

## **SWM Committee Budget Executive Summary**

In fiscal year 2015, our Commonwealth will be in the midst of a challenging transition from an unprecedented global recession to an unsure new economic reality. Thankfully, we no longer find ourselves confronted with the same impossible decisions that we faced between fiscal years 2009 and 2013. However, as was the case in fiscal year 2014, there remains a tension between the things we know that government needs to do, and the things that government can afford to do.

The Senate Ways and Means fiscal year 2015 budget reflects the belief that the new investments we choose to make in this budget will be instrumental in determining how much we can afford to do in the future. This budget builds on the work the Senate has done in recent years to lead the way on low-income housing, early education, mental health and criminal justice reform; policy areas where smart investments now will generate positive outcomes for years to come. Our budget also expands this approach to substance abuse, child welfare and other areas that have demanded our attention and our action over the past twelve months.

We know, however, that new investments, no matter how promising, will only succeed if the core functions of state and local government are maintained and strengthened. To that end, this budget provides increased support for local aid reimbursement programs, state and local law enforcement and our existing human service infrastructure.

These spending increases included in the Senate Ways and Means budget are balanced with a continued commitment to protecting and improving the long-term fiscal position of the Commonwealth. This budget relies on \$399M less in one-time solutions than did the FY 2014 budget. In addition, our budget limits our draw from the Stabilization Fund to \$140M, more than \$200M less than our draw from FY 2014. Perhaps most importantly, our budget includes the largest year over year increase to our pension fund contribution in at least a decade. This increase is part of a new pension funding schedule, agreed to as part of the Consensus Revenue process, which will allow the state to close our unfunded pension liability four years earlier than scheduled.

### **FY 2015 SWM budget – Spending and Revenue**

The FY 2015 SWM budget includes \$36.2B in total spending, an increase of 4.89% over FY 2014 total spending. Not surprisingly, the leading driver of spending growth continues to be health care. In FY 2015, we expect our spending on MassHealth to increase by \$1.3B to \$13.4B in total. However, this substantial spending increase is offset by more than \$900M in new federal reimbursements largely related to the Affordable Care Act.

Aside from health care, more than \$400M in spending increases over FY 2014 are due to major long-term policy commitments made by the Legislature. While unrelated in their policy areas, Chapter 70 education aid, Chapter 257 rates for direct care human service workers and last year's Transportation Finance legislation are united by the fact that they strive to provide predictable, transparent and adequate resources to vital issues of public policy. The Senate Ways and Means FY 2015 budget fully funds our commitment in each of these areas.

The first step in balancing our spending obligations against available resources was agreeing to an FY 2015 tax revenue number of \$24.337B as part of our consensus revenue process. This total tax revenue number exceeds our FY 2014 tax revenue estimate of \$23.2B by \$1.137B. However, before we can apply this tax revenue increase to spending growth, \$218.2M of the increased revenue is immediately diverted to satisfy increased state commitments to our pension fund, the School Building Authority and the Massachusetts Bay Transportation Authority. In addition, a further \$85M of the new revenue is related to capital gains revenues that are likely unsustainable, and are therefore not credited to the General Fund. After accounting for these transactions, our budget is left with \$833.8M in new tax revenue that can be used to balance against spending growth.

In order to supplement increased tax revenues and the increase in federal revenues related to Medicaid and the Affordable Care Act, our budget includes \$339.4M in new ongoing revenue initiatives. Of this amount, \$203.5M is due to a change to the way we credit large tax settlements that come to the Commonwealth. Similar to proposals included in both the Governor's budget recommendations and the budget voted on by the House last month, the Senate Ways and Means budget creates a system for identifying a sustainable level of tax settlement revenues and directs those revenues to the General Fund. We believe that by establishing a benchmark of sustainable tax settlement revenues, based on historical data, we can more accurately budget ongoing tax revenue resources, while redirecting awards that cannot be counted on in the future to our Stabilization Fund.

Finally, our budget uses \$250M in one-time solutions to help us balance our budget. The largest of these one-time solutions is a \$140M transfer from our Stabilization Fund to the General Fund. This transfer is a \$210M reduction from the \$350M transfer used in last year's GAA and is consistent with our commitment to eliminating our reliance on one-timers as our economy gets better. In fact, one-time solutions make up less than seven tenths of one percent in this budget.

In total, the Senate Ways and Means FY 2015 budget is balanced and responsible. We continue to meet our non-discretionary obligations that drive so much of each year's spending growth. At the same time, we use sustainable resources to balance against our spending and we continue to reduce our use of one-time solutions.

