

May 22, 2003

Highlights from the Senate Ways & Means Budget

The budget filed yesterday by the Senate Ways & Means Committee contains \$22.6 billion in appropriations; after adjusting for off-budget spending (e.g., for Medicaid) and a higher education tuition retention proposal, proposed spending is just under \$23 billion, similar to the Governor's proposed spending total and about \$100 million higher than the House budget approved a few weeks ago. In its general outlines, the Senate proposal resembles its two predecessors, targeting local aid and education for the biggest cuts while allocating other resources in a fashion similar to the administration and House plans. The Senate budget is somewhat more generous than the House budget, restoring a number of cuts to human services and other programs, such as funding for health coverage for long-term unemployed adults and prescription drug coverage for senior citizens and the disabled. At the same time, the Senate's plan also relies on one-time savings measures to help pay for its plan. For instance, the Senate budget follows Governor Romney in proposing to fund a portion of the state pension fund through the transfer of state property and it draws \$175 million from the small balance — about \$330 million — remaining in the Rainy Day fund. While these measures will help to protect vital services in the short term, like the administration and House proposals they do not resolve the state's structural problem and thus we are likely to see another budget deficit next year.

K-12 Education

- Cuts Chapter 70 Education Aid by \$119.6 million, or about four percent. Since the estimated cost of maintaining current services for all districts was \$75 million over the FY03 appropriation, this represents an effective cut of \$194.6 million.
- Cuts spending on other K-12 education programs by \$42.1 million (excluding debt service payments for school building projects). While the Senate budget provides funding for a class size reduction program (\$18 million) and MCAS remediation (\$45 million, a slight cut from last year's total of \$50 million), it follows the other budget proposals in cutting school transportation funding by over \$60 million. The Senate budget also fails to provide full funding for the "circuit breaker" program intended to assist school districts with high special education costs, funding this program at \$115.1 million (the House appropriation was \$129.6 million) and eliminates \$6.5 million in funding for an early literacy program.

Higher Ed

- The Senate budget includes Governor Romney's proposal to allow state higher education institutions to retain revenue from tuitions (currently this revenue goes into the general fund). After adjusting for this change, funding for colleges and universities totals \$867.7 million in the Senate budget, a 12 percent decrease compared to initial FY03 spending (before 9C cuts). Measured against FY01 spending, the cut would total 18 percent; not surprisingly Massachusetts colleges and universities saw some of the steepest tuition increases in the country last year.

Local Aid

- The Senate budget treats unrestricted local aid (i.e., lottery distributions, additional assistance, and payments in lieu of taxes on state-owned land that some communities receive) in a manner that is nearly identical to the House plan. Compared to FY03 spending (before 9C cuts), unrestricted local aid is cut by \$182.7 million, or 15 percent.
- The total cut in Chapter 70 local education aid (the largest component of aid that cities and towns receive from the state) and unrestricted local aid is \$302.3 million, or seven percent compared to the pre-9C FY03 appropriation.

Health Care

- The Senate budget restores funding (\$96.4 million) for the Prescription Advantage program that provides prescription drug coverage to 80,000 senior citizens and disabled people (during House budget debate \$59 million was provided for this program).
- Although the Senate budget proposes an increase in Medicaid spending of about seven percent, slightly higher than the House proposal, it will not be sufficient to provide current levels of services. Proposed spending levels would eliminate coverage for certain immigrants, impose enrollment caps for some forms of coverage, and allow the implementation of new co-pays and premiums. At the same time, however, the Senate plan restores health coverage for long-term unemployed adults, and would also maintain coverage for disabled individuals. Eliminating these forms of coverage, as the House did, would likely result in higher costs to the state in future years, putting new pressures on the state's free care pool.

Human Services

- Funding for child care is cut by \$30.6 million, a seven percent cut. The bulk of this cut — \$20 million — consists of a reduction in funding for the Community Partnerships

early childhood education program that serves three to five year old children. Funding for subsidized child care for low-income working families also falls by \$4 million.

- Like the administration and House budgets, the Senate spending plan eliminates funding for food stamps for immigrants and emergency rent assistance. The Senate budget also fails to restore deep cuts to education and training programs, although it would allow welfare recipients to count education and training hours towards their work requirement.
- While it includes partial restoration of some of the cuts to public health programs proposed by the House (mainly for smoking cessation and school health programs), the Senate budget would nevertheless cut public health spending by \$19.9 million, or 5 percent.
- Overall cuts to Department of Mental Health programs total \$10.3 million, or two percent. This cut comes mainly in the form of a reduction in spending on in-patient facilities for DMH patients; the reduction appears to reflect savings that will be achieved by closing hospitals.

