

A Foundation for Change: The Patrick-Murray Fiscal Year 2008 Budget

“What has distinguished us at every signature moment of our history is the willingness to look a challenge right in the eye, the instinct to measure it against our ideals, and the sustained dedication to close the gap between the two.”

Governor Deval Patrick
Inaugural Address
January 4, 2007

Governor Deval Patrick’s and Lieutenant Governor Tim Murray’s fiscal year 2008 budget embarks on this challenge of building the Massachusetts of our ideals – a shining “city on a hill” for those who now, and for those who will in the future, call the Commonwealth home.

This is no small task. Massachusetts faces major challenges to providing the opportunity for each and every one of its citizens to live the American Dream: young talent and jobs driven away by the high cost of housing; public schools too often failing low-income children; soaring health care and college costs; rising property taxes; broken roads and bridges; and violence in our communities.

These challenges were years in the making and will require long-term solutions. They demand innovative policy approaches, coupled with a sustained commitment from our government and citizens to work towards the Massachusetts that *can be*.

The Patrick-Murray Administration’s first budget lays the foundation for this better, stronger Massachusetts. It sets the Commonwealth on the path towards solutions to the challenges it faces and the fundamental change sought by its citizens.

This budget is a fiscally responsible blueprint for *strengthening our economy, strengthening our communities, and strengthening our government*. It makes much-needed investments in our future – in education, health care and economic development. It is balanced through carefully considered choices about public priorities and an emphasis on making state government more efficient, not through new taxes, gimmicks or rosy scenarios. And it not only closes a budget gap for this fiscal year but also puts the state on a more sustainable budget path for the future.

To be certain, this first budget cannot produce *all* the solutions and change that we need. That task will take multiple years, as the challenges facing Massachusetts are significant, and a combination of slowing revenue growth, escalating health care costs, and recurring spending commitments imposes financial constraints for fiscal year 2008.

But the Patrick-Murray Administration’s fiscal year 2008 budget is an important and necessary first step – a foundation for sustained progress and change. It makes immediate progress in addressing our state’s many challenges while laying the

groundwork for far-reaching success over the next few years. In short, this budget puts the Commonwealth on a path to close the gap that Governor Patrick highlighted in his Inaugural Address in January – between the Massachusetts of today, and the “city on a hill” of our ideals.

Investing in our Future

The Patrick-Murray Administration’s first budget proposes significant investments in major public priorities for Massachusetts – including improving educational opportunities for our children, expanding access to health insurance coverage, making our streets and neighborhoods safer, and providing much-needed property tax relief.

These investments will strengthen our economy and our communities. They will help provide opportunities for all of Massachusetts’ citizens to succeed, make it more affordable to live and work in the Commonwealth, and bolster our state’s ability to create and attract good-paying jobs.

World-Class Education

Education is the cornerstone of opportunity for each and every citizen of Massachusetts and of our entire state’s competitiveness in an information-age economy. This budget invests in every level of our public education system to help offer our kids the world-class education that they need to succeed.

- The budget provides a 46 percent increase in funds for Kindergarten Expansion Grants. This additional funding could be used to create hundreds of new full-day kindergarten classrooms in fiscal year 2008.
- The budget increases Chapter 70 education aid by \$200 million, enabling every school district in Massachusetts to receive increased funds. This would be the second largest increase in Chapter 70 aid in the past six years and represents about 20 percent of all new spending in this year’s budget. The budget also doubles funding for Extended Learning Time Grants, to implement 17 extended school day programs and allow more school districts to begin developing plans for providing additional learning time for students. Overall, funding for Department of Education programs increases by 5.3 percent in this budget.
- The budget proposes a new partnership for higher education that emphasizes flexibility and accountability, modestly increasing funding for our public colleges and universities while consolidating accounts to allow resources to be channeled towards the best educational investments. It also includes incentive funding to encourage these institutions to achieve savings through shared services and procurement. Moreover, the budget provides greater flexibility for the Board of Higher Education to distribute scholarship and grant funding to put college within financial reach for students.

A New Partnership with Our Cities and Towns

The Patrick-Murray Administration is committed to building a new partnership with the Commonwealth's cities and towns – an active, collaborative, engaged partnership to promote job and business growth, good schools, affordable housing, high-quality roads and rail, and reliable public services. A key element of this partnership is relieving pressure on regressive local property taxes that have skyrocketed in recent years.

- The budget is accompanied by companion legislation that provides direct property tax relief by expanding the existing senior property tax “circuit breaker” – an income tax credit for property tax payments – to homeowners of *all ages* starting in 2008. This will benefit an additional 100,000 households, offsetting the average property tax bill by nearly 25 percent. This tax cut will be fully paid for through long-term savings from closing corporate tax loopholes and improving income tax collections.
- Local Aid, the second largest budget area, grows by 5.5 percent over last year's budget, including a \$77 million off-budget increase for the School Building Authority. In addition to boosting Chapter 70 education aid by \$200 million, the budget increases Lottery distributions to our cities and towns by \$15 million. When combined with last year's growth from uncapping Lottery distributions, this represents a 23 percent increase since fiscal year 2006. The budget also contains an additional \$3 million for payments to cities and towns in lieu of taxes for state-owned lands.
- The Administration has separately filed a comprehensive bill to improve the fiscal health of our cities and towns and strengthen their relationship with state government. Among other things, its *Municipal Partnership Act* would empower cities and towns to reduce their health costs by participating in the health insurance program for state employees. It would also help stabilize residential property taxes by closing a corporate tax loophole that allows telecommunications companies to avoid paying their fair share of local taxes, and allow cities and towns to impose a meals tax that would help generate revenue to provide tax relief to senior citizens.

In return, Governor Patrick and Lieutenant Governor Murray want our cities and towns to explore ways to make their own operations more efficient. For example, their proposal specifically requires underperforming local pension systems to invest their funds in the professionally managed state pension fund.

Safer Neighborhoods, A Safer Massachusetts

The Patrick-Murray Administration understands that public safety lies at the heart of strong communities and a strong Massachusetts. Its first budget invests in proven strategies to keep our streets and neighborhoods safe, offer young people alternatives to crime and drugs, and protect homeland security.

