

# BUDGET MONITOR

## The FY 2009 Senate Ways and Means Budget

### OVERVIEW

The budget proposed by the Senate Committee on Ways and Means (SWM) is closer to being structurally balanced than were the proposals by the Governor and the House. It is unclear, however, how the Senate floor debate will affect the final Senate budget. The Senate Ways and Means proposal would spend less than the Governor’s proposal and more than \$150.0 million less than the final House budget. The budget also relies on the same level of revenue from corporate tax reforms as did the Governor and it uses the revenue from increased tobacco taxes. The Governor’s budget did not incorporate a tobacco tax increase, while the House and Senate did. The House also included corporate tax reforms, but spent a share of that revenue on an FY 2009 corporate tax rate cut and also adopted an amendment likely to weaken the tax reforms and reduce the revenue generated. As a result of these spending and revenue differences, the SWM budget relies on significantly less one-time revenue than either of the preceding proposals.

This *Budget Monitor* examines the SWM budget by program area and describes how the spending levels compare to those proposed by the House and the Governor and to historic and current spending levels. It also reviews the tax proposals whose

revenue is incorporated in the Senate budget.

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## LOCAL AID

The SWM budget proposes \$1.345 billion for unrestricted local aid to cities and towns in FY 2009. This total does not include aid for specific purposes, such as education.

<b>FY 2008 GAA</b>	<b>\$ 1,345,296,219</b>
<b>FY 2009 SWM</b>	<b>\$ 1,344,688,719</b>

<b>Increase (decrease)</b>	<b>(\$ 607,500)</b>
<b>Percentage change</b>	<b>-0.05%</b>

In both FY 2007 and FY 2008, Lottery revenues failed to meet the projections on which the budget was based, forcing the state to transfer money from the General Fund to cover the shortfalls. In FY 2009, the SWM proposal anticipates this event and provides for a transfer from the General Fund in order to level fund Lottery Aid to cities and towns. Lottery revenues are assumed to be \$810.9 million and an additional \$124.2 million will be transferred from the General Fund. Together, these will level fund Lottery Aid at \$935.0 million.

Additional Assistance is level funded at \$378.5 million in the SWM proposal. The local share of racing tax revenues would decrease from \$2,200,000 to \$1,592,500 because of a decrease in the Racing Associations estimated handle, of which 0.35% is distributed as local aid.

## WHAT IS A "MAINTENANCE" BUDGET?

Throughout this document, we refer to a FY 2009 maintenance budget. Sometimes a maintenance budget is also referred to as a "current services" budget or a "level services" budget.

In brief, a maintenance budget estimates the cost of continuing the current year's service level into the next year. A maintenance budget assumes no programmatic expansions or contractions other than those previously committed to, and no policy changes that would affect funding levels.

There are a number of elements that are used to determine the FY 2009 maintenance budget. These include: any supplemental appropriations since the GAA that add new funding; any reserves that are transferred into a program account to pay additional personnel costs associated with collective bargaining agreements, any projected inflation costs, and any assumptions about projected caseloads for the following year.

Maintenance budgets also account for transfers from Purchase of Service (POS) reserves. For instance, the FY 2008 budget included a reserve account of \$23 million to pay for rate increases in human service programs. This money was allocated throughout the budget in a variety of human service programs.

### Allocation of the FY 2008 Human Services Rate Reserve (1599-6901)

	<i>Amount from 1599-6901</i>
Early Education and Care	262,823
Income Supports	71,796
Health Care	542,060
Elder Affairs	2,542,341
Public Health	883,878
Mental Health	3,976,838
Mental Retardation	10,826,454
Social Services	2,159,146
Other Human Services	2,386,048
<b>Total</b>	<b>23,651,385</b>

## K-12 EDUCATION

The SWM budget proposes spending \$5.251 billion for K-12 education, a \$312.4 million increase over the FY 2008 GAA. This total includes Chapter 70 aid, other K-12 education aid and \$702.0 million for School Building Assistance. Unlike most appropriations, which are determined via the budget process using money from the General Fund, SBA has a dedicated revenue stream, 1% of the sales tax, determined by statute.

<b>FY 2008 GAA</b>	<b>\$ 4,939,039,932</b>
<b>FY 2009 SWM</b>	<b>\$ 5,251,412,061</b>
<b>Increase (decrease)</b>	<b>\$ 312,372,129</b>
<b>Percentage change</b>	<b>6.3%</b>

### *Chapter 70*

Chapter 70 Aid is provided to cities and towns for public education purposes. The SWM proposal would provide \$3.949 billion. This is an increase of \$223.2 million, or 5.9 percent, over FY 2008 GAA.

<b>FY 2008 GAA</b>	<b>\$ 3,725,671,328</b>
<b>FY 2009 SWM</b>	<b>\$ 3,948,824,061</b>
<b>Increase (decrease)</b>	<b>\$ 223,152,733</b>
<b>Percentage change</b>	<b>5.9%</b>

The Senate Ways and Means proposal mirrors the Governor's proposal. It represents an increase of 5.9 percent over FY 2008 GAA and continues the third year of reforms in the formula. (For further discussion, see the *Budget Monitor* on the Governor's proposal at:

<http://www.massbudget.org/FY09GovProposal.pdf>)

### *Other K-12 Education Funding*

The SWM budget provides \$600.6 million in funding for K-12 initiatives, including

grant programs and administration. This is an increase of \$22.0 million over the FY 2008 GAA.

<b>FY 2008 GAA</b>	<b>\$ 578,668,604</b>
<b>FY 2009 HWM</b>	<b>\$ 600,588,000</b>
<b>Increase (decrease)</b>	<b>\$ 21,919,396</b>
<b>Percentage change</b>	<b>3.79%</b>

While the Senate Ways and Means proposal marks an increase in funding over the FY 2008 GAA, it is \$37.0 million less than the Governor's proposal and \$9.4 million below the House version of the budget.

The SWM proposal includes several increases over FY 2008 GAA spending levels. Among these are the following:

- \$31.2 million for Adult Basic Education, an increase of \$1.1 million. The Governor had proposed level funding, while the House proposal included \$31.1 million for this line item.
- \$61.3 million for Regional School Transportation, an increase of \$3.0 million. The Governor proposed level funding while the House proposal included the same \$3.0 million increase.
- \$17.5 million for Extended Learning Time Grants, an increase of \$4.5 million. The Governor proposed doubling this line item from \$13.0 million to \$26.0 million. The House proposal included \$17.5 million for this program.
- \$5.45 million for After School Programs, an increase of \$3.45 million. The Governor had proposed level funding this program at \$2.0 million, while the House provided a \$3.0 million increase, to \$5.0 million.

The SWM proposal also includes some cuts from FY 2008 GAA spending levels.

Among these are the following:

- Elimination of the Foundation Budget Reserve, which was funded at \$5.5 million in FY 2008 GAA. The Governor had proposed level funding while the House proposal included \$3.5 million.
- \$2.3 million cut in MCAS Low Scoring Student Support, which is funded at \$11.0 million. This is the result of the elimination of several earmarks that had been included in the FY 2008 GAA. The Governor had proposed increasing this line item by \$2.2 million, while the House proposed level funding.
- \$250,000 cut in Teacher Quality Investment, which is funded at \$595,881. This is the result of the elimination of an earmark that was carried in both the Governor's proposal and the House final.
- \$685,000 cut in School-to-Work Matching Grant program, which is funded at \$2.1 million. Of this cut, \$435,000 is from the elimination of several earmarks. The Governor proposed level funding this item at \$2.8 million. The House final, including earmarks, proposed \$2.9 million.
- \$100,000 cut in Early Literacy Grants. This is the elimination of one earmark. Both the Governor and the House included the earmark and called for level funding of \$3.5 million.
- \$225,000 cut in Mentoring Matching Grants. This is the elimination of one earmark. Both the Governor and the House included level funding of \$712,000, however only the Governor's proposal included the earmark.

The SWM proposal level funds METCO at \$20.6 million. This is \$1.5 million less than the Governor had proposed and \$1.0 million less than the House included in their version of the budget.

The SWM proposal appears to include the amount necessary to fund the Special Education Circuit Breaker. This program provides relief to cities and towns for special education residential placements. Reimbursements are provided for costs that exceed four times the state's foundation budget level. According to statute, the Commonwealth is to pay 75% of these costs. The SWM budget provides \$226.0 million, in line with the Department of Education's maintenance request, which would provide for low growth and the statutory 75% reimbursement rate. It is an increase of \$6.0 million over the FY 2008 GAA. However, the Governor's proposal included an increase to this line item of \$14.3 million over the FY 2008 GAA.

Finally, the SWM budget includes an increase of \$6.0 million, from \$73.8 million to \$79.8 million, for Charter School Reimbursements. The Department of Education uses a formula to determine these reimbursements for school districts. This formula utilizes enrollment data, which is subject to change. The funding contained in the SWM proposal does appear to be sufficient to meet the state's obligations. However, the Governor, using less recent data, had proposed increasing this line item by \$7.9 million.

## HIGHER EDUCATION

The Senate Ways and Means proposal would provide \$1.103 billion for public higher education. This represents a 4.5 percent increase over the FY 2008 GAA.

<b>FY 2008 GAA</b>	<b>\$ 1,054,737,621</b>
<b>FY 2009 SWM</b>	<b>\$ 1,102,568,163</b>

<b>Increase (decrease)</b>	<b>\$ 47,830,542</b>
<b>Percentage change</b>	<b>4.5%</b>

The SWM budget proposes an overall increase in Higher Education. It utilizes the Higher Education Funding formula, which looks at factors such as instruction, support services, and physical plant. The state higher education system faces an enormous gap between actual funding levels and needed funding, as determined by this formula. The SWM proposal, like the House budget, would close the funding gap in twenty-one years, while the Governor's proposal would require thirty years. The SWM proposal includes the following:

- \$495.4 million for the University of Massachusetts system, an increase of \$26.4 million over the FY 2008 GAA. This is \$5.6 million more than the Governor proposed and \$2.2 million more than the House version of the budget.
- \$223.9 million for the state colleges, an increase of \$8.1 million over the FY 2008 GAA. This is \$1.3 million more than the Governor proposed and the same as the House version of the budget.
- \$249.1 million for community colleges, an increase of \$8.9 million over the FY 2008 GAA. This is \$4.9 million more than the Governor proposed and the same as the House version of the budget. Of the \$8.9 million increase, \$3.1 million will

provide for collective bargaining agreement costs for FY 2009.

