

Executive Office of Education

1 Ashburton Place
Suite 1403
Boston, MA 02108

Fiscal Year 2014 Budget Hearings

Monday, December 3, 2012

McCormack State Office Building, Boston, MA

Thursday, December 6, 2012

Worcester State University, Worcester, MA

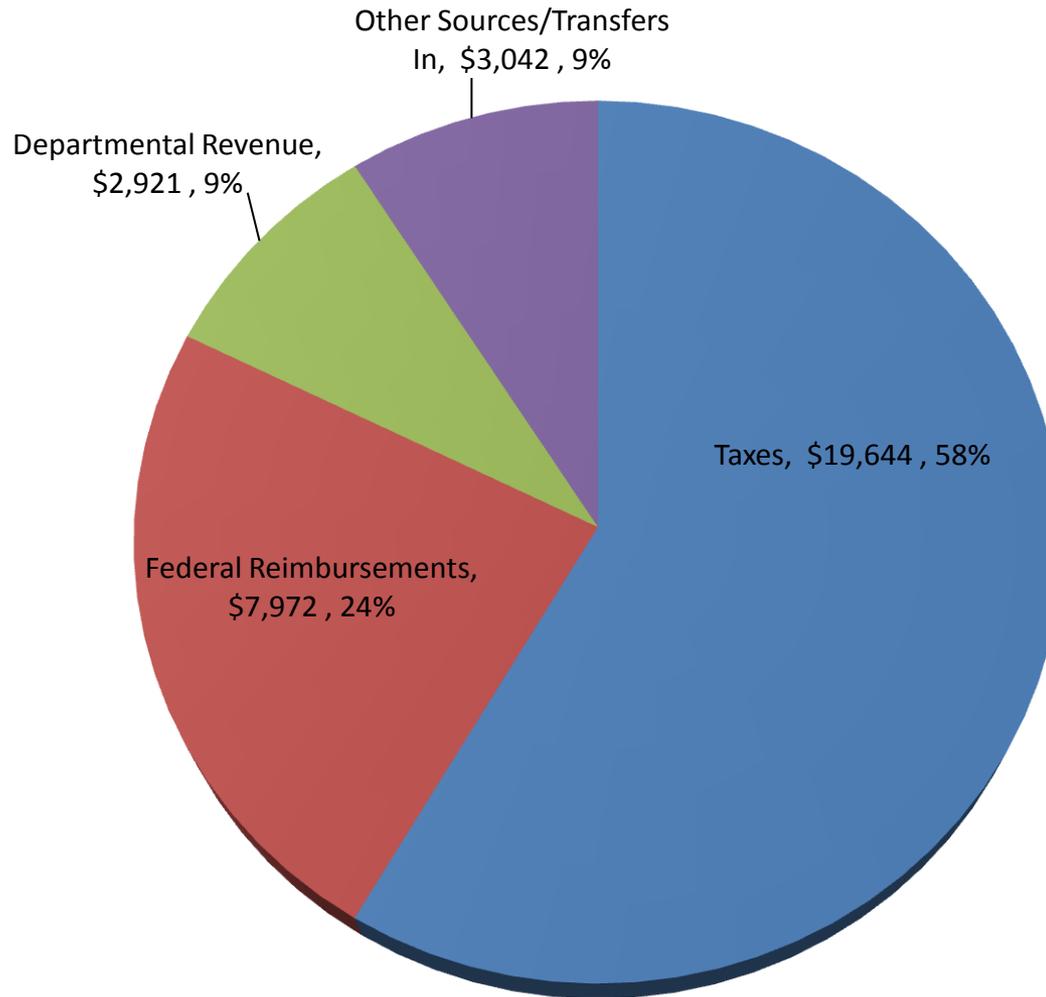


Timeline of Governor's Budget Process

- **November/December 2012:** Cabinet Secretaries hold hearings to gather testimony from key program stakeholders and the public regarding FY 2014 priorities.
- **December 11, 2012:** The Administration and Legislature hold joint revenue consensus hearing to develop forecasted revenues available to support next year's budget.
- **January 23, 2013:** Governor Patrick files FY 2014 (House 1) budget.