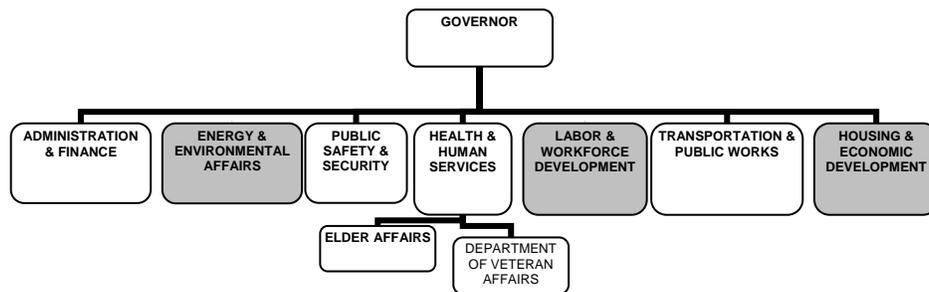
- The budget launches an initiative to hire 1,000 new municipal police officers to help keep our communities safe, beginning by funding 250 officers' salaries, health care, pension and equipment costs at a cost of \$30.6 million in fiscal year 2008. It also includes \$3 million to fund high-quality training for these new officers.
- The budget provides an additional \$2 million for a new, year-round employment program for at-risk youth who have dropped out of school but are not yet in the workforce. This funding will connect these young adults with educational and employment resources and is operated through sixteen regional workforce boards across the Commonwealth.
- The budget funds the Undersecretary of Homeland Security position, which Governor Patrick recently filled after two years of vacancy. The Undersecretary of Homeland Security will coordinate all aspects of the Commonwealth's Statewide Homeland Security Strategy, including promoting information- and intelligence-sharing between local, state and federal public safety officials and improved preparedness and planning throughout Massachusetts.

A Stronger Economy

In the past few years, Massachusetts' economy has struggled, lagging behind competitor states and the nation as a whole in job growth, and witnessing an exodus of young, talented workers to other states due to our high costs of living. This budget lays the groundwork for an ambitious agenda to reverse this trend, strengthening our state's economy by helping to create the right conditions for job and business growth in Massachusetts.

- The budget funds a reorganized Cabinet structure designed to improve the state's capacity to promote economic growth and opportunity. The changes include:
 - *Elevating the issue of housing to Cabinet-level status, as part of the Executive Office of Housing and Economic Development.* Increasing the supply of affordable housing in Massachusetts is critical to retaining young, talented workers who fuel the Commonwealth's innovation economy. This change will prioritize efforts to promote affordable housing and ensure that they are fully integrated to our state's economic development strategy.
 - *Elevating the issue of energy to Cabinet-level status, as part of the Executive Office of Energy and Environmental Affairs.* This restructuring puts finding new sources of clean energy at the forefront of our state's policy agenda, reflecting the fact that energy innovation will not only benefit our environment but also help create good-paying jobs throughout Massachusetts.
 - *Elevating working people's issues to Cabinet-level status, as part of the Executive Office of Labor and Workforce Development.* This change will promote a focused, coordinated approach by state government to ensure that

Massachusetts' workforce has the skills and training needed to support business growth and economic opportunity for all.



- Governor Patrick has also created a new Development Cabinet to build a bridge between state agencies when it comes to promoting business development, job growth and infrastructure improvements. The Development Cabinet is chaired by Governor Patrick and draws together various Cabinet Secretaries to work together on projects that will expand economic opportunities throughout the Commonwealth.
- The budget includes funding for a number of initiatives to encourage business and job growth in Massachusetts, including:
 - \$4 million for the Expedited Permitting program, which provides grants to cities and towns to help them streamline their permitting processes;
 - \$3.5 million in consolidated funding for the Massachusetts Office of Business Development and the In-State Sales Force program, to facilitate a coordinated strategy for marketing Massachusetts as a great place to live, work and do business; and
 - \$250,000 for the Office of Small Business and Entrepreneurship, which will administer \$2 million in grants to community development organizations to provide technical assistance, management consulting, access to financing, and other services to help small businesses grow and thrive in Massachusetts.

High-Quality, Affordable Health Care

There are few things more important to the people of Massachusetts than having access to high-quality, affordable health care. Health care is also essential to the health of the Commonwealth's economy, employing tens of thousands of people in providing care and pursuing cutting-edge research and development in life and health sciences.

- The budget keeps Massachusetts moving forward on the path of health care reform, expanding access to high-quality, affordable health insurance coverage.
 - The budget *fully* maintains and funds health care reform’s expansions in benefits and eligibility for MassHealth – including expanded eligibility for low-income children and the Insurance Partnership Program, additional room for enrollment in the Essential, CommonHealth and HIV programs, restored and new benefits such as adult dental, glasses, chiropractic services, prosthetics, and smoking cessation, and added funding to implement a new wellness program.
 - The budget includes \$472 million for the Commonwealth Care Health Insurance program, to provide subsidized health insurance coverage to residents of Massachusetts with incomes less than 300 percent of the federal poverty level. This funding will allow nearly 150,000 residents to enroll in the program in fiscal year 2008.
 - The budget provides \$354 million in funding for the Safety Net Care Pool (formerly the Uncompensated Care Pool) for payments to acute care hospitals and community health centers which provide care to the uninsured. This is a \$256 million *decrease* in funding for the Pool, reflecting anticipated progress in enrolling current Pool users in health insurance.

- The budget includes a \$24.8 million increase in funding for the Universal Immunization Program, to provide coverage for three new vaccines recommended by the Centers for Disease Control (CDC) to prevent young people from contracting serious illnesses. This funding will provide 71,334 infants with the Rotavirus vaccine, 108,188 children with the Meningococcal Conjugate vaccine, and 72,126 girls between the ages of 9 and 18 with the Human Papilloma Virus Vaccine (HPV).

Furthermore, the budget increases funding for health promotion and disease prevention programs administered by the Department of Public Health by \$21.6 million over last year’s budget. This maintains prevention funding that was enacted as part of health care reform last year.

- The budget takes significant steps towards controlling health care costs, which currently consume more than one-third of the state budget.
 - The budget promotes improvements in health care quality by reserving a portion of MassHealth rate payments to hospitals for distribution in fiscal year 2009 based on their meeting performance benchmarks in fiscal year 2008.
 - The budget anticipates that the Safety Net Care Pool will transition to a new retrospective or “claims-based” reimbursement policy. This approach will result in more accurate reimbursements to hospitals for services they provide to uninsured or underinsured individuals.