### **FY 2015 SWM budget – Focusing on Familiar Themes**

The FY 2015 Senate Ways and Means budget prioritizes the same areas of new spending as we have in each of the recent budgets. By maintaining this focus on local reimbursements to cities and towns, mental health, housing, early education, veterans issues and transportation, we can use the investments of recent years to get even greater returns for our new spending in FY 2015.

### **Educational Reimbursements to Cities and Towns**

This budget reflects the fact that in recent years, the Senate has led the way in ensuring that our cities, towns and school districts receive increased state reimbursements to offset municipal cost drivers:

### *Special Education*

The Senate Ways and Means budget fully funds the Special Education Circuit Breaker program. Next to Chapter 70, this program is the single largest source of education aid to our cities and towns. In FY 2015, our budget provides \$260.4M to offset special education costs that are often extraordinary and difficult to anticipate. Because the Senate continues to prioritize Special Education Circuit Breaker, school districts will be able to rely on full funding of the program for the third year in a row. The last time the state was able to meet its SPED Circuit Breaker commitment over a three-year period was between FY 2006 and FY 2008.

### *Regional School Transportation*

The Senate Ways and Means budget provides 90% reimbursement for Regional School Transportation. The \$70.3M included in this budget for Regional School Transportation is the largest appropriation in the program's history. During the Great Recession (between FY 2008 and FY 2012), transportation costs for regional school districts grew by more than 10%, while the state appropriation for the program declined by 25%. Since FY 2012, the state appropriation has increased from \$43.5M to the \$70.3M included in this budget, and reimbursement percentages have risen from 60% to 90%.

### *Chapter 70 and Unrestricted General Government Aid (UGGA)*

The Senate Ways and Means budget includes \$4.4B for Chapter 70, consistent with the Joint Local Aid Resolution agreed to by the House and Senate in March. This \$99.5M increase over the FY 2014 Chapter 70 appropriation ensures that all school districts meet the Foundation Budget and provides an additional \$31.8M in aid to provide targeted assistance to school districts who exceed their target contribution or receive less than their target state aid levels as defined by the Chapter 70 formula.

Our budget also includes the \$945.75M in Unrestricted General Government Aid agreed to as part of the Joint Local Aid Resolution. Next to Chapter 70, UGGA is the single largest source of local aid to cities and towns. FY 2015 marks the third consecutive year that we have increased unrestricted local aid by at least \$20M, something that has not been done in the budget for more than 15 years.

## **Mental Health**

Support for mental health services in the Commonwealth is a hallmark of the Senate. In recent years, the Senate has led the way in preserving the state's inpatient care capacity, strengthening our ability to provide mental health services in the community and looking strategically at how our mental health system must adapt to the needs of our citizens. The importance of each of these areas of mental health policy in Massachusetts can be seen in our budget:

### *Inpatient Mental Health*

The Senate Ways and Means budget maintains 45 continuing care beds at Taunton State Hospital and provides sufficient funding to open the two remaining wings of inpatient beds at Worcester Recovery Center and Hospital. Ensuring that Worcester operates at full capacity, while also

retaining a strong presence at Taunton State Hospital, will increase the number of inpatient mental health beds operated by the state to 671. Increased inpatient capacity, in conjunction with an expansion in mental health community placements, will reduce the bottleneck for mental health services in this state and allow more citizens struggling with mental health issues to get appropriate care.

#### *Outpatient Mental Health*

Increasing our inpatient mental health capacity is ineffective without a sufficient network of services in the community to provide clients with care as they return home. The Senate Ways and Means budget includes \$10M in new funds to support at least 100 new community placements – the largest expansion in the state’s community mental health system since FY 2010. At any given time, there are as many as 100 mental health patients in inpatient facilities who are ready for discharge, but for the lack of capacity in the community. The increase provided in our budget will serve these clients and dozens more in the community setting that is most appropriate to them.

#### *Children’s Mental Health*

The Senate Ways and Means budget supports the state’s children’s mental health programs at the level necessary to fully maintain our current services. In FY 2014, the Senate supported a 24% expansion in the Massachusetts Child Psychiatry Access Project. This year, our budget maintains this funding level for MCPAP and, in total, increases spending on children’s mental health by \$2.4M which will ensure that there are no service reductions to any of these vital programs.