FY 2012 Budgetary Revenues, by Category (\$ in millions)





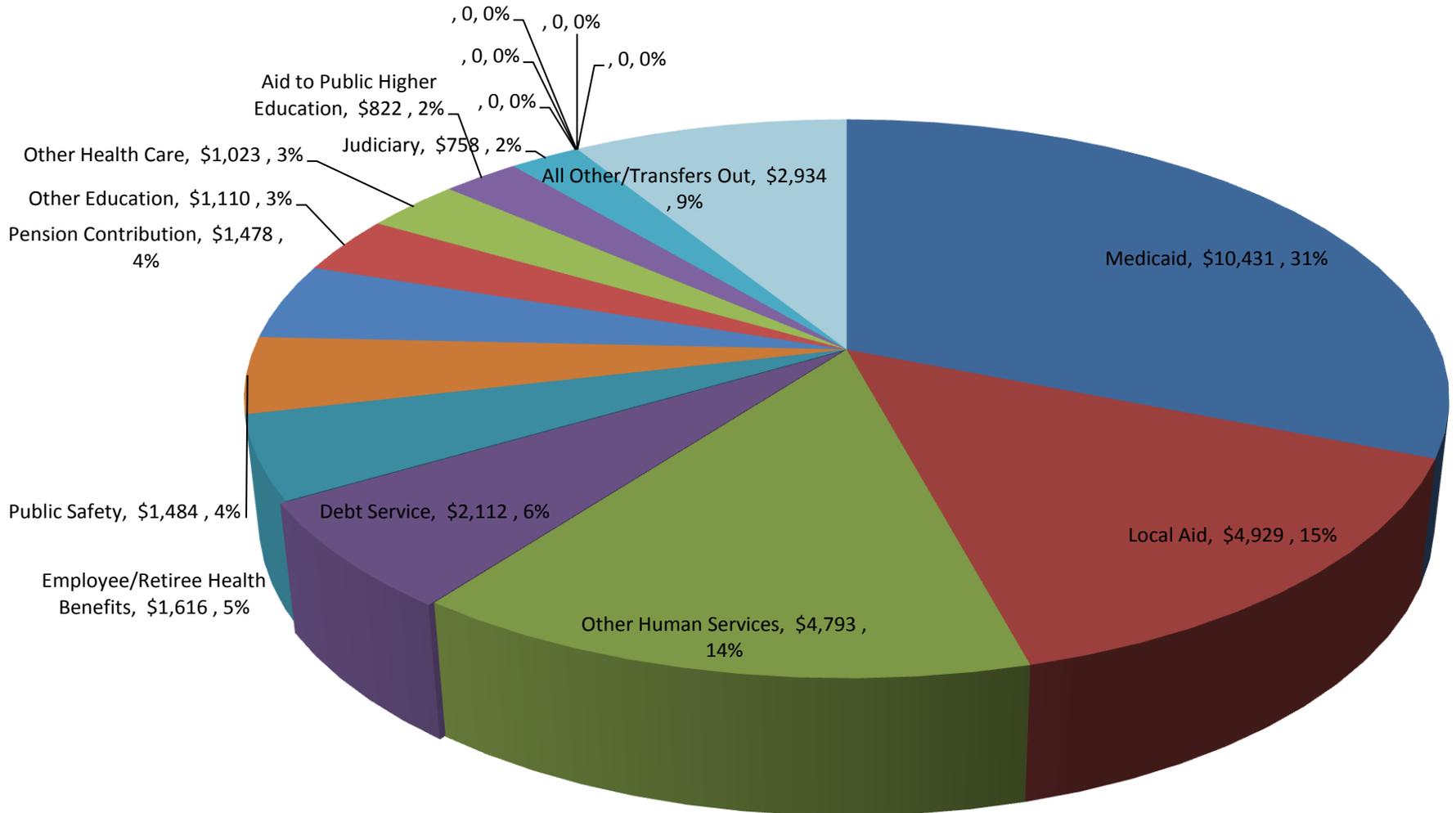
State Budget Revenue

- The state budget relies on four main categories of revenue:
 - **Taxes (58%)** – Consists of income, sales, corporate and other use excises, with income taxes generating over 60% of annual tax receipts.
 - **Federal reimbursements (24%)** – The bulk of this revenue corresponds to state expenses on services provided to MassHealth (Medicaid) members and growth of this revenue is tied to increased state spending.
 - **Departmental Revenues (9%)** – Includes dedicated fees and similar revenue collected by state agencies for services performed, licenses and related activities.
 - **Transfers (9%)** – Typically includes transfers from non-budgetary sources and/or state rainy day fund.