- The budget provides funding to expand the efforts of the Health Care Quality and Cost Council created through health care reform. With this funding, the Council will undertake an ambitious initiative in fiscal year 2008 to establish goals and highlight best practices for improving the quality of health care and controlling health care costs.

Helping Those In Need

The hallmark of a caring Commonwealth is an enduring commitment to protecting the most vulnerable among us. This budget keeps faith with government's moral obligation to provide help, support and a chance for a better life for people who are facing adversity.

- The budget creates a more unified, comprehensive continuum of care across state agencies for helping individuals and families who are homeless or at-risk of becoming homeless. It consolidates eleven homelessness funding accounts into two and gives agencies more flexibility to transfer these funds – with the goal of establishing a statewide system of preventive and wrap-around services to complement sustainable, stable housing options.
- The budget provides \$8.7 million to maintain child care services for over 850 children with open Department of Social Services cases, helping to keep families together where appropriate and possible. These children started receiving these child care services last year and would return to a wait list without continued funding.
- The budget includes a \$3.8 million increase in funding for Early Intervention Services through the Department of Public Health – to provide comprehensive therapeutic services to children under three years old with diagnosed developmental disabilities and delays. This funding increase will help the program keep pace with increased need, particularly among children with autism.

A Fiscally Responsible Budget

The Patrick-Murray Administration's first budget is a fiscally responsible, honest budget for Massachusetts. It pursues a balanced approach to paying for new and ongoing initiatives: restraining overall state spending growth, preventing abuse of the tax code, improving our state's cash and debt management, and protecting the balance of the state's Rainy Day Fund. It does not employ gimmicks or contain new taxes. This budget also begins to reduce the Commonwealth's structural deficit, putting the state on firmer financial footing for the future.

- The budget reestablishes spending discipline, holding overall spending growth to 4 percent – below the 4.5 percent projected growth in tax revenues including revenue gains associated with closing certain corporate tax loopholes. In contrast, the fiscal year 2007 budget grew by 8 percent, with overall spending

(including funds budgeted in prior years) rising by 11 percent over the previous year.

This spending discipline is *not* achieved through “one size fits all” cuts that would harm vulnerable citizens and prevent state government from fulfilling its core responsibilities. Instead, it is the product of collaboration among state agencies to identify priorities, maximize efficiencies, eliminate underperforming programs, and otherwise make targeted spending reductions to close this year’s budget gap in a manner that minimizes impacts on services. This careful process has produced a fiscal year 2008 budget that is not just fiscally responsible but *socially* responsible as well.

- The budget is built on realistic, conservative revenue estimates. It assumes 3.0 percent “baseline” tax revenue growth (tax revenue growth before any tax law changes) for fiscal year 2008 – the third lowest rate of tax revenue growth over the past eighteen years.
- The budget does not dip into the balance of the state’s Rainy Day Fund – the third largest Rainy Day Fund in the nation. Indeed, under this budget, the Rainy Day Fund will grow to \$2.3 billion by the end of fiscal year 2008.
- The budget contains no new taxes. Instead, it improves collection of existing taxes and, through companion legislation, generates an additional \$295 million in fiscal year 2008 and \$478 million in fiscal year 2009 by closing corporate tax loopholes – which allow some businesses to reduce their tax liability by exploiting highly sophisticated tax planning techniques in ways that the Legislature never intended.

These corporate tax loopholes undermine tax fairness and compromise the Commonwealth’s ability to make public investments that improve our business climate – including educating a high-quality workforce, improving our transportation infrastructure, and promoting research and development at our public colleges and universities and in the life sciences sector.

The Patrick-Murray Administration took great care to focus on solutions that do *not* represent new taxes or threaten our state’s economy. Notably, many of the corporate tax loopholes closed by this budget have already been addressed by other states and the federal government.

- The budget keeps Massachusetts on track to reducing its unfunded pension liability by 2023. It fully meets the state’s payment obligations under the existing pension funding schedule, providing an additional \$64 million over fiscal year 2007 funding levels. The Administration is committed to working with the Legislature to develop a new triennial schedule that takes account of recent gains in the performance of the pension fund.

- As a result of a creative debt and cash management initiatives proposed by the State Treasurer and endorsed by the Patrick-Murray Administration, the budget reflects almost \$100 million in new revenue. For example, by borrowing to pay capital project costs in advance rather than having to repay the General Fund with bond proceeds, the Commonwealth will maximize its ability to generate investment earnings on its cash balances.
- In addition to restraining spending growth and closing corporate tax loopholes, the budget takes other steps to reduce the Commonwealth’s structural deficit and improve our state’s fiscal picture for subsequent years.
 - The budget includes \$10.1 million to shift the 158 full-time Executive Office of Transportation employees who are currently funded through the capital budget onto the operating budget. Last year, more than \$120 million in state personnel costs were funded on the capital budget – crowding out essential projects and incurring significant interest costs. Beginning to bring these costs onto the operating budget is a major reform that will produce long-term savings and promote progress in meeting our state’s considerable capital needs.
 - The budget includes an innovative approach to funding unfunded retiree health care liabilities (commonly known as “Other Post-Employment Benefits” or “OPEB’s”). This will make Massachusetts a pioneer in tackling a challenge facing many states and localities and reduce the burden on future generations to pay these costs.

Specifically, the budget funds the first-year OPEB obligation of almost \$400 million by transferring funds from the Health Care Security Trust Fund, as a down payment on an approximately \$7-13 billion obligation. For future years, it commits payments under the state’s tobacco litigation settlement towards these costs and proposes a commission to fully resolve funding and governance issues.

Cost-Effective, Consumer-Friendly State Government

The Patrick-Murray Administration’s first budget marks a deep commitment to promoting greater efficiency and accountability in conducting the business of state government and delivering state services.

The reforms implemented by the Administration will make state government more nimble, entrepreneurial and responsive to the needs of the people of Massachusetts. They will also reduce costs, helping state government meet its core responsibilities and make much-needed investments in our future while living within limited means.

Breaking Down Silos in State Government

The budget funds a reorganized Cabinet structure that breaks down silos in state government and promotes more coordinated, cost-effective policy-making by state agencies. As explained above, the issues of housing, energy and working people would

be elevated to Cabinet-level status in combination with other complementary issues. Governor Patrick is also promoting greater cooperation and coordination among state agencies through his Development Cabinet – a partnership between Cabinet Secretaries aimed at promoting business development, job growth and infrastructure improvements.

