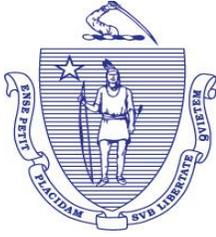


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CHARLES D. BAKER
GOVERNOR

KARYN E. POLITO
LIEUTENANT GOVERNOR

January 24, 2018

To the Honorable Senate and House of Representatives,

We are pleased to submit our Fiscal Year 2019 (FY19) House 2 budget recommendation, the fourth annual proposal of the Baker-Polito administration. This fiscally responsible proposal once again builds on our collaborative work with the General Court to keep state spending in line with revenue growth, minimize our reliance on non-recurring revenues, and avoid tax or fee increases to balance the budget, while investing in key priorities including local aid, education, workforce development, substance misuse, mental health, housing, and transportation.

Our FY19 House 2 proposal anticipates a \$96 million deposit into the Stabilization Fund, which would bring total reserves to \$1.463 billion, an increase of over 30% since the Baker-Polito administration took office. House 2 also relies on less than \$100 million in one-time revenue, a reduction of over 90% since Fiscal Year 2015 (FY15).

House 2 spends \$40.9 billion, an increase of 2.6% over Fiscal Year 2018 projected spending. Through aggressive integrity measures at MassHealth, we have reduced the annual net growth of MassHealth spending from 10.6% in FY15 to 0.5% in this budget proposal for FY19. House 2 continues our progress to make MassHealth sustainable through an updated proposal for comprehensive coverage for non-disabled adults and innovative prescription drug transparency measures.

In 2015, we worked with you in the Legislature to increase the Commonwealth's Earned Income Tax Credit from 15% to 23% of the federal credit, and this year we propose an additional change upward to 30% of the federal credit effective January 1, 2019, which will continue to support low-income working individuals and families.

Keeping our commitment to the Commonwealth's cities and towns and consistent with immediate past budget years, House 2 increases unrestricted local aid by 3.5%, equal to 100% of the consensus revenue tax growth estimate percentage. This investment will provide municipalities with \$1.099 billion in unrestricted general government aid.

Local education aid increases by \$118.6 million, including \$15 million for school districts that have seen significant enrollment of students from Puerto Rico and the U.S. Virgin Islands, and

FY 2019 Governor's Budget Recommendation

\$24.3 million towards addressing the rising costs of healthcare for retirees, which was a major recommendation of the Foundation Budget Review Commission.

To address college unaffordability, the administration proposes \$7.1 million to double the MassGrant program for community college students, which will cover all un-met need for students to cover tuition and fees at the Commonwealth's 15 community colleges. House 2 includes \$3 million in new funding for Early College programs, which will focus on partnerships between high schools and higher education institutions, and encourage students to enter STEM fields.

This budget builds on our efforts to fight the opioid epidemic with \$5 million in new funding for education and prevention programs, as well as \$3 million to support a new program model at the Massachusetts Alcohol and Substance Abuse Center. Since taking office, total annual spending for substance misuse and treatment services has increased by nearly 60%, not including spending for MassHealth services.

House 2 also includes \$93.2 million in new funding at the Department of Mental Health, including \$84 million for strengthened community-based services for adults.

The administration proposes to reduce the filing fee for forming a limited liability compact in half to \$250, reducing the burden for business owners and entrepreneurs.

To save taxpayers from having to cover the costs of excessive sick time cash outs to state workers leaving employment, the administration is once again filing to cap accrued sick time for state employees, bringing the Commonwealth in line with other states and private sector employers.

We are appreciative of our strong collaborative relationship with the Legislature to pass responsible budgets and key priorities since taking office, and look forward to working with you in the coming months on this proposal.

Sincerely,



Charles D. Baker
Governor



Karyn E. Polito
Lieutenant Governor

Fiscal Overview

This Fiscal Year 2019 (FY19) budget proposal, filed as House 2, continues the Baker-Polito administration's record of filing fiscally responsible spending plans which support the Commonwealth's needs through investing in areas such as local aid, education, workforce development, substance misuse, mental health, housing, and transportation.