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FY 2012 Budgetary Expenditures, by Category (\$ in millions)



Source: Massachusetts Statutory Basis Financial Report, FY2012



State Budget Spending

Largest Categories of State Spending:

- Health Care-related spending totaled 39% of the budget in FY 2012:
 - MassHealth (Medicaid) - 31%
 - Employee/Retiree Health Care – 5%
 - Other Health Care (including costs of 2006 state reform) – 3%
- Local Aid, including \$4.0 B in Chapter 70 (K-12 aid) – 15%
- Human Services – 14%
- Debt Service – 6%
- All Other* – 26%

**Includes budgeted expenses for environmental programs, labor/workforce development, economic development and housing services, administration and finance, public safety and administration of justice, aid to public higher education and statewide education programs.*



FY 2013 Budget

- The current budget assumes state spending of \$34 billion, including the state contributions for employee/retiree pensions.
- Health care-related costs as a % of annual expenses is projected to growth to 41% of the total budget.
- Other major cost drivers include:
 - Chapter 70 (\$180 million increase)
 - Debt Service
 - Pensions
 - Safety net services to low income families and seniors
 - Collective bargaining
- After accounting for increases in these areas, most other areas of state government received moderate increases or level-funding from FY 2012 amounts.



FY 2013 Budget

- Despite funding challenges the budget makes targeted investments and preserves funding for the Governor's four strategic initiatives include:
 - Stimulate job creation across the Commonwealth
 - Control the growth in health care costs for the state, local government and businesses
 - Reduce urban and youth violence
 - Eliminate the achievement gap among Massachusetts' students
- The annual state budget process helps align state resources with objectives such as these to ensure we measure and evaluate our performance in meeting our stated goals.



FY 2014 Budget Development

- The Governor must file his budget proposal by **January 23, 2013**.
- The joint Legislative and Administration tax forecast development for FY 2014 will begin on December 11th. This process will determine the amount of the largest portion of budgetary resources available next year.
- Other major factors affecting next year's budget:
 - Projected cost increases in major state programs.
 - Amount of non-recurring or "one-time" revenues used in the budget. The state budget relies on over \$900 million in FY13, down from \$1.9 billion assumed in FY11.
 - Other national economic and budgetary changes, such as the looming federal "fiscal cliff" negotiations and implementation of the national health care reform act.
 - Significant transportation system funding needs.



National Economy / Federal Budget

- Without further Congressional action on January 1, 2013 the following will occur:
 - *Over \$100 billion nationwide in federal budget reductions to most defense and non-defense programs.*
 - *\$500 billion in tax increases across all categories of tax payers.*
 - *End of extended jobless benefits for long-term unemployed persons.*
- These changes are expected to have a dramatic slowdown on national and state economic growth.
- The state budget would be impacted by reduced tax revenues as well as reduced federal funding awarded to the state for services and program provided to Massachusetts residents.
- Many employers and consumers already report forestalling hiring, investments and purchasing due to the uncertain impacts of the national economy and the federal budget.
- While the federal government may avoid the January 1 fiscal cliff, eventual tax and spending changes to address the federal deficit are expected to impact the levels of services provided by the state to its residents.