The work of reinventing state agencies will continue throughout the Patrick-Murray Administration. Among other things, the Administration will enlist government and business experts and others with strong management experience to help redesign agencies and enhance coordination and efficiencies in state government.

Greater Flexibility, Greater Accountability

The budget gives state agencies greater flexibility to put resources to their most effective use and achieve savings by delivering services to the public more efficiently.

- The budget eliminates over \$100 million in earmarks that were included in last year’s budget. Earmarks in the state budget have accounted for hundreds of million of dollars in spending each year. While earmarks may sometimes fund worthy initiatives, they also circumvent efforts to distribute state funds through a competitive, transparent grant process and undermine oversight designed to ensure the proper use of public resources.

At the same time, the Patrick-Murray Administration recognizes that freeing state agencies from the constraints imposed by earmarks underscores the importance of their distributing public resources in a manner that merits public confidence. The Administration will fulfill its responsibility to make grant and funding decisions in a credible and collaborative manner, mindful of the needs of all parts of Massachusetts.

- The proliferation of individual line items in the state budget has fragmented state government and tied the hands of managers to put public resources to their most effective use. This budget reduces individual line items by more than a third, to give managers the tools and flexibility to deliver state services more efficiently. Highlights of line item consolidation include:

<i>Line items</i>	<i>Fiscal Year 2007 General Appropriations Act</i>	<i>Patrick Fiscal Year 2008 Budget</i>
MassHealth	19	11
Homelessness	11	2
Higher Education	49	19
Courts	164	16

The budget also includes language allowing a limited amount of funds to be transferred between accounts within an Executive Branch department or Secretariat, to allow agencies to maximize efficiencies, offset unforeseen

deficiencies, and better manage their operations. This will bring the state budget in line with current federal budgeting practice. Together, these changes are a first step towards a budget structure focused on efficient, effective delivery of services.

- Those on the front-lines of delivering state services are often in the best position to know how to make state government work better for the public. Asking them for their input – and rewarding them for good ideas – is one of the most direct and effective ways to improve government services and reduce costs. Along these lines, this budget rewards state employees who offer ideas that save money by improving the efficiency of state government. These employees will now receive a portion of the savings. The Patrick-Murray Administration will also reach out to the public for *its* suggestions on how to improve customer service in state government.

Greater flexibility for state agencies must be matched by greater accountability for delivering positive, measurable results for the people of Massachusetts. The Patrick-Murray Administration will vigorously use performance management as a tool for making state government more effective and efficient – setting short- and long-term public policy goals, rigorously tracking the progress of state agencies toward achieving those goals, and holding agency heads and managers accountable in a fair and objective manner.

This process will not occur exclusively behind closed doors. Governor Patrick and Lieutenant Governor Murray believe that state government is stronger and more accountable when the public is able to participate in setting state priorities and measuring progress towards achieving them. To help make the people of Massachusetts full partners in improving the performance of state government, they will establish a website that lists performance goals for state agencies, tracks their progress toward achieving those goals, and relates this information to budget decisions made by the Administration.

Smarter, More Business-Friendly Government

The Patrick-Murray Administration is committed to changing the way that government does business *as a business*. The budget supports a number of procurement reforms coordinated through the Operational Services Division (OSD) and other agencies aimed at making state government a smarter purchaser of goods and services. These reforms will not only achieve savings but also further other important public priorities – such as reducing energy consumption and creating more opportunities for small businesses to do business with the state. They include:

- aggressively using the recently completed Cost Recoupment and Recovery Services statewide contract for state agencies and municipalities to recover double billing and pricing errors on public purchases;

- promoting greater use of online bidding and reverse auctions by state agencies, to secure lower prices for the commodities and services needed by these agencies;
- expanding joint procurement with other states through the Eastern States Cooperative Alliance, to better leverage purchasing power and obtain more competitive prices for products and services needed by the Commonwealth;
- working with agencies through the State Sustainability Coordinating Council to significantly reduce energy consumption by state government – including by promoting renewable energy and “green building” design and launching new energy efficiency projects at state facilities;
- streamlining the statewide procurement process; and
- supporting the development of a small business incentive program that would reserve a portion of state contracts for smaller firms in the Commonwealth, in order to encourage their participation in the state contracting process.

The budget also includes a new line item to encourage state agencies to accept online payments for their services – resulting in improved customer service, enhanced cash flow, fewer errors, and cost savings. Currently, most state agencies do not accept online payments due to credit card processing fees. The new line item will help pay those fees as a way to promote agency participation in e-commerce and e-government.

Protecting Program and Budget Integrity

The budget contains a number of provisions to protect the integrity of state programs and the state budget.

- The budget launches numerous initiatives to protect the integrity of the MassHealth program, such as expanded provider and utilization audits aimed at ensuring accurate payments by the program and preventing fraud. Overall, these program integrity initiatives will produce over \$140 million in savings and increased cost-recoveries for MassHealth.
- The budget also continues funding provided under health care reform to support the efforts of the Attorney General’s Medicaid Fraud Control Unit and the State Auditor to prevent, detect and prosecute Medicaid fraud.
- The budget includes \$394,000 in increased funding for the Attorney General’s Office for enforcement of our state’s wage and hour laws, including added focus on the problem of worker misclassification. Misclassification hurts not only workers but also the state’s bottom line, as it typically results in underpayment of taxes, workers’ compensation premiums and unemployment insurance assessments. The budget also creates a new retained revenue account in the

Attorney General's office to support the pursuit of civil actions under the state's False Claims Act.

Enhancing Revenues

The budget takes common-sense steps to help state government recover revenues it is owed and achieve greater success in securing funding from the federal government to help address the needs of the people of Massachusetts.

