ Communication with ANF, 2-2-2106