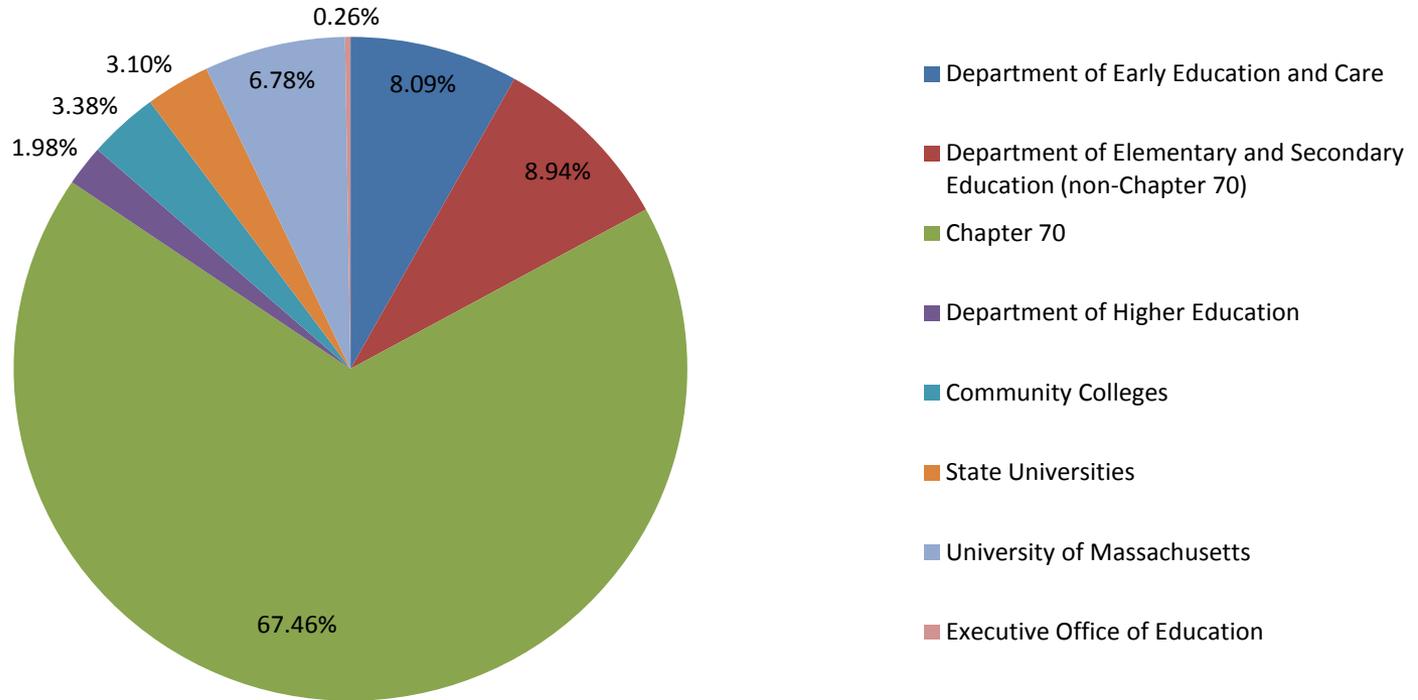
FY14 Initiatives on Improved Transparency and Management by Results

- The FY2014 Governor's Budget Recommendation will be a critical milestone, laying out for the public more clearly than ever before what we are spending our money on.
 - In January, **Strategic Plans** will be published for each Secretariat along with the Governor's Budget Recommendation, presenting the goals and actions that state government plans to achieve during the next 2 years.
 - The FY2014 Budget Recommendation will also be published in both the current line item (account) format and in a new **program format**, including a web version of the program budget that the public will find easy to navigate and understand. In the future, outcome measures and results will be reported for each program.
- Together, these form the building blocks for defining programmatic outcomes and measuring the results of our programs, an initiative that we call **MassResults**.
- This initiative continues the Administration's focus on increasing the transparency of state government through such web sites as **Open Checkbook**. Open Checkbook was a significant milestone in giving the public access to information on state government spending. In FY14 this site will continue to be enhanced, adding spending for quasi-independent entities such as the MBTA and making improvements to the Transparency web site.



BUDGET OVERVIEW

Total FY13 Education Spending: \$6,180,736,000





Fiscal Year 2013: Focus on 'Closing the Achievement Gap'

*Since taking office, Governor Patrick's top priority in education has been '**Closing the Achievement Gap**' among our students. We have made great progress in this area over the past five years, but more work remains to be done to ensure that every student is challenged and afforded the skills, knowledge, support and motivation to reach his or her full potential in the classroom and beyond.*

The following slides highlight the strategies underway in Fiscal Year 2013 to help us reach this goal.