Having inherited a large structural deficit upon taking office in January 2015, fueled by unsustainable annual spending growth rates, this administration has worked with the Legislature to bring the budget back into structural balance, largely by managing MassHealth growth, which has allowed the Commonwealth to maintain and invest in critical areas of need. The results of these efforts include:

- *Maintaining structural balance:* Consistent with the administration's Fiscal Year 2018 (FY18) budget proposal, House 2 once again only relies on the expectation of \$95 million in nonrecurring revenue sources. (Chart 1)
- *Protecting and rebuilding the Stabilization Fund:* House 2 anticipates Stabilization Fund growth of \$96 million, which would be a cumulative increase of over 30%, or \$353 million, since the start of the Baker-Polito administration. (Chart 2)
- *Keeping spending in line with recurring revenue:* House 2 proposes \$40.9 billion in spending, excluding the Medical Assistance Trust Fund transfer. This represents an increase of 2.6% (\$1.047 billion) over FY18 projected spending, which is below the consensus revenue estimate of 3.5% growth in anticipated state tax revenue.
- *Managing the growth of MassHealth spending:* MassHealth net growth rate is once again below the overall annual budget spending growth rate and in line with state tax revenue growth. (Chart 3)
- *Avoiding new taxes or fees to balance the budget:* For the fourth year in a row, the administration does not propose raising any tax rates. The budget proposal also assumes the state income tax rate will drop (from 5.10% to 5.05% on January 1, 2019) in accordance with state law, returning \$84 million to taxpayers.

The budget relies on a consensus revenue tax estimate of \$27.594 billion, anticipating 3.5% growth over the revised FY18 tax benchmark. The budget also includes an additional \$65 million from corporate dividend repatriation related to federal tax reform, \$63 million associated with the introduction of recreational marijuana sales, \$13 million from room occupancy tax modernization, and anticipates \$44 million from the opening of new gaming facilities during FY19.

In order to level the playing field between hotels, motels, and transient accommodations, the Baker-Polito administration once again proposes to require operators who rent rooms for 150 or more days per year to collect and remit room occupancy tax. The proposal also permits the Commissioner of the Department of Revenue (DOR) to enter into voluntary agreements with intermediaries who facilitate short-term rentals for the collection of room occupancy tax.

To provide additional support for working families and individuals and fulfill the administration's goal of doubling the Earned Income Tax Credit (EITC) during its first term, the administration proposes to raise the state's EITC from 23% to 30% of the federal credit effective January 1, 2019. This will provide, as an example, an eligible resident family with three or more children additional support of up to \$460 annually, bringing this resident family's potential tax relief from the EITC up to \$2,000 annually. Approximately 450,000 EITC resident recipients are projected to collectively receive a total of \$282

million in relief per year by Fiscal Year 2020 (FY20). The Baker-Polito administration previously worked with the Legislature to raise the EITC from 15% to 23% of the federal credit in 2015.

Consistent with a 2017 report conducted by DOR and as part of the administration's ongoing work to modernize tax collections, the FY19 budget requires the DOR Commissioner to promulgate regulations by May 31, 2021 that require third-party processors to remit sales tax to the Commonwealth on a daily basis. Another section will allow sales tax remitted in July 2019 to be counted in June 2019, and sales tax remitted in July 2020 to be counted in June 2020, as a short-term bridge while DOR develops these regulations.

House 2 proposes to cut the filing fee for forming a limited liability company (LLC) in half to \$250, reducing the burden for entrepreneurs and small business owners. Massachusetts' current LLC filing fee is amongst the highest in the country.

House 2 also supports the new veteran tax credit for smaller businesses, which was first proposed by the Baker-Polito administration and enacted by the Legislature in FY18. Businesses with 100 or fewer employees are eligible for a two-year \$2,000 annual tax credit when they hire and retain an unemployed veteran.

The administration proposes an outside section to allow employers required to pay both the employer shared responsibility payment to the federal government and the Employer Medical Assistance Contribution (EMAC) Supplement in the same taxable year to claim a refundable tax credit of up to \$750 per assessed employee. This would ensure that employers are not required to pay two assessments in the same year.