- \$96.8 million for the Massachusetts State Scholarship Program, an increase of \$3.0 million from the FY 2008 GAA and \$2.5 million more than the Governor's proposal.
- \$2.0 million earmark to fund Dual Enrollment Grants. This is the same as the Governor and \$1.0 million more than the House.

## EARLY EDUCATION AND CARE

Funding for Early Education and Care in the SWM proposal totals \$577.2 million, a \$40.8 million or 7.6 percent increase over the FY 2008 GAA.

<b>FY 2008 GAA</b>	<b>\$ 536,452,420</b>
<b>FY 2009 SWM</b>	<b>\$ 577,210,860</b>

<b>Increase (decrease)</b>	<b>\$40,758,440</b>
<b>Percentage change</b>	<b>7.6%</b>

The state has three major child care programs: income-eligible child care, TAFDC child care and supportive child care.

Under existing law, children whose families are receiving TAFDC benefits, or had received them within the last year, are entitled to child care. Child care for these children is funded under the TAFDC child care line item. In addition, the state has historically funded child care for two other groups of children from this line item: children whose families stopped receiving TAFDC benefits 1-2 years ago and children whose families stopped receiving TAFDC benefits more than 2 years ago. The SWM proposal shifts the funding for the last group, children whose families stopped receiving TAFDC benefits more than 2 years ago, to the income-eligible child care

account. Currently, there are 3,000 children in this group. Therefore, the SWM recommendation for the income eligible child care account is \$21.4 million higher than the House proposal and the SWM recommendation for the TAFDC child care account is \$21.4 million lower than the House proposal.

- Income-eligible child care serves lower-income families with children up to 13 years of age. This program received \$209.8 million in the FY 2008 GAA. The SWM proposal allocates \$234.9 million to income-eligible child care. During the course of the year, \$3.1 million was transferred from the Child Care Rate Reserve to fund salary adjustments for early education and care workers. Therefore, the proposal is \$22.0 million, or 10.3 percent, higher than FY 2008 current spending. It is \$21.4 million more than the proposals submitted by the Governor and the House.
- TAFDC (Transitional Aid to Families with Dependent Children) child care serves families who are currently receiving TAFDC benefits, or received them within the last two years. This program was funded at \$166.9 million in the FY 2008 GAA. During the course of the year, \$3.1 million was transferred from the Child Care Rate Reserve to fund salary increases for early education and care workers under this program. Under the SWM proposal, this program would receive \$176.4 million, an increase of \$6.3 million, or 3.7 percent, over FY 2008 current spending. The SWM proposal is \$13.8 million below the Governor's proposal and \$21.4 million below the House proposal.

- Supportive Child Care serves families receiving services from the Department of Social Services (DSS). This program received \$67.3 million in the FY 2008 GAA. During the course of the year, \$731,000 was transferred from the Child Care Rate Reserve to fund salary increases for early education and care workers under this program. Like the House, the SWM committee allocates \$79.1 million for this program, an increase of \$11.0 million, or 16 percent, over FY 2008 current spending. The SWM proposal is \$2.1 million higher than the Governor's proposal, because of a higher expected caseload. Since FY 2007, the state has had a policy of providing child care for all families involved with DSS who need such care.

The SWM proposal increases funding for the "Universal Pre-Kindergarten Program," which provides grants to pre-schools to increase the quality and to improve families' access to them. Like the House, the SWM proposal boosts funding by \$5.0 million, from \$7.1 million in FY 2008 to \$12.1 million in FY 2009. The Governor recommended an increase of \$15 million over FY 2008, for a total of \$22.1 million in FY 2009.

Like the Governor's budget, the SWM proposal does not include funding for the Child Care Rate Reserve. The House allocated \$5.0 million for this reserve, \$2.0 million less than the FY 2008 appropriation. The reserve is used to fund increases for early education and care workers' salaries, benefits and professional development stipends.

This budget would essentially level-fund early education and care providers'

professional development at \$3.7 million (after accounting for \$600,000 included in FY 2007 that was shifted to FY 2008). The SWM proposal is \$850,000 less than the House proposal and \$600,000 less than the Governor's proposal. This funding helps early childhood education and care providers to pursue professional development courses and to obtain associates and bachelors degrees.

The SWM budget eliminates funding for the Mass. Family Networks program, which received \$5.4 million in the earlier proposals for FY 2009 and in the FY 2008 budget. Mass. Family Networks provides educational services (including family literacy activities) and family supports (including home visits, developmental screenings and parent support groups) to families with infants and toddlers.

Like the earlier proposals and the FY 2008 budget, the SWM committee recommends level-funding the Reach Out and Read Programs at \$1.0 million. Reach Out and Read trains pediatricians and nurses to advise parents about the importance of reading aloud to their children and provides books for medical professionals to distribute to children at pediatric checkups.

Like the House proposal, the SWM recommendation for the Healthy Families Program (a home visiting program for teen mothers and their children) is \$172,000 higher than the Governor's proposal and \$428,000 higher than FY 2008 current spending.

## INCOME SUPPORTS

Funding for income supports in the SWM proposal totals \$637.5 million, a \$38.6 million or 6.4 percent increase over the FY 2008 GAA.

<b>FY 2008 GAA</b>	<b>\$ 598,932,022</b>
<b>FY 2009 SWM</b>	<b>\$ 637,545,610</b>

<b>Increase (decrease)</b>	<b>\$ 38,613,588</b>
<b>Percentage change</b>	<b>6.4%</b>

Like the House, the SWM proposal increases funding for the TAFDC (Transitional Aid to Families with Dependent Children) program from \$274.5 million in FY 2008 to \$302.7 million in FY 2009 because of a growing caseload. The Governor recommended a budget of \$291.4 million for this program.

The SWM budget increases funding for the Emergency Aid to Elders, the Disabled and Children (EAEDC) program, which provides cash and limited medical benefits to about 17,000 individuals per year, from \$69.9 million in FY 2008 to \$72.0 million in FY 2009. The Governor and the House allocated \$69.1 million and \$74.8 million respectively.

Funding for the Employment Services Program, which is available to individuals receiving cash assistance grants under TAFDC, would be essentially level-funded at \$27.2 million, as it was in the proposals submitted by the Governor and the House. In addition, the SWM budget indicates that \$7.0 million will be available in FY 2009 from federal reimbursements for specific education and job training/readiness services for food stamp recipients.

## HEALTH CARE

The Senate Ways and Means FY 2009 budget proposal includes \$10.386 billion for health care programs, a 10.8 percent increase over funding in the FY 2008 GAA. This amount is virtually identical to the House budget's final health care total, and is just slightly more than the Governor's proposal.

<b>FY 2008 GAA</b>	<b>\$ 9,371,356,330</b>
<b>FY 2009 SWM</b>	<b>\$ 10,385,922,442</b>
<b>Increase (decrease)</b>	<b>\$ 1,014,566,112</b>
<b>Percentage change</b>	<b>10.8%</b>

The increase in spending on health care over the past year is due in large part to health care cost inflation and to the significant expansion in health coverage funded by the Commonwealth under the state's health reform law. Moreover, much of the Commonwealth's spending on health care is partially reimbursable by the federal government through the Medicaid program.

Another change in FY 2009 affecting the state's health care spending is the implementation of programming associated with the state's settlement of the *Rosie D. v. Romney* case which will require the Commonwealth to expand mental health services for children funded through the Medicaid/MassHealth program.

In this *Budget Monitor*, we divide our analysis of Health Care into several sections. "Medicaid/MassHealth" includes Medicaid/MassHealth line items, the funding for the Medicare "Clawback" as well as administrative costs associated with the Executive Office and the Office of Medicaid. It also includes the reserve designated for funding costs associated with the *Rosie D.* settlement. The totals for "Other

Health Care Programs" include the Children's Medical Security Plan program, grants to encourage primary care practice, and a new Office of Health Equity proposed by the Governor. "Health Care Finance" includes line item appropriations for administrative costs associated with the implementation of health care reform, the costs of the Division of Health Care Finance and Policy, the Health Care Quality and Cost Council, and a new health care cost containment initiative proposed by SWM. The FY 2008 budget funds some of health reform administration through a transfer from the off-budget Medical Security Trust Fund.

In addition to the health care costs funded through line item appropriations, a significant portion of the Commonwealth's health care – particularly the share of health care associated with the implementation of health reform – is funded through a variety of "off-budget" trust funds. The SWM budget outlines these transfers in the "outside sections" of the budget proposal. These funds receive specially-designated transfers of funds from the General Fund or other sources. These transfers are explained in the section below referred to as "Health Care Transfer Spending (Health Reform)."

<b>Health Care Programs</b>				
<i>(in Millions of Dollars)</i>				
	<b>FY 2008 GAA</b>	<b>FY 2009 H.2</b>	<b>FY 2009 House</b>	<b>FY 2009 SWM</b>
Medicaid/MassHealth	8,207.9	8,613.1	8,622.3	8,599.5
Pharmacy Programs	60.5	57.6	57.6	57.5
Other Health Care Programs	16.9	19.2	18.2	18.2
Health Care Finance	15.6	20.5	21.9	22.5
<b>Sub-Total Line Item Appropriations</b>	<b>8,300.9</b>	<b>8,710.4</b>	<b>8,720.0</b>	<b>8,697.8</b>
Medical Assistance Trust*	251.0	251.0	346.0	346.0
Essential Community Provider Trust	28.0	28.0	28.0	25.0
Commonwealth Care Trust**	789.7	1,292.6	1,292.1	1,292.6
Medical Security Trust	1.8	0.0	0.0	0.0
eHealth Institute Trust	0.0	0.0	0.0	25.0
<b>Sub-Total Transfer Appropriations</b>	<b>1,070.4</b>	<b>1,571.6</b>	<b>1,666.1</b>	<b>1,688.6</b>
<b>Total</b>	<b>9,371.4</b>	<b>10,282.0</b>	<b>10,386.2</b>	<b>10,386.4</b>

\*In FY 2008, estimated spending out of the Medical Assistance Trust Fund includes significant one-time spending, including retroactive payments to providers of approximately \$375 million. The totals in this chart do not include this spending.