- The budget increases spending on tax collectors and auditors at the Department of Revenue by \$3.7 million – an investment anticipated to result in the collection of an additional \$13 million in tax revenue in fiscal year 2008 and significantly more in future years.
- The budget includes \$150,000 to hire additional attorneys at the Appellate Tax Board, which is currently saddled with an enormous case backlog that slows the processing of tax appeals and delays the collection of unpaid tax assessments. The additional attorneys will close approximately 60 outstanding cases that are worth \$10 million in state tax revenue in fiscal year 2008.
- Through combined efforts with the Secretary of State, the budget includes an additional \$700,000 for the population estimates program at the University of Massachusetts' Donahue Institute – which aims to ensure that the U.S. Census Bureau accurately counts Massachusetts' population. Correcting suspected Census undercounting of our population would enhance the Commonwealth's ability to secure federal funds that are distributed according to population.

A More Transparent Budget

The Patrick-Murray Administration is committed to building a stronger government, one that is able to provide the services our citizens need in ways that are effective, efficient and equitable. In turn, a stronger government depends on the vigorous participation of the people of Massachusetts in shaping government's priorities and holding it accountable for delivering on those priorities.

Public participation in setting the course of state government and holding it true to that path requires public knowledge and understanding of the Commonwealth's budget, the most important articulation of our shared priorities. To empower the people of Massachusetts to be full participants in our state's budget process, the Patrick-Murray Administration is taking a number of steps to make this year's state budget more accessible and understandable to the public.

A More Accessible Budget

This year's budget is being posted on the state's website at www.mass.gov/budget using a new format that is compatible with text-reading devices for the disabled. Moreover, in recognition of the fact that not everyone has access to the Internet, printed copies of the budget are being distributed for the first time since 2003.

A More Understandable Budget

This year's budget is not merely easier to find but also easier to read and understand. The budget includes:

- a Budget Navigation Guide to help readers navigate the state budget;
- “mission statements” that clearly explain the responsibilities of state agencies and departments, along with organizational charts to help citizens better understand how agencies are structured;
- links to statutes and regulations that govern the mission and authority of state agencies;
- highlights of new spending and revenue initiatives included in this year's budget – to make major policy changes easier to find and understand;
- detailed information about expenditures from fiscal year 2005 through 2008, including categories of spending and pie charts to graphically display the information – to provide context for the budget decisions made in fiscal year 2008;
- a clear discussion of the economic assumptions that served as the basis for revenue forecasts and anticipated spending needs for fiscal year 2008; and
- increased options for on-line downloading and searching, so citizens can readily view and analyze the trends and initiatives that matter most to them.

Fewer “Outside Sections”

The state budget and budget process should not be a vehicle for making major legislative changes that are not directly related to the budget itself. Using “outside sections” for these purposes flies in the face of good government by avoiding informed deliberation and oversight through legislative hearings and public participation.

This budget includes only those “outside sections” with a clear and direct relationship to budgeting. Indeed, there are about 50 outside sections included in this budget – nearly half the number in last year's budget and the third lowest total in the last ten years.

CONCLUSION

Some see the state budget as the accumulation of policy decisions made over many months or years. Some see it as the outcome of negotiation and struggle between elected and appointed government officials. Some see the state budget as the translation of campaign promises into specific government programs. In fact, a budget is all of these things – but it is also more.

Governor Patrick and Lieutenant Governor Murray view the filing of their first budget not as the end result of debate and discussion within their Administration, but instead as a focal point for an *ongoing, public* conversation about our shared priorities and aspirations. Indeed, they hope that this budget will spark spirited public discussion about how to build a stronger Massachusetts – a better place to live, work, raise a family, and grow a business.

After all, closing the gap between the Massachusetts of today and the “city on a hill” of our ideals starts not with any particular policy or program. It starts instead with citizens who care about our collective present and future – and are willing and able to shape it for the better.

Program and Policy Highlights

The Patrick-Murray Administration's first budget reflects a deep commitment to educating our children and keeping them safe; providing health care and housing to citizens of all income levels; developing a robust economy and a well-trained workforce; preserving our natural resources; and maintaining our public infrastructure. The following sections explore and highlight key initiatives in eleven program and policy areas.

Education: Achieving Excellence

Governor Patrick and Lieutenant Governor Murray believe that education has the power to transform lives and open doors to opportunity and success. They also know that quality education is a key driver of our Commonwealth's competitiveness in an information-age economy. Their education agenda reflects high expectations coupled with adequate resources to give every student in Massachusetts, from pre-schoolers to post-graduates, the world-class education they need and deserve. The budget includes the following highlights:

Early Education

- Consolidates family intervention and literacy programs into a single, \$8.6 million line item for Family Support and Engagement to encourage integrated service delivery.
- Maintains \$8.5 million in funding for Head Start.
- Recommends \$12 million in funding for the Healthy Families Home Visiting Program.

K-12 Education

- Increases Chapter 70 funds by \$200 million, which enables all 328 school districts to receive additional funds. This 5.7% increase represents the second largest increase in Chapter 70 aid in the last six years and accounts for more than 20% of all new spending in this year's budget.
- Provides \$12.5 million in additional funding for Kindergarten Expansion Grants, a 46% increase that could be used to create hundreds of new full-day kindergarten classrooms in FY08.
- Provides an additional \$1 million for Targeted Intervention in Underperforming Schools. This 22% increase will help the Department of Education work with school districts to raise student achievement and test scores in the most needed areas.
- Doubles the funding for Extended Time Learning Grants. This \$6.5 million increase allows schools that received planning grants last year to implement their plans this year, and also allows more school districts to begin planning to provide additional learning time for students.
- Provides a \$476,000 increase (4% over FY07) for the MCAS low-scoring student support program, which targets students with failing test scores and provides them with extra tutoring opportunities.

- Increases funding for after- and out-of-school programs for students of all achievement and grade levels by 1%; this includes grants to Citizen Schools, Youth-Build USA, gifted and talented grants, and grants for additional learning time.

Higher Education

- Provides a floor for spending on need-based scholarships and grants. The budget also provides greater flexibility for the Board of Higher Education to distribute scholarship and grant funding to put college within financial reach for students.
- Consolidates higher education accounts into three areas: the University of Massachusetts, state colleges, and community colleges. This consolidation allows resources to be channeled to their most effective use. The budget also encourages public colleges and universities to work together and achieve savings through shared services and procurement, with the aim that these savings could be redirected towards the core mission of educating students.