CHART 1

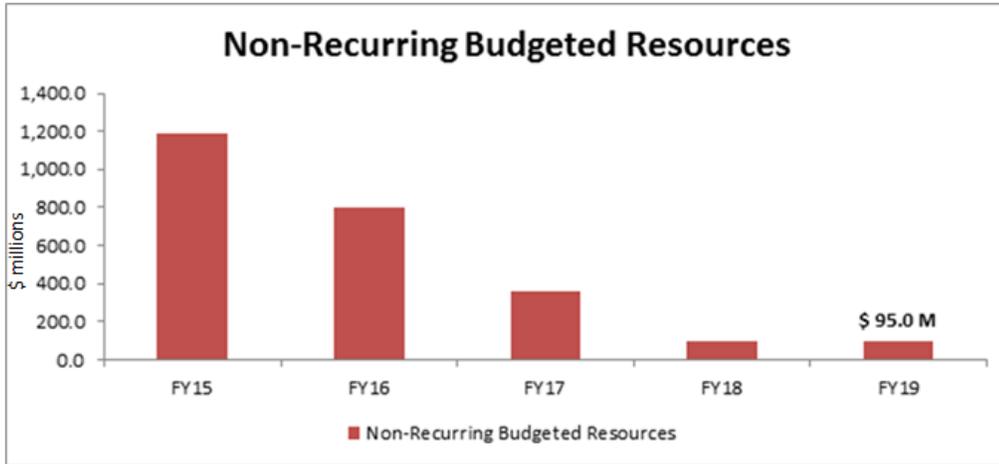


CHART 2

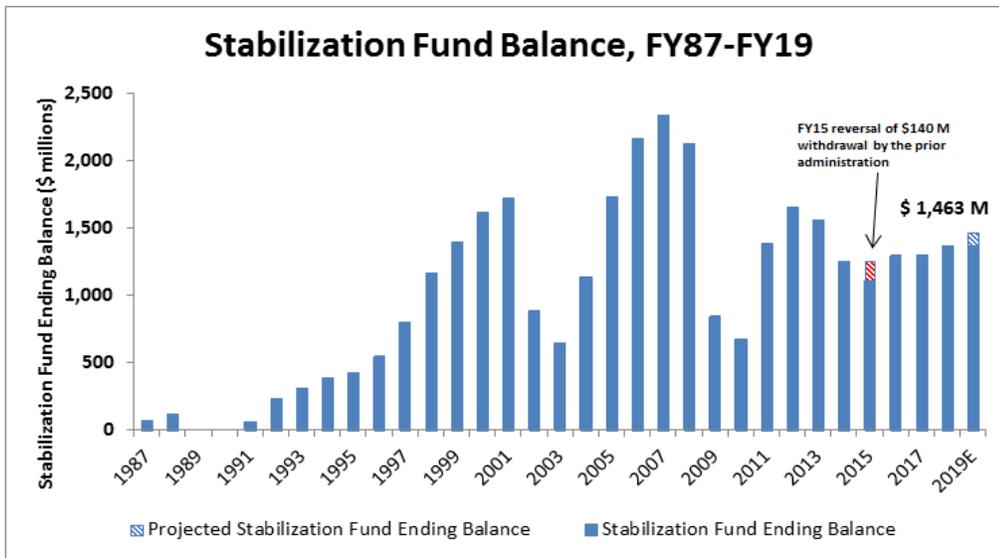
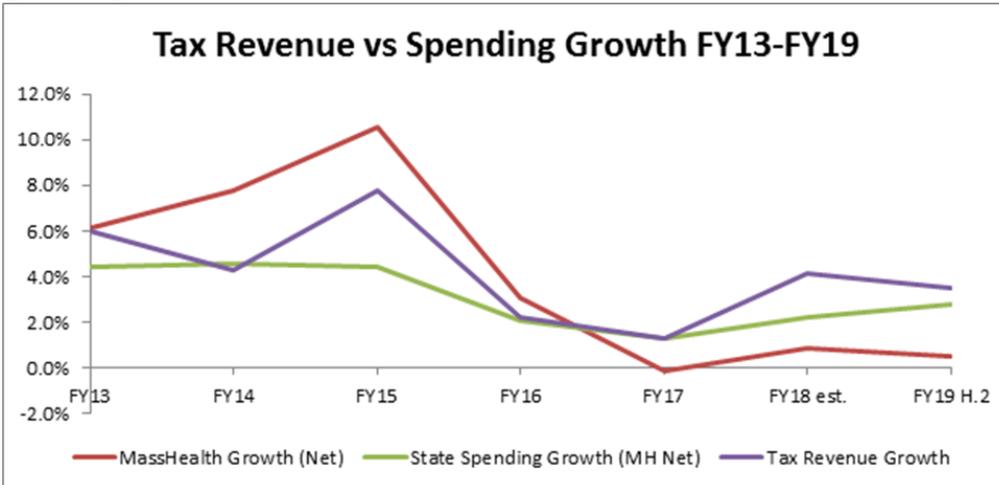