### **Housing**

Some of the largest spending increases included in the FY 2014 budget were increases to programs that help families attain and maintain housing. This year our budget builds upon those increases:

- *Massachusetts Rental Voucher Program (MRVP)*  
This budget provides \$70M for the MRVP – more than double the amount available in FY 2011. We continue to prioritize MRVP because we know that without safe, affordable and reliable housing, the challenges faced by a low-income family increase markedly. Through our support of MRVP in this budget, as in recent years, we allow thousands of families to access secure and affordable housing.
- *HomeBase and Residential Assistance for Families in Transition (RAFT)*  
Unlike MRVP, these two programs provide temporary financial support to help families overcome short-term challenges or meet one-time cost hurdles that stand in the way of sustainable housing. The Senate Ways and Means budget provides \$10.5M for RAFT, a \$500K increase over the FY 2014 appropriation and an increase of more than \$10M from the program’s \$260K funding level in FY 2012. In addition, our budget provides the funding necessary for the Department of Housing and Community Development to increase the maximum HomeBase benefit for families by more than 50% from its current cap of \$4,000.

## Early Education and Care

The FY 2014 GAA included two important Senate initiatives related to early education and care. The Senate budget proposed an additional \$15M to expand access to childcare. We also created an independent study to identify aspects of the way we deliver early childhood services with a view towards improvement and efficiency. In the months since the enactment of the budget, more than 5,000 children have been moved off of waiting lists and into high-quality childcare. Just as importantly, the state has begun work with the Urban Institute to conduct a thorough review of our current childcare system. Our FY 2015 budget builds on both of these FY 2014 investments to provide more access to childcare now and a better system of providing childcare going forward:

- *Expanded Access*

The Senate Ways and Means budget includes \$259.4M to maintain and expand access to childcare. This funding level will once again allow thousands of new families to receive subsidized childcare. With this increase, we will have increased the state's income-eligible childcare capacity by more than 20% in the last two years;

- *Stronger System*

Just as our budget builds on our previous commitments to support childcare system expansions, so too do we build on our commitment to ensure that our system is efficient, fair and accountable. In FY 2015, the state will spend more than \$450M on subsidized childcare while a large wait list for services persists. As we expand our system, we need to make sure that we are buying as much access and quality with our investment as is possible. To that end, our budget continues to support an ongoing evaluation of the early education system that we hope will result in tangible recommendations for system improvement.

## Veterans

Massachusetts boasts a diverse veteran population with an equally diverse range of human service needs. The Senate Ways and Means budget funds our veterans services at the level necessary to meet those needs:

- *Veterans Outreach Centers*

Our budget proposes a 5% increase to each veterans outreach center in the state. The Senate has included a 5% funding increase for veterans outreach centers each year since FY 2012. In total, those increases, and the increase in this budget, add up to a 44% funding increase for veterans outreach centers over a four year period.

- *Veterans Homeless Centers*

Our budget also proposes a 5% increase to veterans homeless shelters throughout the state. Our proposed funding level for these shelters would represent a 35% funding increase over the last four years.

- *Train Vets to Treat Vets*

The Train Vets to Treat Vets program allows recent veterans to receive training as mental health and counseling professionals. First funded in the Senate's FY 2012 budget, Train

Vets to Treat Vets is an innovative way to focus on the social and emotional issues that so many men and women face when they return home. The Senate Ways and Means budget provides \$250K for this program.

- *Veterans Memorials*

Finally, the Senate Ways and Means budget provides close to \$400K for the ongoing support and upkeep of war memorials. Our budget proposes a new War Memorial line item that will provide the Department of Veterans Services with grant funding to support worthy renovation and improvement projects at memorial sites throughout the Commonwealth.

## **Transportation**

Improving our transportation finance system was the primary focus of the FY 2014 budget process. Ultimately, the Transportation Finance Plan adopted by the Legislature included \$247.8M in new funding in FY 2014 and a total support plan that will result in more than \$500M in new transportation resources by FY 2018. The FY 2015 Senate Ways and Means budget continues to implement last year's transportation finance reforms:

- *Transportation Resources*

Our budget increases the amount of state funding dedicated to transportation by \$145.4M. This means that since FY 2013, budgeted state support for our transportation system has grown by close to \$400M. These increases, combined with the serious reforms adopted last year, ensure that we have a transportation system that is on a firm financial foundation and has resources to invest in important new projects.

- *Transportation Reforms*

Last year's transportation finance reform was about more than just increased funding, it was also about increased expectations and accountability for our transportation system. Likewise, our budget expects our transportation agencies to live up to their end of the bargain in terms of reforms and efficiencies. The Senate Ways and Means budget is predicated on MassDOT and the MBTA meeting own-source solution targets designed to maintain a transportation financing system that does not rely on state subsidies alone to operate and improve. Similarly, our budget keeps MassDOT on track to move all personnel costs off of its capital budget by FY 2016.

