

GOVERNOR PATRICK SIGNS FY13 BUDGET

\$32.5 billion budget includes record K-12 education investments, community college reforms; Governor responsibly identifies funds to support August sales tax holiday

BOSTON — Sunday, July 8, 2012 – Governor Deval Patrick today signed a \$32.5 billion fiscal year 2013 (FY13) budget that makes record investments in K-12 education and puts community colleges at the center of the state’s workforce development strategy. In addition to prioritizing education and job creation, the budget invests in health care cost containment and youth violence prevention, two other key areas of the Governor’s growth agenda.

“When we support students, put people to work, reduce health care costs and strengthen public safety, we make Massachusetts better,” said Governor Patrick. “This budget does that through targeted investments and cost-savings reforms. It also responsibly holds the line on spending because we know our recovery is ongoing, not complete. This balanced approach keeps us on track to meet our generational responsibility of building a stronger Commonwealth.”

The FY13 budget funds local aid at \$5.32 billion, an increase of 3.7 percent over FY12. Chapter 70, the largest block of state education aid, increases in FY13 by 4.5 percent from FY12, bringing funding to a historic level of \$4.171 billion. The budget signed today also continues the Patrick-Murray Administration’s efforts to reduce the state’s reliance on one-time solutions. It includes a draw of \$350 million from the stabilization fund, leaving the account with a FY13 balance of at least \$1.28 billion and the Commonwealth with one of the nation’s largest reserve fund balances. Compared to FY12, today’s budget increases by roughly 4 percent, a rate of growth that is still less than the assumed growth in state tax revenue collections in FY13.

In addition to the targeted investments, spending reductions and policy changes signed today, the Governor also announced he has determined a way to pay for an August sales tax holiday without putting additional pressure on the FY13 budget. A supplemental spending plan filed alongside the FY13 budget sets aside an estimated \$20 million from a recent one-time payment to the General Fund the Commonwealth recently received to support the popular measure. Identifying funds to support an initiative that generates revenue for retailers and delivers savings to consumers at the outset of the fiscal year is responsible and prudent, ensuring the state will be able to afford forgoing sales tax collections for a weekend next month.

“Governor Patrick and I, along with our partners in the Legislature, are delivering a budget that is balanced and will lead to a stronger economy for Massachusetts,” said Lieutenant Governor Timothy Murray. “Despite the challenges we may face, our Administration continues to build on reforms and efficiencies and we remain committed to our core values, providing quality services and protecting all residents of the Commonwealth.”

Last year, citing the Patrick-Murray Administration's proactive budget management as a leading factor, Standard and Poor's upgraded the Commonwealth's credit rating to AA+, resulting in all three of the state's credit ratings being just one notch below the highest possible rating and giving the Commonwealth the highest credit ratings in its history. These ratings have allowed the Patrick-Murray Administration to continue making critical investments in schools, roads and bridges, and public facilities to accelerate a long-term economic recovery.

“This budget is balanced, fiscally responsible and it positions us well for the future,” said Secretary of Administration and Finance Jay Gonzalez. “Most important, this budget reflects the fact that we must change the way government does business by aggressively building on the many reforms and efficiency initiatives we have already implemented to ensure we stretch every taxpayer dollar as far as possible.”

Advancing the Governor's Growth Agenda

The FY13 budget supports critical areas of the Governor's growth agenda, including education, job creation, health care cost containment and youth violence prevention.

Education: The FY13 budget maintains funding from the Governor's budget for achievement gap programs in Gateway Cities that focus on career success and English language learning in addition to increasing funding for Chapter 70 K-12 education aid, special education, METCO and programs focused on intervention, MCAS, youth at risk and school specific support.

Jobs: The budget adopts the community college reforms the Governor unveiled in his January State of the Commonwealth address. The changes will align the colleges' missions and increase accountability as well as close the skills gap and meet the workforce development needs of local employers.

Health Care Costs: Approximately \$700 million in health care cost containment savings will be realized, including the following highlights:

Use of innovative management and contracting strategies at MassHealth aimed at

lowering cost and transforming the payment and delivery models in the program

The Health Connector Authority continues its competitive procurement strategies that have decreased premiums by 10 percent over the past two years for Commonwealth Care members. The Connector will also expand its small business wellness subsidy to help lower health care premiums for small businesses; and

The Group Insurance Commission adopted rate increases for health insurance premiums of 1.43 percent, which is projected to save \$55 million. In addition, GIC will leverage the Federal Early Retiree Retirement Program (ERRP) funding to save the GIC an additional \$45 million in FY13.