\*\*Estimated spending for FY 2008 from the Commonwealth Care Trust is \$1,073.2 million, but only \$789.7 million has been transferred so far from the General Fund. In FY 2009 the House proposes transferring \$174.6 million in tobacco tax revenue directly into the Commonwealth Care Trust Fund.



## Medicaid/MassHealth

The Senate Ways and Means budget proposal includes \$8.600 billion for the Medicaid/MassHealth program, \$22.8 million less than the House proposal, \$13.6 million less than the Governor's proposal and \$391.6 million more than the FY 2008 GAA.

Like the other FY 2009 MassHealth budget proposals this year, SWM includes language in their budget proposal implementing all of the benefit restorations, program expansions and rate increases associated with health reform, and also includes language that continues smoking cessation as a covered MassHealth benefit.

There are a few important areas of difference among the budget proposals. The most significant difference among the SWM, House and Governor's budgets is in the funding for the "Community First" initiative. SWM recommends \$20.0 million, compared to the House recommendation of \$15.0 million. The Community First program was one of the Governor's primary initiatives in the Medicaid/MassHealth program, in an effort to re-direct long term care funding away from institution-based care for elders and disabled adults, and towards more flexible community-based long term care. The Governor had recommended \$45.8 million for the first year of this program, but because it could take the program close to eight months to get started, the House proposed that the lower amount would be sufficient funding in this first year of implementation.

Another area of difference is in funding for enrollment and outreach grants. These grants support outreach efforts by community agencies across the state to encourage and support enrollment in the state's health insurance programs. The

SWM budget eliminated funding for these grants, while the House and Governor level-funded this line item at \$3.5 million.

SWM includes \$16.2 million more in funding for the Indemnity/Third Party Liability account than in the Governor's proposal, and just \$2.0 million less than in the House proposal. Like in the House budget proposal and in the FY 2008 GAA, this funding includes an earmark of \$10.0 million targeted to provide for increased Medicaid rates for community health centers. SWM also includes \$5.0 million in a new earmark supporting the development of "medical homes" in an effort to provide family-centered care for persons with chronic medical needs.

Like the Governor's budget and the House budget, the SWM budget targets the MassHealth program for certain savings. Built into the recommendations are a total of approximately \$300.0 million in what SWM refers to as savings, including purchasing and rate reforms, care management initiatives, and administrative savings.

Like the Governor and the House, SWM also includes \$25.0 million set aside in a reserve to begin paying for the implementation of the *Rosie D. v. Romney* settlement which provides MassHealth reimbursement for mental health screenings and treatment for children. This is an increase from the \$7.8 million added to the budget during FY 2008, but only represents an estimate of what the first year costs of these new services might be.

The SWM budget also includes an outside section allowing dentists to limit the number of patients with MassHealth insurance coverage in their caseloads. This provision – which was included in the FY 2008 GAA – is a strategy to increase the number of dental providers participating in the

program. This language was not included in the House budget proposal.

### *Pharmacy Programs*

SWM recommends \$57.5 million for the Prescription Advantage pharmacy assistance program for elders. The Governor and the House recommended \$57.6 million. With the continued implementation of the Medicare Part D prescription drug coverage for elders, enrollment in the Prescription Advantage program has stabilized. Nevertheless, it still remains an important part of the medical safety net for the 68,000 people who look to the program to help pay for prescriptions. The House budget language included a specification that cost-sharing increases in the program could not happen without legislative approval; the SWM budget language does not include this provision. Unlike the House, the SWM budget does include language ensuring that the program offer ongoing open enrollment.

Although not included in these totals here, the SWM budget also includes \$500,000 within the Department of Public Health for a new program to encourage medical professionals to improve the cost-effectiveness of their prescription drug use.

### *Other Health Care Programs*

SWM, the House, and the Governor all recommend \$16.5 million for the Children's Medical Security Plan. This is equivalent to the FY 2009 maintenance total, meaning that the amount should be sufficient to maintain the expected caseload.

The SWM budget did not include \$1.0 million for an Office of Health Equity within the Executive Office of Health and Human Services. This new initiative proposed by the Governor would have been charged with developing protocols to

eliminate disparities in health outcomes that could be the result of environmental, economic, social or other factors. The House budget did not include funding in a separate line item for this, but did include language creating this office within the Executive Office of Health and Human Services, without earmarked funding.

The SWM, House, and Governor's budgets all include \$1.7 million in grants to encourage health care professionals to choose primary care practice, the same amount that this was funded in FY 2008. One of the challenges in ensuring universal access to health care has been a chronic shortage in primary care providers. These grants will provide loan forgiveness and other incentives to encourage physicians and other clinicians to practice in community health care settings. The SWM budget proposal also includes an additional \$850,000 in funding for a primary care loan forgiveness program within the Department of Public Health. That funding is included in the public health totals in this *Budget Monitor*.

The SWM budget and the Governor's budget include \$1.0 million in a reserve for Hale Hospital. The House proposal increased this to \$2.4 million.

### *Health Care Finance*

The SWM budget includes several relatively small health care finance accounts. The Division of Health Care Finance and Policy, which is responsible for administering the state's Health Safety Net (formerly the uncompensated care pool), and for rate-setting and other health care regulatory functions, receives \$17.5 million in the SWM budget proposal. This is a substantial increase – 25.3 percent – over FY 2008 GAA levels, and is \$500,000 over FY 2009 maintenance level. Language in the SWM

budget earmarks \$500,000 for a report on factors contributing to health care cost growth. At the same time, the SWM budget proposal funds the Health Care Quality and Cost Council within the Executive Office at \$1.4 million, which is \$461,000 less than the level funded in the House budget.

The SWM budget also includes \$1.5 million in a new reserve account to fund the implementation of various health care cost containment initiatives, particularly focusing on inter-agency cooperation for the establishment of technologies or systems to improve efficiency in the delivery of health care.

### *Health Care Transfer Spending (Health Reform)*

Much of the Commonwealth's health reform initiative is not paid for out of the line item appropriations listed in the budget. Most of health reform is financed through what is commonly referred to as "off-budget" spending, which are actually transfers from the General Fund into a variety of special trust funds.

One of the new initiatives proposed by the SWM budget is the transfer of \$25.0 in revenue as generated by an increase in the tobacco tax into a special trust to fund a new e-Health Institute. The purpose of this Institute would be to improve health care delivery with a statewide electronic health records system.

Fiscal Year 2008 saw a dramatic change in health care programming, with the implementation of the first full year of the Commonwealth's health reform legislation.

Like the Medicaid/MassHealth program, however, there are significant federal funds that contribute to the costs of the Commonwealth's health reform. Although

the exact level of available federal funding is not yet known, the federal government typically reimburses Massachusetts for half of the costs of its health care programs for low-income people.

The Commonwealth Care Trust Fund pays for the Commonwealth Care health insurance program, certain provider rates, and the costs of the Health Safety Net. SWM recommends transferring a total of \$1.292 billion into this fund from the General Fund. This total deposit of \$1.292 billion into the Commonwealth Care Trust Fund is the same as the total transfer recommended in the Governor's budget and in the House budget. The House proposal, however, had specified that \$174.6 million of this total would be deposited into this fund directly as a result of a proposed increase in the tobacco tax, and therefore recommended a lower amount as a direct transfer from the General Fund.

The FY 2009 proposed transfer is an increase of \$502.9 million from the transfer of \$789.7 million in the FY 2008 GAA. (FY 2008 spending will likely be greater than this total as the costs of health reform have been greater than initially projected. The Governor has proposed an additional transfer into the Commonwealth Care Trust Fund for FY 2008 of \$153.0 million.)

In addition to funding for the Commonwealth Care insurance program and provider reimbursements, the Commonwealth Care Trust Fund transfer includes funding for the Health Safety Net (formerly the uncompensated care pool). The Health Safety Net is funded with state funds, federal funds, and \$160.0 million assessments from both hospitals and insurance providers. The FY 2008 GAA included \$33.9 million transferred from the Commonwealth Care Trust Fund to the Health Safety Net Trust, for total projected

spending of \$353.9 million. Actual FY 2008 costs are expected to be closer to \$517.0 million. The SWM budget (like the House and the Governor’s budget) includes \$63.0 million from state funds for the Health Safety Net, projecting total spending of \$453.0 million.

It is also noteworthy that the FY 2008 GAA had anticipated \$23.6 million in revenue to the fund from employers’ contributions through the “fair share assessment.” Actual revenues from this assessment will be closer to only \$6.0 million. Moreover, the administrative costs associated with implementing the fair share assessment would be subtracted from this revenue. The FY 2009 budget proposals anticipate only \$5.0 million in available revenue from this assessment.

The SWM FY 2009 budget proposal also includes a transfer of \$346.0 million from the General Fund into the Medical Assistance Trust Fund, in order to make supplemental payments to certain publicly-funded health care providers. This is the same amount proposed by the House, but the Governor had proposed only \$251.0 million. Both the House and SWM specify that the amount over \$251.0 million to be transferred into this trust fund would be contingent upon the state’s General Fund being reimbursed by federal and other sources for the full cost of any increased transfer.

The SWM budget proposal also includes \$25.0 million transferred into the Essential Community Provider Trust. This is \$3.0 million less than in the FY 2008 GAA, also \$3.0 less than the amount recommended by the Governor and the House. This fund provides grants to hospitals or community health centers that provide health care to low-income persons across the Commonwealth.

## ELDER AFFAIRS

The Senate Ways and Means FY 2009 budget proposal includes \$236.7 million to pay for certain services to elders. This budget proposal represents a 1.9 percent increase over funding levels in the initial FY 2008 GAA. (For a discussion of the funding associated with the Prescription Advantage pharmacy program and MassHealth programs for elders such as the Senior Care Plans and nursing homes, see the “Health Care Programs” section of this *Budget Monitor*.)