CHART 3



Budget Highlights

Supporting the Commonwealth's Communities

As former local officials, Governor Baker and Lieutenant Governor Polito have experienced firsthand the many challenges municipalities face, and have prioritized strengthening state government's relationship with all 351 cities and towns in the Commonwealth.

In House 2, the administration has kept its pledge to local governments by once again proposing an increase in unrestricted general government aid (UGGA) by 100% of the projected state tax revenue growth rate, providing local leaders the flexibility to address the unique needs of their communities. In FY19, the consensus revenue forecast of 3.5% growth would provide an additional increase of \$37.2 million, to a total of \$1.099 billion, in UGGA. Including House 2 recommended funding, total UGGA will have increased by \$153.2 million since the Baker-Polito administration took office.

The administration's Community Compact Cabinet, started in the first year of the administration and chaired by Lieutenant Governor Polito, provides support to Massachusetts cities and towns as they pursue local initiatives. More than 330 communities have chosen to participate in the Compact program, representing over 800 best practice projects. By the end of FY18, these communities will have collectively been awarded \$17 million since the program's launch for pursuing best practices, regionalization and efficiency efforts, as well as technology infrastructure upgrades. The Baker-Polito administration has also established a municipal ADA grant program, funded through the capital investment plan, which provides funds for communities to increase accessibility at public buildings.

House 2 continues the state's commitment to municipalities by providing \$6.8 million for Community Compact-related programming, including competitive grants for cities and towns.

Education

Massachusetts is a national leader in providing high-quality education to residents of all ages, from early childhood to post-secondary opportunities. Since taking office, the Baker-Polito administration has prioritized investments to ensure our education systems continue producing highly educated and innovative individuals prepared for careers in today's economy.

With post-secondary education becoming increasingly unaffordable for many individuals, the administration has developed several programs to mitigate tuition and fee costs at the Commonwealth's state universities and community colleges to ensure all students can receive a quality and affordable education. Since taking office, the administration has established a first-in-the-nation program providing community college graduates discounts on earning a four-year degree when they transfer to a state university, launched a tuition-free pilot program with the City of Boston for Boston Public Schools graduates, and strengthened vocational-technical (voc-tech) training partnerships and certificate programs with high schools.

House 2 continues these efforts in FY19 through:

- Over \$100 million in scholarship assistance for students pursuing post-secondary education at campuses across the Commonwealth, including \$7.1 million to double the MassGrant program for community college students. This new MassGrant funding, the largest increase in scholarship assistance in over a decade, will close any remaining gap in financial aid for tuition and fees for all full and part-time students at the Commonwealth's 15 community colleges.
- \$10.4 million in new direct funding for higher education campuses across the Commonwealth, including the University of Massachusetts (UMass), state universities, and community colleges.

- \$3 million in new funding to establish high quality Early College pathways, designed to launch the state's first formally designated cohorts of students who will earn at least 12 college credits before graduating high school. These programs will be focused on creating partnerships between high schools and institutions of higher education, incentivizing students to enter STEM fields, and engaging student populations who are currently underrepresented in college.
- \$1.2 million increase to fully fund the cost of providing tuition and fee waivers to children who turned 18 while in the care of the Department of Children and Families (DCF) and enroll in college, and to children who have been adopted from DCF.
- \$250,000 to expand the Commonwealth Commitment college access and affordability program to include more than 40 majors, allowing more students to save 40% or more off the cost of a traditional bachelor's degree by beginning their course of study at one of the Commonwealth's community colleges, and transferring to a state university or a UMass campus.

The FY19 budget proposal also contains an outside section establishing a task force to develop an implementation plan to allow all community colleges and state universities to retain all tuition collections, rather than remitting a portion to the Commonwealth. UMass campuses, the Massachusetts Maritime Academy, and the Massachusetts College of Art and Design have successfully implemented tuition retention.