Housing

- Once again funding for housing programs is cut, albeit not so deeply as in the House budget. Spending in this area drops by \$21 million, or 22 percent compared to initial FY03 spending levels; cuts will affect support for local housing authorities and reduce the number of rental vouchers available. The Senate budget also eliminates funding for the Affordable Housing Trust fund.

Restructuring & Reform

The Senate budget adopts a number of reform and restructuring proposals, some of which were included in the two previous spending plans. In particular, the Senate plan reflects a proposed restructuring of the Executive Office of Health and Human Services that is intended to increase efficiency and allows for more coordination of services provided by various human services agencies. The budget also proposes to merge the MDC with the Department of Environmental Management and the Department of Fisheries and Wildlife to create a new Department of Conservation and Recreation and includes proposals to reform the judicial system. As has been previously noted, while these reforms may improve the operation of state government, they do not appear to produce significant short-term savings.

Spending on Programs FY03-FY04

PROGRAM	Initial FY03	Gov 04	House 04	SW&M 04	chg < 03
Debt Service	1,505,700,968	1,606,580,318	1,609,915,318	1,609,915,318	6.9%
Pensions	814,048,766	668,835,000	849,625,766	704,625,766	-13.4%
Group Insurance	794,862,213	765,880,743	804,232,629	820,025,353	3.2%
School Building Debt Asst	361,596,898	388,418,282	383,190,511	379,358,606	4.9%
K-12 Educ (non Ch 70)	416,004,343	337,858,372	386,365,740	373,951,937	-10.1%
Local Education Aid (Ch. 70)	3,258,969,179	3,331,892,681	3,108,140,588	3,139,365,168	-3.7%
Unrestricted Local Aid	1,236,358,431	886,940,966	1,049,146,098	1,053,646,098	-14.8%
Higher Education*	990,369,775	832,928,124	824,035,728	867,652,257	-12.4%
Medical Assistance*	5,974,579,404	6,501,240,407	6,310,929,437	6,388,723,853	6.9%
Cash Asst.	613,403,774	606,572,866	596,654,915	602,477,971	-1.8%
Child Care Services*	474,603,609	439,514,513	434,983,923	443,940,027	-6.5%
Public Health (DPH)	428,598,242	378,585,758	382,473,344	408,733,845	-4.6%
Social Services (DSS)	674,441,123	684,683,850	677,486,256	693,215,949	2.8%
Mental Health (DMH)	605,493,000	585,914,427	591,081,339	595,213,713	-1.7%
Mental Retardation (DMR)	987,321,067	1,019,677,731	1,009,147,049	1,024,156,139	3.7%
Elder Affairs	194,156,385	186,614,734	192,142,394	191,629,562	-1.3%
Senior Pharmacy Program	97,609,000	-	59,000,000	96,372,765	-1.3%
Other Health & Human Serv	505,948,719	505,330,126	493,033,136	488,937,401	-3.4%
Environmental Affairs	199,434,811	184,731,704	186,903,304	184,932,941	-7.3%
Transportation	83,958,139	270,847,092	86,179,810	100,012,009	19.1%
Housing & Community Dev.	95,695,874	74,069,597	66,850,989	74,715,727	-21.9%
Judiciary	547,377,135	545,864,345	574,338,804	553,482,434	1.1%
Exec. Office of Public Safety	1,222,290,336	1,261,089,517	1,250,833,403	1,254,991,777	2.7%
Labor & Workforce Dev.	53,466,566	52,525,195	35,605,153	49,236,461	-7.9%
Consumer Affairs	39,060,842	35,114,546	38,344,891	33,137,953	-15.2%
Economic Development	24,633,421	24,677,367	16,172,472	24,689,404	0.2%
District Attorneys	75,789,086	78,292,683	75,789,086	75,789,086	0.0%
Attorney General	32,728,910	32,838,894	33,478,910	33,478,910	2.3%
Libraries	26,161,572	25,125,250	25,368,264	25,500,525	-2.5%
Other administrative	703,071,942	681,188,383	726,479,950	699,940,401	-0.4%

*Amounts are adjusted to reflect off-budget higher education tuition retention and Medicaid spending. Funding for the Department of Education's Community Partnership early education program is included under child care.