Health Care System Reform Investments: The budget includes several important investments that will move the state's care delivery system forward in FY13:

Full funding for payment and delivery system reform by supporting integrated systems of care at safety net hospitals through the Delivery System Transformation Trust Fund (\$187 million in transfers, \$82 million in state share);

Investments of \$23 million in infrastructure capacity building grants for hospitals and community health centers;

New resources at MassHealth to improve consumer-facing operations and support MassHealth in implementing payment reform and the Affordable Care Act; and

The creation of a new Health Care Workforce Transformation Trust Fund to recruit or re-train employees in the Massachusetts health care sector in line with the Governor's legislative proposals to transform the health care industry.

Youth Violence: The Governor is seeking to restore funding for proven youth violence prevention programs, including an additional \$1.5 million for Shannon Grants that target gang violence, \$6 million for summer jobs to expand employment opportunities for low-income youth this summer and next and \$6 million for the Safe and Successful Youth Initiative so the state can partner with local communities to support high-risk youth and create safer neighborhoods.

Reforming the State's Community Colleges System

The FY13 budget includes legislative changes that support reforms the Governor initiated to

strengthen the state's community college systems. Adopted in the budget the Governor signed today are the following reforms:

Stronger connections between the Department of Higher Education and leadership of the community colleges;

Stronger connection and accountability between community colleges and vocational/technical schools; and

Increased oversight and integration of workforce development initiatives at the regional level.

In addition, the budget provides \$5 million in Performance Incentive Grants dedicated for community colleges and \$2.25 million to fund "Rapid Response Grants" which will allow community colleges and potential employers to develop career specific curriculum based on the needs of the employer.

Veto

The Governor vetoed \$32.1 million in spending proposed in the Legislature's budget, including:

\$10 million for a Human Services Salary Reserve – The Governor proposes to instead use this funding to support unfunded increases for human service providers consistent with the "Chapter 257" reforms adopted in 2008 to increase transparency and reliability of reimbursement to human services providers that care for the state's most vulnerable residents;

\$10 million for the Probation Department – The Governor proposes to bring this account's spending in line with realistic agency responsibilities and caseload levels;

\$5.1 million for the Department of Mental Health to continue to operate the Taunton State Psychiatric Hospital at 45 beds – The Governor proposes closing Taunton State consistent with the administration's Community First Initiative;

\$3.5 million for a reserve for school districts to request additional funding – Funding above and beyond record-level FY13 Ch. 70 investments is unnecessary at this time;

\$400,000 for a State Police Benefits Fraud Unit – Additional funding duplicates existing programs and responsibilities at State Police and the Auditor's Office; and

\$3.1 million in legislative earmarks.

Policy Actions

Examples of policy actions included in the budget the Governor signed today include:

Amending Electronic Benefits Transfer (EBT) language to be consistent with the strong recommendations of the EBT Commission and ensure changes are enforceable;

Signing stricter penalties for driving without a license;

Amending registration changes to give the RMV the ability to coordinate with the Executive Office of Public Safety and Security to determine whether exempting certain people (for example: seniors, servicemen or seasonal residents) from having to provide a license to register a car will enhance public safety by increasing the number of registered and insured vehicles on Massachusetts roads;

Signing Melanie's Law updates to ensure OUI cases continued without a finding will now count as prior offenses when calculating penalties for refusing to submit to a breathalyzer;

Signing authorization for pharmaceutical companies to offer drug coupons to Massachusetts residents;

Signing a requirement that mutual insurance companies provide clear and concise disclosure of compensation paid to their executive officers or directors in a format "readily accessible" to their members; and

Vetoing proposed language to lower the population threshold for Gateway Cities from 35,000 to 20,000. This change would dilute limited funding available for targeted communities already in the Gateway Cities program.

Proposed Supplemental Budget

The Governor today proposed using a combination of FY12 and FY13 surplus funds and FY13 vetoes to address unfunded needs in FY13, including:

An estimated \$20 million in one-time settlement money to support an August sales tax holiday;

\$15 million for emergency housing services for families that are homeless or at-risk of becoming homeless;

\$14 million for information technology costs to support services provided to residents and businesses;

\$10 million for a reserve to implement the costs of the Chapter 257 reforms;

\$6 million for Summer Jobs;

\$6 million for Safe and Successful Youth;

\$1.5 million for Shannon Grants;

\$1.4 million for Special Education Tuition Costs;

\$300,000 for the Massachusetts National Guard; and

\$100K for a study of mental health services.

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