- *Regional Transit Authorities*

The Senate Ways and Means budget also follows through on our funding promises to the Regional Transit Authorities (RTAs). Last year's budget provided \$80M to forward fund the RTAs, thereby adding an important element of funding certainty to their operations. This year, our budget includes an operating subsidy of \$80M for the RTAs – an increase of close to 20% over their previous annual subsidies.

## **FY 2015 Senate Ways and Means Budget – Confronting the Challenges of Today**

We are proud of the fact that so many of the highlights of our FY 2015 budget have been consistent themes throughout the last four Senate budgets. However, we know that the challenges facing our

Commonwealth are ever shifting, and we must produce a budget that reacts to both new challenges and new forms of constant struggles.

## **Substance Abuse**

Substance abuse is by no means a new issue in our Commonwealth or in our nation. However, over the past several months, it has become apparent that our standard approach to substance abuse treatment and recovery is not sufficient to meet the current opiate crisis. Our budget adds new resources and new ideas to enhance the tools we can use to combat drug use in our communities:

### *Substance Abuse Services*

The Senate Ways and Means budget provides \$10M to enable 10,000 substance abusers, currently on waiting lists for treatment, to receive services. These funds will support a range of services, from detoxification beds, to clinical stabilization, to inpatient and outpatient treatment. The fact is, at present, each element of our substance abuse service system is insufficient to meet current demand. The increased investment in this budget does not solve this shortfall all at once, but it does make the largest new investment in substance abuse services since 2007. Not only that, our investment focuses on models of service with the greatest track record of success and with the greatest ability to connect underserved populations with treatment.

### *Substance Abuse Education*

In addition to funding new substance abuse service capacity, the Senate Ways and means budget supports prevention efforts. Our budget provides \$5M to fund substance abuse counselors in public schools. These counselors help to identify and prevent risky substance abuse behaviors among students. We also create a Substance Abuse Education Task Force to develop model policies for substance abuse prevention.

### *Substance Abuse Outreach and Resources*

The Senate Ways and Means budget also seeks to increase awareness of substance abuse resources that are available. Our budget:

- Expands the Department of Public Health's Narcan pilot program that provides families and friends of substance abusers, as well as first responders, with medication that can be the difference between life and death;
- Establishes a voluntary accreditation process for Sober Homes. Through voluntary accreditation, the state can streamline its system for referring people to Sober Homes that are effective, safe and put the treatment needs of the individual first;
- Requires the Department of Public Health website to publish daily updates on the availability of treatment beds and other services.

## **Law Enforcement**

The last twelve months have provided a number of examples of the changing role of law enforcement in our communities. From the Marathon Bombings, to the substance abuse crisis, to

efforts to reduce offender recidivism, to filling in gaps in our human service safety net, the demands upon our public safety officers are ever expanding. The Senate Ways and Means Budget ensures that our state and local police forces have the training and capacity they need to meet challenges, new and old:

- *State Police*

The Senate Ways and Means budget provides \$264M to support the State Police. This funding fully maintains operations and supports the new class of 150 troopers that graduated earlier this month. In addition, our budget includes another \$4.1M to fund a new 150-trooper State Police class that will graduate in September of 2015.

- *Municipal Police Training*

Our budget also provides \$5M for municipal police training, an increase of more than \$1.7M over the FY 2014 budget amount. The Municipal Police Training Committee offers courses not just for new officers coming on to local police forces, but also offers in-service training for local police forces. By reducing the backlog of in-service training, we can ensure that more and more municipal police officers have the training they need to work in an environment that so often puts them in high stress situations related to substance abuse, mental health issues and domestic violence.

## **Child Welfare**

Protecting vulnerable children is a core function of government. The deaths of Jeremiah Oliver, Aliana Lavigne and Bailey Irish have served as tragic reminders of the life and death issues that our child welfare system confronts every day and the unacceptable consequences that occur when a system breaks down. Our response to the tragedies at the Department of Children and Families as well as our implementation of Raise the Age and Children Requiring Assistance legislation will go a long way in determining the future success of the state's system for dealing with its most vulnerable children. We believe that our budget provides the resources and the oversight necessary for a child welfare system that can be defined by its success going forward:

- *Department of Children and Families*

The Senate Ways and Means budget increases funding for the Department of Children and Families by \$39.9M over last year's budget. This increase annualizes amounts provided to DCF in recent supplemental budgets to meet caseworker staffing targets and increase oversight. In addition, our proposal includes the \$1M investment proposed in the Governor's budget recommendations, which will provide staff in the field with mobile technologies to improve reporting and reduce delays.