Since taking office, the Baker-Polito administration has strengthened early education and the K-12 system in the Commonwealth by increasing local aid for districts to an all-time high, supporting school empowerment efforts, and providing historic rate increases to support early education providers.

House 2 delivers critical support for K-12 education and early childhood development through:

- \$118.6 million increase in local education aid, which will bring total aid to \$4.865 billion, a cumulative increase of \$464.9 million since the Baker-Polito administration took office. FY19 funding will provide at least a \$20 per pupil increase for all 322 operating districts across the Commonwealth. Local education aid also includes:
 - \$24.3 million in Chapter 70 aid for a down payment on the rising costs of healthcare, as recommended by the Foundation Budget Review Commission (FBRC). Addressing escalating healthcare costs was the single biggest recommendation from the FBRC, and when fully implemented, this reform will represent the broadest expansion of the Foundation Budget since it was originally adopted 25 years ago. Combined with FY18 funding, the administration has supported an approximately \$50 million increase in state aid towards meeting these recommendations.
 - \$15 million in state aid to school districts that have enrolled significant numbers of evacuees from Puerto Rico and the U.S. Virgin Islands following Hurricanes Maria and Irma. The administration will also file for supplemental funding in FY18 to support these districts.
- \$10 million in new funding, for a total of \$290.1 million, for Special Education Circuit Breaker to assist districts with unanticipated or unbudgeted costs of special education and out of district tuition. In the first three years of the Baker-Polito administration, Circuit Breaker funding has increased by nearly \$24 million.
- \$3.3 million for English language acquisition and literacy programs, including \$500,000 to provide training to English language learners (ELL) teachers in voc-tech schools and \$200,000 in new funding to implement legislation signed by Governor Baker in December 2017 that provides school districts more flexibility in how they teach ELL students.

- \$1 million in new funding for student assessments, for a total of \$32.1 million, to support teachers and schools in developing curricula based on new and revised standards and begin exploring options for extending MCAS testing to include civics and history, while continuing to fund the development of the 10th grade “Next Generation” MCAS test.
- \$100,000 for planning grants for cities and towns that seek to establish Empowerment Zone Partnerships. The Baker-Polito administration has supported successful turnaround efforts in Springfield as part of the Empowerment Zone Partnership, which is overseen by an independent joint city-state board and gives school leadership teams authority to make most decisions at the school level rather than the central office.

In FY18, the administration provided a total of \$45.9 million to implement a series of rate increases for early education and care providers, including a historic 8% rate increase for center-based programs, the largest increase of its kind in a decade. This significant investment will support early educator salaries and benefits at early education and care programs in order to address hiring and retention issues faced by programs that serve low-income families receiving state subsidies. House 2 includes funding to annualize all of these rate increases.

Workforce Development

The Commonwealth’s economy has enjoyed continued steady growth, with over 181,000 jobs added since 2015, a low unemployment rate of 3.6%, and over 64,000 additional people participating in the labor force in 2017 alone. The Commonwealth’s unemployment rate remains below the national average.

Through an Executive Order issued shortly after taking office, Governor Baker created the Workforce Skills Cabinet (WSC) to align efforts across the Executive Offices of Labor and Workforce Development (EOLWD), Education (EOE), and Housing and Economic Development (EOHED) to support a comprehensive economic growth agenda for the Commonwealth.

As the Massachusetts economy continues to grow, there are signs of an increasingly tight labor market in which employers cannot find enough employees with the skills necessary to match their current and future needs.

In recognition of this ongoing skills gap, the WSC recently completed a series of regional planning sessions and engaged outside expert consultants for an independent evaluation of the future job demands of the Commonwealth. As a result of this process, the administration proposes increased funding across the three secretariats to support building a robust talent pipeline for high-demand jobs in every region of the Commonwealth, especially in those sectors where the WSC projects a significant talent gap in middle-income jobs over the next 5 years.