<b>FY 2008 GAA</b>	<b>\$ 232,277,232</b>
<b>FY 2009 SWM</b>	<b>\$ 236,743,460</b>
<b>Increase (decrease)</b>	<b>\$ 4,466,228</b>
<b>Percentage change</b>	<b>1.9%</b>

The SWM budget proposal for elder services includes \$40.4 million for elder home care administration and case management and \$106.7 million for elder home care purchased services, essentially the same as the proposed funding level in the House budget. It is important to realize, however, that in FY 2008, elder affairs received a transfer of more than \$2.5 million from the human services rate reserve in order to cover certain increases in costs. Once taking into account these and other costs associated with maintaining existing services provided in FY 2008, these funding levels proposed by SWM do not represent an increase in services. In fact, the funding for elder home care in the SWM budget represents a \$611,000 decrease over maintenance funding levels. It is likely, however, that there will be funds available in the FY 2009 human service rate reserve for certain low-wage elder service workers.

Notably, the SWM budget does not fund two line items: the geriatric mental health services program and the family caregivers

program. The House budget proposal had recommended funding levels of \$250,000 and \$253,000 respectively. Funding in the FY 2008 GAA was \$225,000 for geriatric mental health services and \$250,000 for family caregivers.

The SWM budget also recommends a decrease for the congregate housing program, funding it at \$2.2 million, compared to \$2.6 million in the House. Funding for this program in FY 2008 was \$2.6 million.

SWM does recommend, however, an increase for the elder enhanced community options program, recommending \$48.0 million. The House had proposed \$47.8 million, and the Governor \$48.0 million. Funding in FY 2008 was \$47.4 million.

Compared to the House, SWM also proposes decreases in funding for the elder nutrition services programs (recommending \$6.4 million compared to the House recommendation of \$6.5 million), and for the councils on aging (just under \$8.5 million in SWM compared to just over \$8.5 million the House proposal). In FY 2008, funding for nutrition services was \$6.3 million and funding for councils on aging was \$7.9 million.

## PUBLIC HEALTH

The Senate Ways and Means FY 2009 budget proposal includes \$580.5 million for public health programming. This proposal represents a 4.7 percent increase over funding levels in the initial FY 2008 GAA, but slight reduction compared to the budget proposal from the House.

<b>FY 2008 GAA</b>	<b>\$ 554,388,520</b>
<b>FY 2009 SWM</b>	<b>\$ 580,526,245</b>
<b>Increase (decrease)</b>	<b>\$ 26,137,725</b>
<b>Percentage change</b>	<b>4.7%</b>

The SWM budget proposal includes \$416.0 million for non-hospital-based programming (compared to the House recommendation of \$417.8 million), and \$164.6 million for hospital-based services (compared to \$164.1 million in the House budget). Although this funding recommendation is an increase over FY 2008 GAA levels, it barely represents an increase over estimated FY 2009 maintenance funding. Furthermore, the HWM budget proposal is still 9.8 percent below public health funding in FY 2001, after adjusting for inflation. In other words, the cuts to public health in the beginning of this decade were so deep, annual increases in funding have not yet been sufficient to reach our previous public health funding levels.

The SWM budget proposal did not fund one particular item, and also added a few new programs to the Commonwealth's public health programming.

The SWM budget proposal does not include funding for a step-down recovery program for substance abusers. This program, previously funded at \$5.0 million, and funded at that level by the Governor's and House budget proposals, provides clinical stabilization services to persons coming out

of detoxification facilities, and provides an alternative to hospital emergency room services. Other substance abuse programs were also funded at a level less than in the House budget proposal. SWM recommended \$79.3 million for other substance abuse services, compared to \$80.6 million in the House. Funding in the FY 2008 GAA was \$77.8 million.

The SWM budget added a new program to encourage health care professionals to choose primary care specialties, in order to alleviate a critical primary care provider shortage. This \$850,000 program is in addition to the \$1.7 million primary care workforce development grant program administered by the Executive Office of Health and Human Services.

Another new program added by the SWM budget is a \$500,000 initiative to provide health care professionals with information to help them make for cost-effective use of prescription drugs.

Placing these two health care cost containment initiatives within the Department of Public Health continues a commitment to recognizing the connection between support for public health as part of a larger effort to controlling health care cost growth.

In the SWM budget, only a few programs received significantly more funding than in the House budget, but some of this increase was due to a re-allocation of funding out of the department of public health administrative line item. Areas with increases include:

- \$3.1 million for dental health services, a \$1.0 million increase over the House budget proposal. This is \$501,000 more than this line item received in the FY 2008 GAA.

- \$1.0 million for the pediatric palliative care program. This is \$100,000 more than recommended by the House, and \$199,000 more than recommended by the Governor. Funding in FY 2008 was \$800,000.
- \$4.1 million for teen pregnancy prevention programs, \$200,000 more than recommended by the House, but the same amount recommended by the Governor. Funding for these programs in FY 2008 was \$4.0 million.
- \$14.2 million for health promotion and disease prevention programs. This line item consolidates a number of smaller accounts, in order to better coordinate a variety of screening and treatment programs for breast cancer, ovarian cancer, prostate cancer, colorectal cancer, stroke, diabetes, Hepatitis C, renal disease and more. The House recommended \$13.6 million for these programs, and specified the amount to go to each specific screening or treatment program. Funding in the FY 2008 GAA was just under the SWM recommendation, at almost \$14.2 million.
- \$49.4 million for early intervention services, \$1.0 million more than recommended by the Governor, and \$956,000 more than recommended by the House. With this increase, funding for these services for very young children should be sufficient to cover the costs associated with an anticipated growing caseload of children with more complex needs, in particular children with diagnoses of autism spectrum disorders.

The SWM budget also recommends \$51.6 million for the universal immunization program, just slightly under the funding level recommended by the Governor, and the same as recommended by the House. This 5.8 percent increase over the FY 2008

GAA should simply cover the increased cost of purchasing vaccines.

Some programs receive less funding under the SWM proposal than in the House proposal. Like the House, SWM does not follow the Governor's recommendation to coordinate youth violence prevention programming within the Department of Public Health. As part of his public safety initiative, the Governor had recommended combining two separate youth grant programs into one initiative coordinated by the Department of Public Health, and funded at \$9.0 million. SWM does not consolidate the programs, and instead funds them separately for a total of \$8.3 million. Funding for these programs was \$7.7 million in the FY 2008 GAA. Other decreases include \$3.8 million for community suicide prevention (compared to \$4.8 million proposed by the House and \$3.8 million in FY 2008) and \$12.8 million for smoking prevention programs. The SWM budget proposal for smoking prevention is the same as in the FY 2008 GAA, but it is \$1.0 million less than proposed by the House. Funding for smoking prevention in FY 2001, however, was \$62.2 million, adjusted for inflation.

The SWM budget proposal also includes an outside section directing that a commission study the heroin and OxyContin epidemic.

## MENTAL HEALTH

The Senate Ways and Means FY 2009 budget proposal includes \$685.1 million for mental health programming. This proposal represents a 2.6 percent increase over funding levels in the initial FY 2008 GAA, \$1.4 million more than proposed by the House, and \$1.3 million less than proposed by the Governor.

<b>FY 2008 GAA</b>	<b>\$ 667,406,853</b>
<b>FY 2009 SWM</b>	<b>\$ 685,070,505</b>
<b>Increase (decrease)</b>	<b>\$ 17,663,652</b>
<b>Percentage change</b>	<b>2.6%</b>

The funding level for mental health is below projected FY 2009 maintenance levels, once accounting for the almost \$4.0 million transferred into mental health programs from the human service rate reserve.

One of the challenges for the mental health system has been that the intensive residential treatment programs have been having trouble retaining psychologists and other mental health clinicians due to the reimbursement rates paid by the state. SWM recommends \$181.9 million for the psychiatric hospitals and inpatient services, a 6.1 percent increase over the FY 2008 GAA. This amount – the same as recommended by the Governor and \$3.0 million more than recommended by the House – would allow these facilities to keep up with increased costs.

The SWM budget proposal also includes:

- \$76.2 million for child and adolescent services, including \$2.5 million for the Child Psychiatry Access Project (compared to \$75.6 million in the House budget and \$76.0 million in the Governor's proposal);

- \$321.7 million for adult mental health and supportive services, \$716,000 less than the Governor’s recommendation and \$616,000 more than the House proposal;
- \$22.4 million for services for homeless persons, slightly less than the House and Governor’s proposals;
- \$36.2 million for emergency services, (just under the Governor’s recommendation and slightly more than the amount recommended by the House).

During FY 2008, the Commonwealth began implementation of expanded mental health screening under the MassHealth program, associated with what is known as the “*Rosie D.*” settlement. This program will ultimately result in a significant expansion of mental health services for children, beginning with universal mental health screenings. Description of the funding for this program is included in the “Health Care Programs” section of this *Budget Monitor*.

## MENTAL RETARDATION

Under the SWM proposal, funding for the Department of Mental Retardation (DMR) would increase \$40.8 million or 3.3 percent over the FY 2008 budget.

<b>FY 2008 GAA</b>	<b>\$ 1,226,416,406</b>
<b>FY 2009 SWM</b>	<b>\$ 1,267,237,624</b>
<b>Increase (decrease)</b>	<b>\$40,821,218</b>
<b>Percentage change</b>	<b>3.3%</b>

DMR programs provide services to developmentally disabled adults including community-based and state-operated residential facilities and day programs.

In an outside section, the SWM committee proposes changing the name of the Department of Mental Retardation to the

Department of Developmental Disability Services.

Although some DMR programs are funded at a higher level in FY 2009 than they were in FY 2008, the SWM recommendations would likely be less than the amount needed to cover the increase in the cost of providing current services.