- *Children Requiring Assistance*

Our budget includes just over \$6M for the continued implementation of the Children Requiring Assistance legislation. Enacted in 2012, this law reformed our system for providing runaway children and their families with the services they need. Our funding

recommendation will enable new Family Resource Centers to be funded throughout the state and will ensure that each center meets rigorous quality standards.

- *Raise the Age*

This budget also enables the Department of Youth Services (DYS) to meet all costs associated with the recently enacted Raise the Age legislation. Raise the Age prohibits 17-year-olds in the criminal justice system from being incarcerated, either pre-trial or as a part of their sentences, in adult facilities. While we believe that ultimately this legislation will have no long-term costs, our budget provides DHS with the resources it needs for staff and facilities upgrades related to the legislation.

- *Home Visiting Programs*

If we are to make real progress in protecting our most vulnerable children, we cannot focus solely on interventions that occur after a problem has arisen. We must also identify and expand support for programs that are effective in preventing problems in the first place. Our budget increases funding for the Children's Trust Fund by \$4M – a 38% increase. With this increase more than 1,000 new families will receive home-visiting services that have been demonstrated to reduce the likelihood of child abuse and neglect in the future.

### **FY 2015 Senate Ways and Means Budget – Looking to Tomorrow**

The budget the Senate engrosses this May will have implications far beyond the upcoming fiscal year. The understanding that each year's budget must be developed with one eye looking to the years ahead has been perhaps the most important factor in Massachusetts' strong recovery from the Great Recession. In myriad ways, the Senate, the House and the Administration have worked together to make fiscal policy decisions that have tangible long-term benefits:

- Implementing new policies to ensure that volatile capital gains revenues are treated as one-time windfalls and not deposited into the General Fund.
- Working diligently to rebuild our Stabilization from under \$700M in FY 2010 to an FY 2014 balance of \$1.265B.
- Creating a new Caseload Forecasting Office to coordinate and provide technical assistance and transparency to the development of caseload projections that drive so much of our budget.
- Eliminating structural deficits at both MassDOT and the MBTA.
- Cutting our annual supplemental spending almost in half between FY 2010 and FY 2013.

These accomplishments, and a host of others, have contributed to a state with a higher bond rating, a larger Stabilization Fund balance and a lower income tax rate than was the case four years ago.

This Senate Ways and Means budget includes a number of provisions to ensure that the things we do this year will reap similar benefits in the future. This budget:

- *Continues to reduce one-time solutions*

This budget relies on the Stabilization Fund and other one-time solutions for less than seven

tenths of one percent of total spending. This share of one-timers falls well below the amount used during both the Great Recession as well as the strong economic years that preceded the downturn.

- *Accelerates the timeline for fully funding our pension obligation*

As part of the Consensus Revenue Process, we agreed to a pension funding schedule that will pay off our unfunded pension liability by 2036, instead of the previous end date of 2040. To that end, our pension contribution in FY 2015 exceeds our prior year contribution by 10 percent. That 10 percent increase in pension funding is twice as large – both nominally and on a percentage basis – as any year-to-year pension increase in the last ten years.

- *Maintains our emphasis on program evaluation*

The Senate has been a leader in making sure that increased funding is coupled with independent evaluation of outcomes. Evaluations have focused on programs like Early Intervention and teen pregnancy prevention that promise long-term benefits for present day spending. This year, our budget creates a new K-12 program evaluation grant program and also uses the initial results of an earlier evaluation to inform our spending on prisoner reentry. In FY 2012, the Senate first proposed that Massachusetts partners with the Pew Center for the States to examine recidivism in our criminal justice system. We now have the initial results of a cost-benefit evaluation of existing reentry programs. Our budget sets aside \$2M in new funding to expand the use of programs that have the biggest long-term benefits.

The Senate Ways and Means FY 2015 budget includes major funding increases for Senate priorities like local education reimbursements, mental health, early education, housing and veterans services. At the same time, our budget's recommendations in areas like substance abuse and child welfare reflect some of the most pressing issues our state faces. We believe that this budget proposal provides a strong starting point for the Senate to create an annual budget that once again balances our priorities for today with our priorities for the days and years to come.