Targeted funding to support the goals of the WSC talent development agenda includes:

- \$4 million in new funding, for a total of \$5 million, for approximately 20 additional grants supporting training and certification programs to bridge the skills gap through the Workforce Competitiveness Trust Fund
- \$1.7 million in new support, for \$3 million in overall funding, at EOHED to provide grants to regional workforce organizations to train unemployed and underemployed individuals in advanced manufacturing
- \$1.5 million in new funding at the Department of Higher Education to support the development of accelerated certificate programs at community colleges in information technology, healthcare, and manufacturing, and \$700,000 at EOLWD to fund over 400 new apprenticeships in these fields

- \$1 million increase, \$3.9 million total, for the Connecting Activities program at the Department of Elementary and Secondary Education (DESE) which provides paid internships for 10,000 high school students, prioritizing participation in STEM fields
- \$1 million in new funding at EOHEd to support the development of post-secondary Vocational Institutes in manufacturing and other high-demand sectors, through collaborations among voc-tech high schools, community colleges, universities, and employers
- \$500,000 increase for the STEM Pipeline Fund at EOE to support planning and implementation grants for high schools to establish Innovation Pathways in partnership with local employers, expanding opportunities for high school students to participate in formally designated career-oriented programs that include work-based learning in STEM fields; House 2 recommends a total of \$2 million for this program

Since its establishment, the WSC has also provided over 120 Workforce Skills Capital grants worth a total of \$38.2 million to support critical infrastructure for vocational and technical training and education programs at comprehensive high schools, regional voc-tech schools and community colleges.

House 2 also recommends funding the Summer Jobs for At-Risk Youth program at \$10.3 million, which will support jobs for approximately 3,600 young adults.

In June 2017, the administration launched the Massachusetts Pathways to Economic Advancement Project, the nation's first pay-for-success project focused exclusively on workforce development. House 2 recommends \$2 million in new funding to support the contract for this program, which provides vocational training, English language classes, job search assistance, and college-transitioning programming for approximately 2,000 adults over three years.

Economic Development

The Baker-Polito administration continues to invest in programs that help unlock economic opportunity in all communities. Since taking office, the administration has invested over \$650 million through the operating and capital budgets to support economic development initiatives across the Commonwealth, and in House 2, the Baker-Polito administration supports several initiatives which will help foster business growth, expand the talent pipeline, and advance the Commonwealth as a leader in innovation.

In 2017, EOHEd and the Massachusetts Office of Business Development held 10 small business listening sessions, including a bilingual session, across the Commonwealth to engage small business owners and residents. Listening sessions attracted more than 600 people, including 250 small business owners, who provided important insights to guide the administration's support for small businesses.

The administration recommends \$2 million for the Small Business Technical Assistance Program, an increase of \$1.3 million over FY18 spending, to provide technical assistance, education, and access to capital to small businesses. The administration also proposes \$1.2 million to continue supporting the Massachusetts Small Business Development Center, run by UMass with locations across the Commonwealth.

The administration also proposes creating a stable funding source for the State Trade Expansion Program, which helps small businesses improve their marketing strategies and visibility on an international scale. In two award rounds in FY15 and FY16, the administration leveraged significant federal matching funds from the Small Business Administration to award \$1.3 million to more than 124 small businesses across the Commonwealth.

The administration maintains a deep commitment to supporting community-oriented economic development, grounded in collaboration and local leadership development. House 2 recommends continuing to fund the Urban Agenda Grant Program at \$500,000, providing funding for coalitions in urban communities to undertake locally-driven projects that support economic development.

The Baker-Polito administration is introducing a new program to assist cities and towns in downtown revitalization efforts. The Downtown District Coordination Program will catalyze long-term, sustainable growth by facilitating community commitment to rebuilding and investing in downtowns. Regional partners will offer technical assistance to develop capacity at the local-level, securing social and capital investments by businesses, community leaders, and residents to create thriving downtown spaces.

Consistent with recent budgets, the administration's FY19 budget proposal includes an outside section that directs \$10 million of any FY18 consolidated net surplus to the Community Preservation Trust Fund and an additional \$10 million to the Massachusetts Life Sciences Center before the remaining surplus money is deposited into the Stabilization Fund at the end of FY18. Governor Baker has filed a life sciences bill, which would provide \$500 million including capital funding and tax credits to support public infrastructure, research and development, workforce training, and education in the Commonwealth's life sciences sector.

House 2 also recommends a \$3.6 million increase to a total of \$13.6 million to support current pipeline projects for the Infrastructure Investment Incentive Program (I-Cubed) which provides public infrastructure improvements that spur private development.