- Like the Governor, the SWM allocates \$569.0 million for the Community Residential program. This is \$12.5 million or 2.2 percent more than actual spending in FY 2008, which includes an appropriation of \$547.8 million and an allocation from the Human Services Rate Reserve of \$8.6 million. The SWM proposal is \$373,000 less than the House proposal.
- The budget for work programs is \$128.9 million. This is \$4.4 million or 3.6 percent more than actual spending in FY 2008, which includes an appropriation of \$122.7 million and an allocation from the Human Services Rate Reserve of \$1.8 million. The SWM proposal is \$100,000 below the proposals submitted by the Governor and the House.

Several programs are level-funded or reduced in the SWM budget.

- Like the House, the SWM proposal level-funds the Turning 22 program at \$7.7 million. The Governor allocated \$6.1 million for this program.
- Like the Governor and the House, the SWM proposal level-funds the



community transportation services program at \$14.1 million.

- The SWM proposal for DMR administration of \$73.2 million is \$1.9 million below current FY 2008 spending. It is \$1.3 million below the Governor’s proposal and \$4.4 million below the House proposal.
- The SWM budget for state facilities is \$187.0 million. This is \$262,000 less than actual spending in FY 2008, which includes an appropriation of \$182.8 million and two transfers, including \$2.7 million from collective bargaining and \$1.8 million from DMR’s administrative account, which received \$3.0 million in supplemental funds in FY 2008. Combining the FY 2008 GAA and these transfers, total spending in FY 2008 is projected to be \$187.3 million. The SWM proposal falls short of the recommendations submitted by the Governor and the House by \$1.2 million and \$548,000 respectively.

## SOCIAL SERVICES

The SWM budget for the Department of Social Services (DSS) totals \$829.7 million in FY 2009, a \$29.6 million or 3.7 percent increase over the FY 2008 budget.

<b>FY 2008 GAA</b>	<b>\$ 800,095,093</b>
<b>FY 2009 SWM</b>	<b>\$ 829,669,386</b>
<b>Increase (decrease)</b>	<b>\$ 29,574,293</b>
<b>Percentage change</b>	<b>3.7%</b>

The SWM committee did not provide \$5.0 million in funding for a child safety initiative proposed in the House budget but

not included in the Governor’s recommendations.

The SWM committee provides \$23.2 million for shelters and support services for people at risk of domestic violence. The SWM proposal is higher than those submitted by the Governor and the House by \$658,000 and \$276,000 respectively.

Like the House proposal, the SWM recommendation for DSS social workers is \$157.3 million. This is \$1.7 million more than actual spending in FY 2008, which includes an appropriation of \$147.3 million and an allocation from the Collective Bargaining Rate Reserve of \$8.3 million. The SWM proposal is \$3.8 million below the Governor’s proposal.

Like the House proposal, the SWM budget for Group Care Services is \$229.6 million. This is \$74,000 less than actual spending in FY 2008, which includes an appropriation of \$228.2 million and an allocation from the Humans Services Reserve of \$1.4 million. The SWM proposal provides \$81,000 less than the Governor’s proposal for this program, which provides community-based services to children who would otherwise be placed in residential settings.

## OTHER HUMAN SERVICES

The SWM budget for all “Other Human Services” programs is \$622.6 million, a \$19.9 million or 3.3 percent increase over the FY 2008 budget.

The category in this *Budget Monitor* called “Other Human Services” includes numerous departments, including Veterans Affairs, the Soldiers' Homes, Mass. Commission for the Blind, Mass. Rehabilitation Commission, Mass. Commission for the Deaf and Hard of Hearing, the Dept. of Youth Services,

administrative costs for the Department of Transitional Assistance, and certain programs within the Executive Office of Health and Human Services.

<b>FY 2008 GAA</b>	<b>\$ 602,668,347</b>
<b>FY 2009 SWM</b>	<b>\$ 622,568,321</b>
<b>Increase (decrease)</b>	<b>\$ 19,899,974</b>
<b>Percentage change</b>	<b>3.3%</b>

Although the overall SWM budget for “Other Human Services” is higher than the FY 2008 budget for this area, it is \$3.2 million less than the final House proposal and \$2.2 million less than the Governor’s proposal.

The SWM proposal increases funding for veterans, which includes the Department of Veterans’ Services, the state’s soldiers’ homes, veteran’s benefits and services for homeless veterans, by \$7.0 million over FY 2008. The increased funding is needed to cover the costs of a \$3.1 million shortfall in FY 2008 as well as higher caseloads and health insurance premiums. The SWM proposal is \$953,000 less than the Governor’s proposal and \$731,000 less than the final House proposal, reflecting lower appropriations for Soldiers’ Homes and homeless shelters that serve veterans.

The SWM committee allocates \$163.1 million for the Department of Youth Services (DYS), \$1.9 million or 1.2 percent more than actual spending in FY 2008, which includes \$849,000 from the Human Services Reserve, spread across three DHS programs. The increase in funding for DHS is less than the rise in the cost of providing current services.

- The SWM budget provides \$25.7 million for residential services for the detained youth population, an increase of \$875,000 over FY 2008

funding, after accounting for a transfer from the Human Services reserve. The Governor and the House had allocated \$25.6 million for these services.

- The SWM budget provides \$105.6 million for residential services for committed youth, an increase of \$566,000 over FY 2008 funding, after accounting for a transfer from the Human Services reserve. The Governor and the House had allocated \$105.5 million for these services.
- Like the Governor and the House, the SWM budget allocates \$22.8 million for non-residential services for committed youth, \$316,000 more than FY 2008, after accounting for a transfer from the Human Services reserve.

The SWM budget provides modest increases in funding over FY 2008 in several areas.

- \$1.0 million increase over last year for the four regional food banks in Massachusetts, for a total of \$12.0 million. The Governor and House had recommended smaller increases of \$50,000 and \$100,000 respectively.
- \$100,000 increase over last year for the Individual Development Account (IDA) program. The Governor had level-funded the program at \$600,000, while the House allocated \$700,000. This program helps low-income families to save for the purchase of an asset, such as a first home or small business, by matching their contributions to savings. The funds are also used to pay for

financial education workshops for these families.

Massachusetts to become citizens of the United States.

Several programs are level-funded or reduced in the SWM budget:

- While Community Services for the Blind (CSB) is level funded, Vocational Rehabilitation for the Blind (VRB) is reduced by \$110,000 relative to last year. Compared to the Governor, the SWM committee reduces funding for CSB and VRB by \$117,000 and \$80,000 respectively; compared to the House, they are cut by \$188,000 and \$152,000 respectively.
- The SWM committee proposes \$85.6 million for the family shelters account. This proposal is \$400,000 less than FY 2008 current spending because the Committee recommends eliminating most earmarks within the account. The SWM proposal does include the \$2.9 million in so-called “tool box” funds that were first approved by the legislature in late 2007. These “tool box” funds, which pay for expenses such as first and last months’ rent, are designed to help families move out of shelters and into permanent housing. The SWM proposal is \$1.4 million lower than the House budget because it contains many fewer than the \$2.7 million in earmarks added by the House during its floor debate.
- The SWM committee level-funds the Citizenship for New Americans Program at \$500,000. The Governor and House recommended allocating \$1.25 million and \$600,000 respectively. This program assists legal permanent residents of

## ENVIRONMENTAL AFFAIRS

The SWM budget proposes spending \$217.4 million on environmental programs including funding for state recreational facilities. This is a \$692,861, or 0.3 percent increase over the FY 2008 GAA.

<b>FY 2008 GAA</b>	<b>\$ 216,723,269</b>
<b>FY 2009 SWM</b>	<b>\$ 217,416,130</b>
<b>Increase (decrease)</b>	<b>\$ 692,861</b>
<b>Percentage change</b>	<b>0.3%</b>

The SWM budget for environmental programs is \$10.1 million less than the budget passed by the House and \$6.9 million less than the Governor’s budget. While the SWM proposed increases in some programs, including \$1.0 million in additional funding for food banks (please see Other Human Services for further discussion of this account) and for the Department of Environmental Protection, it also cut earmarks in a number of accounts including those that provide funding for state parks and recreation.

SWM, along with the House, did not include the Governor’s proposal to consolidate programs within the DCR. (For a description of this proposal, see the *Budget Monitor* on the Governor’s budget at: <http://www.massbudget.org/FY09GovProposal.pdf>)

The Senate Ways and Means proposes a few modest increases for most of its environmental programs and proposes some large cuts in funding for parks and public recreation through the elimination of many earmarks. The SWM recommends:

- \$1.5 million to fund the Agriculture Innovation Center which was created

in FY 2007. While the HWM budget proposed that the food industry provide a 100 percent match to fund the Center, the final House budget as well as the SWM and Governor's proposals do not include this requirement.

- a \$900,000 increase for the Department of Environmental Protection which includes funds to comply with the Regional Greenhouse Gas Initiative and the Mercury Management Act. This is in line with what the Governor recommended and about \$800,000 lower than the House amount.
- \$6.1 million for DCR administration. This amount is on par with the Governor's proposal but is \$1.0 million less than the House's recommendation. While neither the Governor nor SWM include earmarks in this account, the House added over \$600,000 in earmarks during its floor debate. The House also provided \$440,000 for the DCR to develop resource management plans so that it can better manage the state's parks.
- \$4.0 million for DCR beaches which is \$1.1 million less than the FY 2008 GAA. Most of this cut comes from a \$2.0 million earmark to purchase new equipment that was included the FY 2008 GAA. This amount was reduced to \$1.0 million in the SWM proposal which mirrors the Governor's recommendation.
- \$750,000 in level funding for MDC pools
- \$22.7 million for state parks. By reducing \$1.0 million in earmarks, the SWM budget is \$600,000 lower than the FY 2008 GAA. The SWM proposal is significantly lower than the budgets proposed by the Governor and the full House. The

Governor recommended eliminating about \$500,000 in earmarks but included an additional \$2.0 million in funding for state parks. The House's final budget included \$2.2 million in earmarks and approved an additional \$1.0 million in increases for state parks.

