MASSACHUSETTS
BUDGET AND POLICY CENTER

February 28, 2003

Governor's FY04 Budget Proposal Cuts Core Services, Fails to Resolve Structural Deficit

MBPC's Preliminary House One Analysis

A preliminary analysis of the FY04 budget proposal released by Governor Romney the last week of February shows that he will not be able to keep his promise to protect essential services while balancing the budget without new taxes. The proposed spending plan reduces or eliminates funding for a number of core services, both directly and through a reduction in local aid that will force city and town governments cut services. Also problematic is the budget's reliance on accounting gimmicks and one-time revenue solutions, such as the proposed transfer of state land to pay a portion of pension costs. While such proposals may help fill the FY04 budget gap on paper, they do not address the serious structural problem behind the current fiscal crisis, meaning the state will need to make new cuts in FY05 if this budget is approved.

While comparison to previous year's spending is complicated by the consolidation or transfer of numerous line items, it is clear that, under the Governor's proposal, overall spending in FY04 would be essentially level with FY03 (the House One proposal represents an increase of about two-tenths of one percent over FY03, adjusting for expected supplemental expenditures for snow and ice removal and additional Medicaid costs in the current year). Because mandatory budget areas such as Medicaid and debt service will require funding increases, other areas of the budget are cut proportionately.

Cuts include:

- A cut in two major forms of local aid (additional assistance and lottery aid) of $349 million, a 28 percent drop compared to the FY03 budget passed last year. The result will be cuts in local public safety and education budgets.

- To account for the inflation and enrollment changes, Chapter 70 aid increases by $73 million; it is not clear whether this amount will be sufficient to cover projected costs. Furthermore, other K-12 spending is cut by $63 million, including a deep cut in funding for school transportation, surely a vital service in rural school districts.

37 TEMPLE PLACE, 3RD FLOOR, BOSTON, MA 02111
TEL: 617.426.1228 • FAX: 617.695.1295 • www.massbudget.org

- The proposed budget eliminates funding for full-day kindergarten and early literacy programs, and reduces funding for school transportation by $73 million.

- The early education program for three to five year olds, a component of the state's ongoing education reform initiative, has been moved from the Department of Education and consolidated with other child care programs, without sufficient funding to maintain the program.

- Overall budgeted funding for higher education is cut by $266 million compared to FY03, although about half of this cut will be balanced by a provision allowing universities and colleges to retain tuition payments (estimated at $131 million in FY04). Even after adjusting for this change, higher education has been cut by about $228 million since FY01.

- The Senior Pharmacy Program that provides drug coverage for the elderly has been eliminated, a cut of $85 million.

- The proposed increase of $684 million for Medicaid (after adjusting for off-budget spending in FY03) is insufficient to maintain current services, leading to new co-pay and eligibility changes. The Governor also fails to make good on his promise to restore health coverage for 50,000 long-term unemployed individuals due to lose it in April.

- Funding for the uncompensated care pool drops by $42 million compared to FY03.

- Smoking cessation programs are cut by $14.6 million.

- The Children's Medical Security Plan is cut by $2 million, with slightly over half of remaining program to be funded by co-pays and premiums.

- Funding for health coverage for state employees is approximately $84 million lower than the amount required to maintain the program in FY04.

- Funding for psychiatric hospitals and in-patient services is cut by $20 million.

- Overall funding for the Office of Elder Affairs drops by $7 million, with cuts in spending on home care programs.

- Funding for the home visiting program for young mothers, already cut substantially in the last round of 9C cuts, drops to $6 million, a cut of $18 million since FY02.