Local Aid: Partnering with Cities and Towns

The Patrick-Murray Administration is initiating a new partnership with the Commonwealth's 351 municipalities. They intend this new partnership to be active and collaborative and to work in both directions between the State House and city and town halls. To formalize this new relationship, the Administration has already filed a comprehensive bill, the *Municipal Partnership Act*, to empower cities and towns to take creative and responsible steps to improve their fiscal health. In addition to the \$200 million increase in Chapter 70 funds mentioned previously, the budget:

- Provides direct property tax relief by expanding the existing "senior circuit breaker" to homeowners of all ages starting in 2008. This expansion of eligibility for the income tax credit will benefit an additional 100,000 households and offset the average property tax bill by nearly 25%. This tax-cut is fully paid by closing some corporate tax loopholes and improving income tax collections.
- Distributes an additional \$15 million in uncapped Lottery revenue to cities and towns.
- Increases the state's reimbursements to cities and towns in lieu of property taxes on state-owned land by \$3 million.
- Creates a new \$5.5 million line item for the Division of Local Services (DLS) at the Department of Revenue, including \$200,000 in first-time funding. This new line item underscores the Administration's emphasis on improving the state's relationship with cities and towns, and reflects the fact that DLS is integral to that relationship.

Public Safety: Keeping Our Neighborhoods Safe

The Patrick-Murray Administration recognizes the need to enhance public safety for the citizens and communities of Massachusetts. This budget invests in proven strategies

for crime prevention, law enforcement, correctional facilities, offender rehabilitation and homeland security. The budget includes the following public safety highlights:

- Provides a total of \$33.6 million for the first phase of the 1,000 Municipal Officers initiative – funding salaries, health care, pension, equipment and training costs of 250 new community police officers. The distribution of these funds will be formula-based, which will better direct the funds to communities in need than the prior, earmarked Community Policing Grants.
- Invests \$2 million for a year-round employment program for at-risk youth who have dropped out of school but are not yet in the workforce. This funding will connect these young adults with educational and employment resources and is operated through 16 regional workforce boards across the Commonwealth.
- Funds the Undersecretary of Homeland Security position, which Governor Patrick recently filled after two years of vacancy. This position is critical to managing the safety of the Commonwealth from a centralized position.
- Maintains investment in the educational and employment futures of juvenile offenders in the Department of Youth Services (DYS). This investment includes \$600,000 for vocational education, \$100,000 for tuition and book stipends for clients pursuing higher education opportunities, and \$2.55 million for teacher salaries.
- Provides an additional \$150,000 for the Criminal History Systems Board for enhancing the CORI unit and updating the Board's main IT system, which coordinates warrant and criminal records across the Commonwealth.
- Increases funding by 38 percent for the Sexual Assault Evidence Kits program, which assists approximately 2,700 victims of sexual assault each year.
- Funds the third phase of the State Police Crime Lab growth plan.
- Increases funding for staffing and supplies at the Chief Medical Examiner's office by \$200,000, to ensure that autopsies are completed in an effective and timely manner that respects victims and their families.

Economic Development: Strengthening the Economy

The Patrick-Murray Administration is committed to strengthening our economy, creating the conditions for sustaining job and business growth in Massachusetts. It is dedicated to promoting Massachusetts as a vibrant and innovative incubator and supporter of new and established businesses of all sizes and in all sectors.

- The Administration has already filed legislation to reorganize the Cabinet structure, prioritizing housing issues as part of our state's economic development strategy.
- In addition, Governor Patrick leads a new Development Cabinet, a weekly meeting of Cabinet Secretaries who are working together to coordinate economic resources and program plans across the Commonwealth.

Moreover, in combination with strategic investments in education, housing and labor and workforce development, this budget includes these economic development highlights:

- Provides \$4 million through the Executive Office of Housing and Economic Development for the Expedited Permitting program, which gives grants to cities and towns to streamline their local permitting processes and encourage business formation.
- Increases funding for the Division of Administrative Law Appeals to implement expedited permitting legislation.
- Adds \$250,000 for the Office of Small Business and Entrepreneurship, which works with community development organizations to provide management grants and technical assistance for businesses of fewer than 20 employees to improve productivity and raise profits.
- Consolidates funding for the Massachusetts Office of Business Development and the In-State Sales Force program, allowing for a coordinated approach to marketing Massachusetts as prime location for doing business.
- Invests an additional \$10.1 million in local housing authorities.

Health Care: Ensuring High-Quality, Affordable Care

The Patrick-Murray Administration's first budget reflects a deep commitment to implementing Massachusetts' nation-leading health care reform law. Its health care investments aim to expand access to high-quality, affordable health insurance coverage. The budget also takes important steps to control state health care costs, which currently consume more than a third of the entire state budget. Health care highlights include:

High-Quality Health Care

- MassHealth, which administers the Massachusetts Medicaid program and other insurance programs, shows overall growth of 4.4% over the FY07 GAA. This budget fully maintains and funds health care reform's expanded eligibility for MassHealth, including services for low-income children, the Insurance Partnership Program, and Essential, CommonHealth and HIV programs. It also continues to support restored and new benefits such as adult dental, glasses, chiropractic services, prosthetics and smoking cessation, and adds funding to implement the wellness program envisioned by health care reform.
- \$472 million to enroll residents with incomes under 300% of the federal poverty level in the subsidized Commonwealth Care Health Insurance Program; nearly 150,000 residents are expected to enroll during FY08.
- Provides approximately \$354 million in funding for the Safety Net Care Pool (formerly the Uncompensated Care Pool), for payments to acute-care hospitals and community health centers which provide health care to the uninsured. This funding level represents an approximately \$256 million *decrease* in funding, reflecting progress in continuing to enroll current Pool users in health insurance programs. Indeed, 46% of current Pool users will receive health insurance

through the Commonwealth Care program in FY08. In addition, the budget anticipates a new retrospective or “claims-based” reimbursement policy by the Pool, resulting in more accurate reimbursements.

- \$200,000 to expand the efforts of the Health Care Quality and Cost Council; with this additional funding, the Council will undertake an ambitious initiative this year to establish goals and highlight best practices for improving the quality of health care and controlling health care costs.
- Increases Department of Revenue funding by \$856,000 to enforce compliance with health care reform’s Individual Mandate (requiring Massachusetts residents to have health insurance).
- Reflects the value placed on service providers, including vendors, by supporting the salary increases contained in last year’s Purchase of Service Reserve into the new fiscal year, as well as including \$12 million in new salary increases for FY08 for providers who earn \$25,000 or less per year.