- \$28.3 million for urban parks which includes \$1.4 million for the Central Artery Parks. This budget is \$2.0 million less than the amount appropriated in the FY 2008 GAA mostly through the elimination of earmarks. The SWM proposal is also \$3.0 million lower than the funding proposed by the House and the Governor. As with the urban parks, the Governor reduced many earmarks within the line-item but also boosted funding by \$2.0 million. The House included about \$2.0 million in earmarks for urban parks and increased funding by another \$1.0 million.
- increasing the retained revenue ceiling for DCR state parks by \$1.5 million to amount of retained revenue that DCR can retain of the revenue it raises through fees by \$1.6 to a total of \$6.0 million over the FY 2008 GAA. In his budget, the Governor proposed consolidating all of DCR retained revenue into a single account and raising the ceiling of these combined revenues by \$2.3 million to \$10.8 million. The House recommends keeping all retained revenue accounts for the DCR at FY 2008 levels.

The SWM does not include \$250,000 for a new grant program, included in the House budget. This new program would be administered by the Department of Agriculture with the newly-created life

sciences center, to provide \$50,000 grants to test plant based pharmaceuticals.

included \$34.2 million, most of which were earmarks.

## ECONOMIC DEVELOPMENT

The Senate Ways and Means proposal provides \$175.0 million for Economic Development, a decrease of \$15.1 million from the FY 2008 GAA.

<b>FY 2008 GAA</b>	<b>\$ 190,088,069</b>
<b>FY 2009 SWM</b>	<b>\$ 174,989,066</b>

<b>Increase (decrease)</b>	<b>(\$ 15,099,003)</b>
<b>Percentage change</b>	<b>-7.9%</b>

The SWM budget proposes a decrease in spending on Economic Development, relative to the FY 2008 GAA. This is primarily the result of the elimination of several outside section appropriations, such as the Cultural Facilities Fund, STEM, and the Commonwealth Covenant Fund. In addition, there were some changes in line item funding, including the following:

- \$8.0 million for Summer Jobs for Youth at Risk, an increase of \$1.3 million. The Governor proposed funding this at \$9.2 million, while the House proposal included \$7.7 million.
- \$6.4 million for Workforce Development Grants, a decrease of \$4.1 million in earmarks from FY 2008 GAA. The Governor proposed funding this line item at \$1.9 million, while the House proposal included \$11.3 million, most of which were earmarks.
- \$19.2 million for the Office of Travel and Tourism, a decrease of \$9.0 million in earmarks from FY 2008 GAA. The Governor proposed funding this line item at \$13.7 million, while the House proposal

The SWM proposal also includes the consolidation of the Labor Relations Commission, the Joint Labor-Management Committee, and the Board of Conciliation and Arbitration into the new Division of Labor Relations. Both the Governor and the House budgets included this consolidation. However, while the Governor proposed level funding of \$2.4 million, the SWM proposal only includes \$2.3 million.

The SWM proposal includes, similar to the Governor, an outside section that would amend the Commonwealth's net surplus distribution. In essence, once the state meets its statutory mandates to set aside 1/2 of 1% of the total revenue from taxes for the next fiscal year and another 1/2 of 1% to deposit into the Stabilization Fund, the remaining funds, up to \$50.0 million, would be transferred into the Bay State Competitiveness Investment Trust Fund. It is important to note that these funds would only be provided if the Commonwealth were to end the fiscal year with a surplus of more than the amount needed to meet the statutory mandates described above. If this additional surplus was less than \$50.0 million, the funds transferred to the Cultural Facilities Fund would be reduced proportionately. This proposal would provide the following funding to Economic Development:

- \$25.0 million to the Life Sciences Investment Fund and
- \$7.0 million to the Cultural Facilities Fund.

It is important to note that the Governor provided for a total transfer of \$100.0 million, of which \$47.0 million would be directed to economic development. Specifically, the Governor's proposal called for \$25.0 million for the Life Sciences Investment Fund, \$15.0 million for the

Workforce Competitiveness Trust Fund, and \$7.0 million to the Cultural Facilities Trust Fund.

## HOUSING

The SWM budget proposes that \$146.7 million for housing program be spent in FY 2009. This is an \$18.6 million, or 12.4 percent increase over the FY 2008 GAA.

<b>FY 2008 GAA</b>	<b>\$ 128,066,159</b>
<b>FY 2009 SWM</b>	<b>\$ 146,690,241</b>
<b>Increase (decrease)</b>	<b>\$ 18,624,082</b>
<b>Percentage change</b>	<b>14.5%</b>

The SWM budget proposal for housing programs is \$1.9 million lower than the final budget passed by the House and \$3.1 million lower than the Governor’s budget. Even though the proposed SWM budget is \$18.0 million higher than the FY 2008 GAA, it is still \$2.9 million lower than the total the state spent on housing in FY 2008. This is largely because in the fall of 2007 the legislature included \$15.0 million in a supplemental budget to fund the Low Income Energy Assistance Program which is not included in the SWM proposal for FY 2009.

In its housing budget the Senate proposes:

- decreasing the Department of Housing and Community Development’s (DCHD) funding by \$700,000 from the FY 2008 GAA level. SWM, however, does propose spending \$1.2 million more than the Governor, which had lowered its proposal for the agency by eliminating \$2.2 million in earmarks. The Senate budget for DHCD includes \$1.5 million in funding for specific earmarks.

- \$8.25 million in new funding recommended by the Commission to End Homelessness. (For a full description of this program, see the *Budget Monitor* on the Governor’s proposal at: <http://www.massbudget.org/FY09GovProposal.pdf>.) All three budget proposals recommend that the money, including a \$1.75 million match from MassHousing, be placed in reserve until a plan is developed on how the money should be spent to help end homelessness.
- increasing funding for subsidies to public housing authorities by \$5.8 million to \$66.0 million. This is \$1.0 million lower than the amount proposed by the House. It is also \$7.0 million less than the amount that the Governor proposed to help housing authorities address some of the maintenance backlog at many public housing sites.
- \$33.0 million for the Massachusetts Rental Voucher program which is \$1.1 million larger than the amount proposed by the Governor and \$100,000 larger than the House proposal. This amount, however, may not be enough to fully fund expansions in the program that began in FY 2008.
- \$500,000 in increases in other housing programs including the Soft Second Mortgage Program, Rental Assistance for Families in Transition (RAFT) the rental voucher program for clients of the Department of Mental Health and for a program that provides housing vouchers for the individuals with disabilities.

## **PUBLIC SAFETY & CORRECTIONS**

Funding for public safety and corrections in the SWM budget totals \$1.567 billion, a \$116.7 million or 8.0 percent increase over the FY 2008 GAA.

<b>FY 2008 GAA</b>	<b>\$ 1,463,358,402</b>
<b>FY 2009 SWM</b>	<b>\$ 1,567,061,671</b>

<b>Increase (decrease)</b>	<b>\$ 116,703,269</b>
<b>Percentage change</b>	<b>8.0%</b>

SWM appropriated \$43.4 million less for public safety and corrections than appropriated by the Governor. The Governor's budget recommended \$1.701 billion. This figure, however, includes \$90.5 million in funding for County Sheriffs that had not previously been counted as part of the state budget. This change is discussed in detail at the end of this section.

Compared to the House budget of \$1.594 billion, the SWM budget appropriates \$14.1 million less for public safety and corrections.

Generally, SWM recommends less for individual public safety and corrections programs than was recommended by the Governor and the House. The SWM budget does propose one significant increase over FY 2008 GAA funding by recommending a \$1.0 million increase to the Sex Offender Registry Board, for a total appropriation of \$4.9 million. In comparison, the House and Governor's budgets recommended small increases of approximately \$130,000.

All three budgets fund the Department of Public Safety, which enforces safety regulations, at \$2.8 million. FY 2008 GAA funding for this department totaled \$1.3 million. The Governor's budget proposed an increase of \$1.4 million in funding to raise the number of inspectors and hearings officers, expecting that this will generate

\$3.4 million in revenue from licensing fees and inspection violations. The House and SWM then proposed similar increases in their respective budgets.

The SWM and House budgets both appropriate \$21.3 million for community policing grants, the same amount appropriated in the FY 2008 GAA. These grants are distributed to cities and towns for community policing activities and programs. In contrast, the Governor's budget proposed a \$2.1 million reduction in funding by allocating only \$19.2 million for community policing grants.

SWM recommended funding municipal police grants at \$4.0 million, the same amount recommended by the House budget. The municipal police grant program, initiated by the Governor, distributes funds to municipalities with high crime rates for the hiring of additional police officers. Last year, a total of \$8.0 million was spent on these grants – \$4.0 million appropriated in the FY 2008 GAA and an additional \$4.0 million through a supplemental budget. This year, the Governor proposed a full \$8.0 million for municipal police grants to provide for the hiring of at least 100 new police officers. The SWM proposal of \$4.0 million is a 50 percent decrease from total spending in FY 2008 and 50 percent less than the Governor's recommendation for FY 2009.

SWM recommended funding the Shannon Grants Program at \$13.0 million, the same amount recommended by the House. Shannon Grants are distributed to communities to reduce gang and youth violence through prevention and intervention. Programs include job skills workshops, outreach to at-risk youth and prisoner reentry programs. Last year, the program was funded at \$11.0 million through a supplemental budget. The SWM

proposal is still \$2.0 million less than the \$15.0 million recommended by the Governor's budget.

The SWM budget, like the House budget, proposes funding increases from the FY 2008 GAA for law enforcement programs as follows:

- \$1.0 million increase for the Office of the Chief Medical Examiner; however, the Governor's budget recommended a \$1.7 million increase; and
- \$1.5 million increase for the State Police Crime Lab; the Governor proposed a \$2.3 million increase.

All three budgets differ in how the Registry of Motor Vehicles, the Department of Correction Facility Operations account, and the following programs are funded.

FY 2008 GAA funding for the Department of Fire Services totaled \$14.6 million. The Governor's budget appropriated \$22.4 million, specifically recommending funding for the Student Awareness of Fire Education (SAFE) program, the Firefighter Equipment Grant, and the Fire Safety Act. The House funded the Department of Fire Services at \$18.4 million and SWM only appropriated \$15.5 million.

The SWM budget appropriated \$5.0 million for state police overtime, a \$2.9 million decrease from FY 2008 GAA funding of \$7.9 million. In contrast, the House appropriated \$10.0 million and the Governor's budget recommended \$14.1 million.