FY13 – Key Activities from Pre-K through Post-Secondary Education

- Promotion of **early literacy activities**
 - Implementation of the Quality Rating and Improvement System (QRIS)
 - Investment in strategies to increase early literacy and kindergarten readiness, such as the Kindergarten Entry Assessment system (*Supported by federal Race to the Top – Early Learning Challenge grant*)
 - Creation of an Early Literacy Expert Panel (*Chapter 287 of the Acts of 2012*)



FY13 – Key Activities from Pre-K through Post-Secondary Education

- Increased **educator effectiveness**
 - Implementation of a new framework for educator evaluation in school districts throughout the state (*supported by Race to the Top*)
 - Focused professional development in underperforming schools and school at-risk of being deemed underperforming (Levels 4 and 3 in the state accountability system)
 - Professional development for educators of English Language learners (RE-TELL Initiative)
 - Development of model curriculum units and other instructional materials for teachers across the state (*supported by Race to the Top*)
 - Establishment of statewide Educator Preparation Advisory Group (EPAG)



FY13 – Key Activities from Pre-K through Post-Secondary Education

- **Turning around the lowest performing schools and districts**
 - Focus on meeting the needs of all students, including English Language Learners and students with special needs
 - Helping to build school district capacity to sustain support for underperforming schools (*through DSACs, Readiness Centers, liaisons*)
 - Addressing non-academic factors that get in the way of students coming to school “ready to learn” (*through the Governor’s Child & Youth Readiness Cabinet and Wraparound Zone Initiative*)
- New **information technology systems for educators** including the PK-20 longitudinal data system under development



FY13 – Key Activities from Pre-K through Post-Secondary Education

- Graduate more students who are **prepared for college and career success**
 - Implementation of Common Core state standards
 - Participation in discussions on next generation of student assessments, through the PARCC consortium
 - Development of the Early Warning Indicator System
 - Increased investment in innovative STEM education programs through the Governor’s STEM Advisory Council and the STEM Pipeline Fund
- Adopting a comprehensive view of the **Commonwealth’s public higher education system** and its linkages to **workforce systems**
 - Community College Reforms
 - The Vision Project
 - Participation in the Pathways to Prosperity Network



Fiscal Year 2013 - State, Federal and Private Investments

These priorities have been supported through a combination of state, federal and private investments, including:

- **Race to the Top Early Learning Challenge grant** awarded in December 2011 – \$50M over four years (January 1, 2012 – December 31, 2015). This grant provides support for the Quality Rating and Improvement System (QRIS).
- Record investment in **Chapter 70** for Fiscal Year 2013
- **Gateway Cities Education Grants**, \$3.5M in state funding to support initiatives in the Commonwealth's twenty-four Gateway Cities
- Close to \$500K in **grants awarded to support Innovation Schools**; 44 schools are currently open and 50 are expected to be open by FY14. *These are supported through Race to the Top and private philanthropic support.*



Fiscal Year 2013 - State, Federal and Private Investments (continued)

- **Capital Plan for Public Higher Education** - \$298M in capital investments for community colleges over next five years; \$607M to UMass system
- **Performance Incentive Fund (PIF)** for public higher education - \$4M awarded to community colleges; \$2.5M to public universities and UMass
- \$13.7M in federal **School Improvement Grant funding** awarded to nine districts in June for implementation activities beginning in September 2012
- **Race to the Top (RTTT)** funding supported multiple initiatives in FY13 including the implementation of new educator evaluation strategies, new Curriculum Frameworks, and strategies to increase college and career readiness
- **Longitudinal Data Systems Grants (LDS I and LDS II)** and **RTTT** support new technology systems for educators including the Teaching & Learning System, Student Information Framework and Massachusetts Education Portal, to complement the PK-20 data system



Conversation

- **What are your priorities for Fiscal Year 2014?**
- **What are your ideas for increasing revenues and decreasing expenses?**
- **Where should the administration focus our resources?**