Public Health

- Invests an additional \$24.8 million for the Universal Immunization Program, ensuring that Massachusetts’ children will receive immunizations recommended by the U.S. Centers for Disease Control. This funding will provide the Commonwealth’s young children with three newly recommended vaccines: over 71,000 infants will be immunized against Rotavirus, nearly 110,000 children will be immunized against Meningococcal Conjugate, and almost 73,000 girls between the ages of nine and eighteen will be vaccinated against Human Papilloma Virus (HPV).
- Consolidates funding for Department of Public Health (DPH) prevention programs into a single line item that allows more flexible and efficient allocation of program funds. Overall, DPH prevention programs received a \$21.6 million increase compared with the FY07 GAA (and health care reform prevention programs are included in the base budget for the first time). This increased funding will go toward breast cancer prevention, prostate cancer screening, teen pregnancy prevention, and smoking prevention and cessation (smoking cessation and prevention alone will receive an \$8 million increase in support). The budget also includes \$1 million for the new Infection Prevention Program to ensure patient safety in hospitals.
- Increases funding for Massachusetts’ four state hospitals by \$7.9 million.
- Provides \$73.5 million for Substance Abuse Treatment Programs. This \$11.8 million, or 19%, increase over the FY07 GAA ensures that direct care services will be maintained.

Mental Health

- Creates \$1.3 million in efficiency savings by supporting the move of fifteen slots for Department of Mental Health (DMH) clients, who have been ordered by the courts to receive 15b evaluations, from restrictive inpatient settings to more therapeutic and cost-effective community placements.
- Consolidates line items, now funded in a single account of \$373 million, for many Adult Mental Health services, including acute and emergency services, as well as

single-room occupancy placements, outreach and assistance to mitigate homelessness. Also transfers \$2.5 million in funding mental health services for inmates in the Department of Corrections to the Department of Mental Health. These consolidations and transfers represent an effort to ensure uniform, coordinated, high-quality and cost-effective mental health services for citizens in need.

Human Services: Supporting Vulnerable Citizens

The Patrick-Murray Administration's first budget reflects a commitment to funding human services for Massachusetts' most vulnerable citizens. Our human services efforts are closely coordinated with our housing efforts in a strategic, cross-agency approach to addressing both temporary and chronic homelessness, and to building and maintaining affordable housing of all types. Other human services programs target the needs of special and vulnerable populations, including children, seniors, the disabled and veterans.

Safe and Sufficient Shelter

- Creates a new account for the Office of the Secretary of Health and Human Services that consolidates programs devoted to services and shelter for homeless individuals, families and veterans. This account ensures that programs are administered in an efficient and holistic way and, to facilitate better service delivery to these vulnerable citizens, is transferable with a peer account in the Department of Housing and Community Development.
- Invests an additional \$632,000 in the Massachusetts Rental Voucher Program to move families from homelessness to rental housing.
- Invests \$134,000 for monitoring and compliance in the construction and rehabilitation of affordable housing through the Low Income Housing Tax Credits Program.

Protecting Children and Families

- Increases funding by \$3.8 million at the Department of Public Health (DPH) to meet increasing demand for Early Intervention Services, which are comprehensive therapeutic programs for young children with diagnosed developmental disabilities and delays. Autism caseloads alone are expected to increase by 12% this year, along with a 2% increase in general program services.
- Continues \$1 million in support of medical consultations to assist the Department of Social Services (DSS) in difficult and sensitive child welfare determinations.
- Supports the Family Networks system of care at DSS, including funding placements in foster care and therapeutic foster care, congregate care, and support and stabilization.
- Continues funding new child care slots for families in open DSS cases, maintaining services for over 850 children taken off the waiting list last year.

- Provides a 6.8% funding increase through the Department of Transitional Assistance for Domestic Violence Specialists, who advocate for services for victims of domestic violence in DSS cases.

Caring for Seniors

- Expands the Supportive Senior Housing Program, and consolidates into it the Senior Congregate Housing Program, to promote a comprehensive approach to providing senior housing assistance.
- Increases funding for the Elder Nutrition Program, which is expected to serve 8.5 million meals this year.
- Includes \$3 million in the overall growth of MassHealth for pre-admission counseling for individuals entering nursing homes, and \$4.5 million for a rate increase in Adult Day Health programs.
- Fully funds the Elder Protective Services Program, which receives and investigates reports of elder abuse and provides protective services for victims. Over 15,000 cases of elder abuse are expected to be reported in the 2007 calendar year.

Empowering Citizens with Disabilities

- Provides the necessary funding for the Massachusetts Commission for the Blind (MCB) and the Massachusetts Rehabilitation Commission (MRC) to serve all expected new clients in the “Turning 22” program. This important program aids young disabled individuals in making the transition from Special Education to a more independent adulthood.
- Continues support for Ferguson Industries, an employment program that provides a sheltered manufacturing workshop for more than 20 blind and multi-disabled individuals. Items manufactured by these clients are sold across the Commonwealth, generating both revenue and awareness of vocational rehabilitation programs. In 2007, the Federal Government purchased products from Ferguson Industries to support rebuilding efforts after Hurricane Katrina and to supply our troops in Operation Iraqi Freedom.
- Increases funding for the Department of Mental Retardation (DMR). This increase will help DMR serve approximately 10,000 clients in residential settings and provide community support services to many more individuals, including nearly 14,000 Family Support Grants, employment support services for over 6,500 clients, and community transportation services for almost 6,000 clients.
- Continues support for three additional investigators at the Disabled Persons Protection Commission hired last year to address a backlog of more than 700 overdue investigations.

Saluting Our Veterans

- Increases Welcome Home Bill Bonus Payments for troops returning from active combat by \$7.8 million (over 200%).
- Increases funding for the Veterans’ Benefits Program and the Annuities to Disabled Veterans Program by \$1.9 million.