As discussed above, the Governor's budget recommended transferring all County Sheriffs to the state accounting system to promote consistency, transparency and efficiency in budgeting. The proposal would create new line items to fund the

seven County Sheriffs. It would also bring \$90.5 million from the counties and other sources into the state budget to help fund the county corrections account. Like the House, the SWM did not adopt this proposal.

## TRANSPORTATION

The Senate Ways and Means proposed budget would increase funding for transportation by \$10.2 million over the FY 2008 GAA, from \$907.1 million to \$917.3 million. This total includes funding for the MBTA in the amount of \$768.0 million.

<b>FY 2008 GAA</b>	<b>\$ 907,055,572</b>
<b>FY 2009 SWM</b>	<b>\$ 917,285,501</b>
<b>Increase (decrease)</b>	<b>\$ 10,229,929</b>
<b>Percentage change</b>	<b>1.1%</b>

Funding for the MBTA is considered off-budget in that its revenue does not come from the state's General Fund. Rather, it has a dedicated revenue stream of 20 percent of sales tax revenue. This funding would increase by \$12.0 million, from \$756.0 million to \$768.0 million in FY 2009.

Funding for regional transit authorities is via the budget, and the SWM proposes an increase of \$4.4 million over the FY 2008 GAA, from \$52.3 million to \$56.6 million, which reflects maintenance. This is the same amount as proposed by the Governor, but \$3.5 million less than the House version of the budget.

The SWM proposal also funds Snow and Ice Removal at \$20.0 million, which is \$4.0 million less than the Governor's proposal and \$38.7 million less than current FY 2008 spending on this item.



## JUDICIARY

The SWM budget provides \$817.5 million for the Judiciary, a \$47.2 million or 6.1 percent increase over FY 2008 GAA funding.

<b>FY 2008 GAA</b>	<b>\$ 770,296,012</b>
<b>FY 2009 SWM</b>	<b>\$ 817,502,486</b>

<b>Increase (decrease)</b>	<b>\$ 47,206,474</b>
<b>Percentage change</b>	<b>6.1%</b>

SWM proposes \$11.1 million for the Massachusetts Legal Assistance Corporation, a \$1.4 million increase from the \$9.7 million appropriated in FY 2008 and essentially the same amount proposed by the House budget. In contrast, the Governor recommended a \$2.4 million increase, for a total appropriation of \$12.1 million.

Unlike the House, the SWM adopted the Governor's proposal to reform the judiciary funding system by consolidating several line items and providing the Office of the Chief Justice for Administration and Management with the ability to distribute funds among the courts.

## DISTRICT ATTORNEYS

Funding for District Attorneys in the SWM budget totals \$101.6 million, a \$5.4 million or 5.7 percent increase from the FY 2008 GAA.

<b>FY 2008 GAA</b>	<b>\$ 96,146,577</b>
<b>FY 2009 SWM</b>	<b>\$ 101,591,665</b>

<b>Increase (decrease)</b>	<b>\$ 5,445,088</b>
<b>Percentage change</b>	<b>5.7%</b>

The SWM budget creates a new-line item and allocates \$500,000 for a new program to

help retain experienced assistant district attorneys. The funds will be distributed among the 11 district attorneys offices and are to be used for salary increases for assistant district attorneys with more than 3 years of experience.

## ATTORNEY GENERAL

The SWM budget appropriates \$43.7 million to the Attorney General, a \$2.5 million or 5.9 percent increase over FY 2008 GAA funding.

<b>FY 2008 GAA</b>	<b>\$ 41,228,214</b>
<b>FY 2009 SWM</b>	<b>\$ 43,679,951</b>

<b>Increase (decrease)</b>	<b>\$ 2,451,737</b>
<b>Percentage change</b>	<b>5.9%</b>

The SWM allocates approximately \$500,000 more towards the Attorney General than was recommended by the House and the Governor's budgets, but actually restores more than that amount in earmarks within the Office of the Attorney General account.

Like the House, the SWM restores earmarks that were eliminated by the HWM and Governor's budgets, including: \$250,000 for a safe neighborhood initiative in Dorchester, \$250,000 for a safe neighborhood initiative in the Grove Hall area of Boston and \$200,000 for the Dorchester Youth Collaborative Safe City Initiative.

SWM also restores several earmarks that were eliminated by both the Governor and the House, including: \$320,000 for predatory lending and consumer credit units, \$355,000 for a health care division, \$300,000 for a victim witness rights services unit, and \$300,000 for the United Teen Equality Center.

## GROUP INSURANCE

Funding for the Group Insurance Commission (GIC) in the SWM budget totals \$1.308 billion, a \$133.1 million or 11.3 percent increase over the FY 2008 GAA. For technical reasons (discussed below), this is an overstatement of the actual increase in spending.

<b>FY 2008 GAA</b>	<b>\$ 1,174,689,284</b>
<b>FY 2009 SWM</b>	<b>\$ 1,307,795,388</b>
<b>Increase (decrease)</b>	<b>\$ 133,106,104</b>
<b>Percentage change</b>	<b>11.3%</b>

The majority of GIC appropriations are spent on two accounts. The first covers the costs of providing benefits to current employees and some retirees. FY 2008 GAA funding for this account totaled \$736.9 million. The SWM budget appropriates \$839.0 million, which would appear to be a \$102.1 million or 13.9 percent increase in spending.

However, several municipalities and other public employers<sup>1</sup> have joined the GIC since last July, when legislation was enacted allowing them to join the state's health insurance plan. The GIC anticipates spending \$25.1 million in FY 2009 for health insurance premiums for the new participants. The state will then be reimbursed over the course of the year by these public employers. Therefore, to make a meaningful comparison to FY 2008 funding, we must subtract the \$25.1 million in reimbursements from the \$839.0 million appropriated, leaving \$813.9 million. The difference between FY 2008 spending of \$736.9 million and the adjusted FY 2009

House figure of \$813.9 million is \$77.0 million, or a 10.5 percent increase in spending.

This \$77.0 million increase anticipates the growing costs the GIC will face in FY 2009. Health care costs are rising at the rate of 6.5 percent. In addition, more people are expected to be covered by the GIC, which will increase its overall costs.

The Governor proposed to pay for this increase by shifting approximately \$51.0 million of state employees' health insurance costs onto state employees. His budget recommended establishing state employees' contributions to health insurance based on their salary levels. (For details on this proposal, see the *Budget Monitor* on the Governor's proposal, at: <http://www.massbudget.org/FY09GovProposal.pdf>.)

SWM, like the House, does not shift health insurance costs onto state employees. The SWM budget, however, allocates \$11.1 more for this GIC account than allocated by the House budget. This difference is due to the SWM accounting for more recent information regarding rising health care costs and the growing GIC caseload.

The second largest account within the GIC is for the State Retiree Trust Fund, which was created to set aside funds for retirees' future health care costs. Funding for this account in the SWM budget totals \$ 372.0 million, a \$28.8 million increase from the \$343.2 million funded in the FY 2008 GAA.

<sup>1</sup> Eligible local governmental employers are cities, towns, districts, counties, regional councils of government (RCGs) and regional planning agencies (RPAs), educational collaboratives and charter schools.

## DEBT SERVICE

The SWM proposal reflects increased costs for debt service, which would grow from \$1.952 billion to \$1.983 billion.

<b>FY 2008 GAA</b>	<b>\$ 1,952,103,701</b>
<b>FY 2009 SWM</b>	<b>\$ 1,982,899,000</b>

<b>Increase (decrease)</b>	<b>\$ 30,795,299</b>
<b>Percentage change</b>	<b>1.6%</b>

The SWM proposed budget represents a normal increase in long term debt service costs. However, it also includes an increase in short term debt service costs. This increase is driven by the current year's increased use of short term debt instruments necessitated by cash flow issues. The FY 2009 proposal assumes this higher level. In addition, the SWM proposal represents decreases in both the Central Artery debt service and Grant Anticipation Notes compared to their levels in the FY 2008 GAA.

## REVENUE

### Revenue

On January 8, 2008, the Secretary of Administration and Finance and the Chairpersons of the House and Senate Ways and Means Committees announced the official tax revenue estimate for FY 2009. They project that tax revenue will total \$20.987 billion in FY 2009; this is an increase of \$762.0 million, or 3.8 percent, over the revised FY 2008 projection provided by the Secretary of Administration and Finance in October, 2007 (of \$20.225 billion).

It should be noted that although April revenue figures were \$333.0 million above the benchmark, the vast majority of the

increase is the result of income tax payments for 2007. These payments reflect economic activity from 2007, not current economic activity. In fact, income withholding taxes were down from April 2007. Additionally, corporate and business taxes collections were down \$7.0 million from the previous April.

The SWM proposal is predicated on several tax changes, some made prior to the budget and others that are contained in outside sections of the budget. Among the former are closing of corporate tax loopholes and an increase in the cigarette tax. The latter includes enhanced tax collections such as lien filings, additional auditors, wage enforcement efforts and tobacco tax reforms.

### Cigarette Tax

The cigarette tax adopted by the Senate includes a \$1.00 per pack increase. It also includes an inventory tax applied to packs already on the shelves at the effective date of the increase. Together these changes will raise \$175.0 million in new revenue.

### Closing Tax Loopholes

The Senate Budget incorporates the revenue from legislation now in conference that reforms the Massachusetts corporate tax system to make corporate tax avoidance more difficult. These initiatives "combined reporting" and "Check the Box Conformity" were also supported by the Governor and approved by the House. If implemented properly they could save the state about \$482.0 million a year. Combined reporting, which is currently required in 21 other states, reduces tax avoidance by requiring different subsidiaries that are part of one unitary businesses to file tax returns that combine their income. This makes it more difficult for companies to reduce their taxes by shifting income between subsidiaries in different states. These reforms are described

in the MBPC paper available at this link:  
<http://www.massbudget.org/CorporateTaxReform.pdf>

The Senate bill also adopted two smaller changes that reform the way the earned income tax credit treats certain income earned out of state and the way internet hotel resellers calculate the sales tax on hotel rooms. These changes are expected to generate \$2.0 million and \$9.6 million a year, respectively, when fully implemented. This brings the potential gross gain for the state to \$494.0 million.

In addition to reforming the corporate tax system to close loopholes and reduce tax avoidance, the Senate proposed reducing the corporate tax rate from 9.5% to 8% over four years. This is a 16.7 percent reduction in the tax rate and would cost the state \$272.0 million from the amount that would otherwise be paid after the reforms are implemented. In addition, the Senate approved a \$53.0 million tax cut for banks and financial institutions. These two new tax cuts would reduce the net revenue from the legislation to \$169.0 million when fully implemented.

In FY 2009, however, the Senate legislation could generate up to \$297.0 million. This first year revenue number is higher than the ultimate number because the rate cuts do not begin to be phased in until 2010, while the reforms will take effect during FY 2009 (on January 1, 2009).

During debate on the tax legislation, the Senate rejected a series of amendments that would have opened new loopholes or reduced the ability of the department of revenue to enforce the tax laws effectively, but the Senate's legislation does include one provision that will likely reduce the net income from the legislation to below the \$169.0 million level. While combined reporting requires that subsidiaries that are part of one core business file together, it

does not require that completely separate businesses that are owned by a common parent company file together. The Senate legislation (and that of the House) provides these families of businesses with an option of filing one return together. Because this choice will be up to the businesses, those that can reduce their taxes by combining separate lines of business in one return will likely do so. It is difficult to calculate how much this option will cost the state, but the Senate did provide some protection by including language that does not allow these taxpayers to reduce their taxes by more than 20% through this alternate filing option.

### **Enhanced Tax Collections**

The SWM proposal contains one difference from the proposals put forth by the Governor and the House. That is, the SWM proposal does not eliminate the exemption for aircrafts and aircraft parts. Elimination of the exemption would have brought in an additional \$9.0 million. Thus, whereas the Governor and House proposals would have netted \$166.1 million in new revenue, the SWM proposal nets just \$157.0 million. (For a full description of other tax enhancements, see: <http://www.massbudget.org/FY09HouseBudgetMonitor.pdf>.)

### **Stabilization Fund**

The SWM proposal includes several actions relating to the Stabilization Fund, totaling approximately \$399.0 million. These changes include: the transfer of \$201.0 million from the Stabilization to the General Fund; foregoing the statutory contribution to the Stabilization Fund (approximately \$107.0 million); and, transferring the interest earned on the Stabilization Fund in FY 2009, which is \$91.0 million.



## Budget by Program Area

(in Millions of Dollars)

Program Area <sup>1</sup>	FY 2008		FY 2009			SWM vs. House	
	GAA	Current	H.2 (Gov.)	House	SWM		
<b>Budgeted Appropriations</b>	<b>28,234.6</b>	<b>28,721.2</b>	<b>30,119.2</b>	<b>30,084.6</b>	<b>30,097.2</b>	<b>12.6</b>	<b>0.0%</b>
Line-Item Appropriations	25,873.1	26,329.7	27,229.7	27,261.9	27,101.6	(160.3)	-0.6%
Outside Section Appropriations	2,361.5	2,391.5	2,889.5	2,822.7	2,995.6	172.9	6.1%
<b>Pre-Budget Transfers from General Fund<sup>2</sup></b>	<b>2,789.3</b>	<b>2,789.3</b>	<b>2,935.0</b>	<b>3,109.6</b>	<b>2,935.0</b>	<b>(174.6)</b>	<b>-5.6%</b>
Local Aid - Lottery	935.0	935.0	935.0	935.0	935.0	0.0	0.0%
Line-Item Appropriations	0.0	0.0	0.0	0.0	0.0	0.0	
Outside Section Appropriations	935.0	935.0	935.0	935.0	935.0	0.0	0.0%
Local Aid - Additional Assistance & PILOT	410.3	410.3	411.7	412.3	409.7	(2.6)	-0.6%
K-12 Education (Chapter 70)	3,725.7	3,725.7	3,948.8	3,948.8	3,948.8	0.0	0.0%
K-12 Education (non-Chapter 70)	1,213.4	1,215.7	1,339.2	1,312.0	1,302.6	(9.4)	-0.7%
Line-Item Appropriations	578.7	581.0	637.2	610.0	600.6	(9.4)	-1.5%
Pre-Budget Transfer to School Building Assistance	634.7	634.7	702.0	702.0	702.0	0.0	0.0%
Higher Education	1,054.7	1,091.1	1,087.7	1,098.3	1,102.6	4.3	0.4%
Early Education and Care	536.5	537.3	584.0	589.7	577.2	(12.5)	-2.1%
Income Supports	598.9	603.7	624.2	641.8	637.5	(4.3)	-0.7%
Health Care <sup>3</sup>	9,371.4	9,431.3	10,282.0	10,386.2	10,386.4	0.2	0.0%
Line-Item Appropriations	8,300.9	8,330.8	8,710.4	8,720.0	8,697.8	(22.2)	-0.3%
Outside Section Appropriations	1,070.4	1,100.4	1,571.6	1,491.6	1,688.6	197.0	13.2%
Pre-Budget Transfer to Commonwealth Care TF			0.0	174.6	0.0	(174.6)	-100.0%
Elder Affairs	232.3	235.5	236.0	237.6	236.7	(0.8)	-0.3%
Public Health	554.4	557.1	580.2	581.9	580.5	(1.4)	-0.2%
Mental Health	667.4	671.4	686.3	683.7	685.1	1.4	0.2%
Mental Retardation	1,226.4	1,240.3	1,267.4	1,272.8	1,267.2	(5.5)	-0.4%
Social Services	800.1	802.9	838.0	836.2	829.7	(6.5)	-0.8%
Other Human Services <sup>4</sup>	602.7	589.7	624.7	625.8	622.6	(3.2)	-0.5%
Environmental Affairs	216.7	224.8	224.3	227.5	217.4	(10.1)	-4.4%
Economic Development	190.1	223.5	174.7	227.2	175.0	(52.2)	-23.0%
Line-Item Appropriations	177.3	210.7	174.7	205.6	175.0	(30.6)	-14.9%
Outside Section Appropriations	12.8	12.8	0.0	21.6	0.0	(21.6)	-100.0%
Housing	128.1	149.6	149.8	148.7	146.7	(2.0)	-1.3%
Transportation	907.1	989.9	921.2	919.5	917.3	(2.2)	-0.2%
Line-Item Appropriations	151.1	233.9	153.2	151.5	149.3	(2.2)	-1.5%
Pre-Budget Transfer to MBTA	756.0	756.0	768.0	768.0	768.0	0.0	0.0%
Public Safety & Corrections <sup>5</sup>	1,463.4	1,572.7	1,700.9	1,581.1	1,567.1	(14.1)	-0.9%
Judiciary	770.3	791.8	815.7	821.7	817.5	(4.2)	-0.5%
District Attorneys	96.1	101.7	101.3	101.3	101.6	0.3	0.3%
Attorney General	41.2	41.2	43.3	43.2	43.7	0.5	1.1%
Libraries	32.5	32.9	33.4	34.3	33.7	(0.6)	-1.7%
Group Insurance	1,174.7	1,176.1	1,242.4	1,305.1	1,307.8	2.7	0.2%
Line-Item Appropriations	831.4	832.9	859.5	930.6	935.8	5.2	0.6%
Outside Section Appropriations	343.2	343.2	382.9	374.5	372.0	(2.5)	-0.7%
Other Administrative	724.0	808.8	753.9	756.1	735.0	(21.1)	-2.8%
Debt Service	1,952.1	1,952.1	1,983.2	2,001.6	1,982.9	(18.7)	-0.9%
Pensions	1,398.6	1,398.6	1,465.0	1,465.0	1,465.0	0.0	0.0%
Line-Item Appropriations	0.0	0.0	0.0	0.0	0.0	0.0	
Pre-Budget Transfer for Pensions	1,398.6	1,398.6	1,465.0	1,465.0	1,465.0	0.0	0.0%
<b>Total Appropriations and Other Uses</b>	<b>31,023.9</b>	<b>31,510.5</b>	<b>33,054.2</b>	<b>33,194.2</b>	<b>33,032.2</b>	<b>(162.0)</b>	<b>-0.5%</b>
Total with accounting adjustments <sup>6</sup>			<b>32,963.7</b>	<b>33,099.2</b>	<b>32,937.2</b>	<b>(162.0)</b>	<b>-0.5%</b>

1. The comparisons account for changes associated with consolidations or moving programs from one department to another.

2. By law, prior to the appropriations process, the state allocates certain shares of revenue to the state pension fund, the school building assistance fund, and the Massachusetts Bay Transit Authority. The House budgets also presume that revenues raised from increases in the cigarette tax would go directly to the Commonwealth Care Trust Fund to pay for health reform.

3. Health Care includes Medicaid/MassHealth, other state health programs, the elder pharmacy program, health care finance, the Health Safety Net and other costs associated with health reform. See also pre-budgeted transfer of tobacco tax dollars into Commonwealth Care Trust Fund. The House and SWM added \$95 million that is included in these totals, but there is no net state cost associated with this increase.

4. Other Human Services includes numerous departments, including Veterans Affairs, Mass. Commission for the Blind, Mass. Rehabilitation Commission, Mass. Commission for the Deaf and Hard of Hearing, the Soldiers' Homes, the Dept. of Youth Services, administrative costs for the Department of Transitional Assistance, and certain programs directly within the Executive Office of Health and Human Services. The FY 2008 GAA includes the total for the human service rate reserve, but the FY 2008 Current figure distributes that amount among the various human service agencies.

5. The Governor's FY 2009 budget proposal brought "on-budget" the costs of seven county sheriffs, so the H.2 total reflects this reorganization and includes approximately \$90.5 million for the costs of those sheriffs' offices. In prior years and in the House budgets these "off-budget" costs are not included in the totals in this chart.

6. As explained in notes 3 and 5, this adjustment corrects for two accounting issues that are necessary for accurate comparisons. We subtract the costs associated with bring the sheriffs "on-budget" from the Governor's budget total, and we subtract the increased health transfer that has no net state cost from the House budget total.