Energy & Environment: Preserving and Sustaining Natural Resources

Massachusetts has always been a leader in environmental protection and preservation, and the Patrick-Murray Administration's budget continues the strong tradition of investing in our Commonwealth's natural resources. The Administration's Article 87 reorganization plan for the first time promotes energy policy to Cabinet-level prominence and ties it to environmental affairs, reflecting a keen awareness of how closely these issues are linked. Furthermore, the energy and environmental budget includes the following highlights:

- Maintains base budget growth of 3.19% for the Office of Technical Assistance to help manufacturers and other toxic chemical users reduce or eliminate their use of toxic products and generation of hazardous byproducts.
- Increases funding for Recycling Programs by 7% over FY07, allowing the Secretary's office to provide additional support to businesses and municipalities for programs promoting energy efficiency, waste reduction and water conservation.
- Invests an additional \$1.7 million (an increase of 44%) in extension services for farmers and agricultural providers.
- Consolidates funding accounts for parks and adds \$3.6 million in funding for general operations, promoting improvements in basic services like trash collection, landscaping and better signage.

Transportation: Maintaining Infrastructure & Improving Services

The Patrick-Murray Administration's transportation priorities focus on improving services, maintaining infrastructure and managing finances responsibly. Its capital budget will include over \$450 million for statewide roadway and bridge projects, including safety improvements and repairs. Moreover, the operating budget includes the following investments to support safe, reliable, convenient and efficient transportation systems and services:

- Shifts approximately \$10 million in Executive Office of Transportation personnel costs onto the operating budget from the capital budget. This new funding practice allows us to spend our limited capital funds on carrying out important capital projects.
- Streamlines operations at the Registry of Motor Vehicles (RMV), realizing savings of approximately \$187,000 by co-locating RMV branches and offices, reducing the use of courier services between branches, and resizing the driver's manual.
- Provides \$25.5 million in funding for snow and ice removal, consolidating a previous snow and ice removal line item within the Executive Office of Administration & Finance with a similar line item at the Highway Department for more common-sense accounting. In addition to these transportation funds, the budget provides \$1.5 million in funding to the Department of Conservation and Recreation for snow and ice removal on DCR parkways.

Workforce Development: Creating Opportunities

The Patrick-Murray Administration recognizes that a well-trained workforce is a necessary foundation, not only for the welfare of our citizens, but also for the strength of our economy. The Administration's Article 87 reorganization plan has returned labor and workforce issues to the Cabinet. Moreover, inclusion of the Secretary of Labor and Workforce Development in the Governor's Development Cabinet underscores Governor Patrick's and Lieutenant Governor Murray's commitment to promoting a coordinated approach to growth. The budget includes the following workforce development highlights:

- Preserves a \$2 million increase from last year's economic stimulus package for all of the 32 One-Stop Career Centers across the Commonwealth.
- \$60,000 increase in the Apprentice Training Program, additional funding which includes support for a new apprentice program liaison for central Massachusetts.
- Increases funding by 1% for the Department of Education's School-to-Work programs that help teens across the Commonwealth prepare for professional careers.
- \$350,000 for a Job Vacancy Survey, which will conduct regional analysis of employer needs and workforce demand, allowing the new Executive Office of Labor and Workforce Development to create targeted workforce training solutions.

Strong State Government

The Patrick-Murray Administration's budget makes investments to ensure that the important functions of state government are provided in a manner that is cost-effective, customer-friendly, responsive and accountable. The budget provides support for non-executive branches of government and other Constitutional officers. It also promotes responsible management of our state's revenues and savings, debts and liabilities.

Judiciary

- Maintains full support for the Supreme Judicial Court, Trial Court, Appeals Court, Public Counsel Services, District Attorneys, Commission on Judicial Conduct, and Board of Bar Examiners.
- Promotes consolidation of court funding through reducing the number of judiciary line items from 164 in the FY07 GAA to only 16 in this year's budget.

Constitutional Officers

- Secretary of the Commonwealth
 - Provides an additional \$700,000 for the population estimate program at the University of Massachusetts' Donahue Institute, to ensure that the Commonwealth maximizes receipt of federal funds related to population levels.

- Attorney General
 - \$394,000 (14%) increase for expanded enforcement of wage and labor laws, including added focus on worker misclassification.
 - \$150,000 for the Medicaid Fraud Control Unit to protect the integrity of the Medicaid program by detecting and prosecuting fraud.
- State Auditor
 - \$150,000 for the Medicaid Audit Unit, to help maintain program integrity through preventing and detecting Medicaid fraud.

State Financial Management Practices

- Stabilization Funds
 - This budget is balanced without drawing on the balance of the state’s “Rainy Day” fund. In fact, due to prudent financial management of the fund, we expect this balance to grow to \$2.3 billion by the end of FY08.
- Revenue, Debt, and Cash Flow Management
 - Increases funding for the Department of Revenue by \$3.7 million for additional auditors, which is expected to improve tax revenue collections by \$13.3 million.
 - \$150,000 to hire new attorneys at the Appellate Tax Board to address a case backlog and close outstanding cases worth an estimated \$10 million in tax revenue for the Commonwealth.
 - Almost \$100 million in new revenues from a joint effort with the State Treasurer, resulting from earnings achieved by taking advantage of higher interest rates and “bonding ahead” for capital projects, rather than temporarily borrowing from the General Fund for capital costs.
 - Supports procurement reforms coordinated through the Operational Services Division (OSD) and other agencies. These reforms will make state government a smarter purchaser of goods and services, achieving real savings for the Commonwealth while furthering important policy goals like reduced energy consumption and increased small business access to state contracts.
- Long-Term Liabilities
 - Maintains steady progress in reducing the Commonwealth’s unfunded pension liability. This year’s budget fully meets our payment obligation under the current schedule, paying an additional \$64 million compared with last year.
 - Makes an innovative and nation-leading first step toward funding the state’s OPEB liability (state retiree health benefits). Provides \$400 million to fund the first year’s liability, through a transfer from the Health Care Security Trust Fund. The budget also establishes an irrevocable trust for OPEB liability funds and directs future Master Settlement Agreement payments toward it.

Civic Engagement

Governor Patrick and Lieutenant Governor Murray firmly believe in civic engagement and public participation in government. They have already taken important first steps to cultivate civic engagement through the creation of a dedicated new government office, the Governor's Public Liaison. Through community meetings and technological advances, the Administration is conducting public outreach more broadly than any Administration in recent history. As an employer, we practice what we preach by broadening opportunities for state employees to volunteer in their communities. The budget includes:

- \$239,000 to the Bureau of State Office Buildings for increased compliance with the Americans with Disabilities Act, including funding for interpreters and real-time translators for State House hearings and events.
- \$3 million to establish the Commonwealth Corps program to promote volunteerism.