Substance Misuse

The Baker-Polito administration has led extensive efforts to fight the opioid and heroin epidemic in the Commonwealth, and reforms in Massachusetts have become a model for other states across the country. In 2016, Governor Baker signed landmark legislation which expanded treatment, implemented Screening, Brief Intervention, and Referral to Treatment (SBIRT) in schools, and instituted the nation's first seven day limit on first time opioid prescriptions for adults.

Under Governor Baker's leadership, Massachusetts became one of the first states in the nation to secure an 1115 waiver from the federal government to increase Medicaid funding for Substance Use Disorder (SUD) services to combat the opioid epidemic. Through this waiver, MassHealth is providing \$30 million in FY19 funding to expand SUD services and will invest a total of \$219 million in the treatment system over 5 years. This funding will support Residential Rehabilitation Services, Transition Support Services, and Recovery Coaches/Recovery Support Navigators in the MassHealth benefit, improving access by MassHealth to these levels of care. New federal funds provided through the waiver will also support significant expansion of substance use treatment beds and Medication Assisted Treatment.

In addition to increases in funding at MassHealth, since taking office, the administration has increased annual spending for substance misuse and treatment services by nearly 60%, from approximately \$120 million in FY15 to over \$187 million in FY19 across other agencies.

In November 2017, Governor Baker announced a new package of proposals to fight the opioid and heroin epidemic, including legislation titled *An act relative to Combatting addiction, Accessing treatment, Reducing prescriptions and Enhancing prevention* (CARE Act). These proposals build upon the legislation signed in 2016 and increase access to treatment and recovery services, strengthen education and prevention efforts, and seek regulatory relief from the federal government to increase treatment access.

As outlined in the new package, the administration proposes a new Substance Use Prevention, Education, and Screening Trust Fund, which will provide \$5 million to identify and implement effective, comprehensive prevention and intervention programs and tools, develop information systems to identify and track students who may be at risk, and provide grants for school-based coordinated support of students in need.

To better serve the educational needs of students who are in recovery from alcohol and drug misuse, the administration proposes to transfer the funding that supports the Commonwealth's five recovery high schools from the Department of Public Health (DPH) to DESE. These high schools will be funded with \$2.5 million in FY19, with additional resources to ensure adequate oversight and support from DESE.

Since 2015, the Baker-Polito administration has added more than 1,100 treatment beds and will add 500 additional beds over the next five years.

The FY19 budget proposal provides \$149.2 million in funding at DPH, including over \$145.4 million at the Bureau of Substance Addiction Services, to support efforts to fight the opioid epidemic, including:

- \$63 million in residential services
- \$21 million in continued investment in step-down and transitional beds
- \$4 million in youth step-down, transitional, and residential services
- \$4 million in Section 35 step-down beds for civilly committed individuals

Additional funding for substance misuse services includes:

- \$13.2 million to continue investment in Section 35 beds for civilly committed women at Taunton State Hospital
- \$12.8 million to support over 250 beds at the Massachusetts Alcohol and Substance Abuse Center (MASAC) in Plymouth
- \$3.3 million for specialty drug courts that address issues underlying criminal behavior, such as drug or alcohol substance use disorder and/or mental illness
- \$1.8 million, an increase of \$550,000 over FY18 spending, for the Office of the Attorney General's work to pursue investigations into fraudulent prescribing practices, expand heroin and fentanyl trafficking enforcement, and expand youth-based efforts to address addiction
- \$595,000 for drug diversion and educational programs run by the Commonwealth's District Attorneys; House 2 funds a \$100,000 expansion for the Plymouth County Project Outreach Initiative, which conducts home visits to recent overdose survivors to offer treatment and connect them with available services

Health and Human Services

Since 2015, the Baker-Polito administration has made significant funding increases within the Executive Office for Health and Human Services (EOHHS), whose programs directly touch the lives of more than one in four residents in the Commonwealth.

As of the beginning of 2018, EOHHS has reviewed and established new direct service program rates for all human services covered under the Chapter 257 legal settlement reached with human service providers in 2015 as a result of litigation against the prior administration. House 2 includes a total of \$119.1 million in new funding to maintain the commitment of establishing and reviewing rates that reimburse providers for delivering services to the most vulnerable populations. This funding includes \$38.5 million for several services which must be reviewed on a biennial schedule, \$18.3 million to annualize rate increases taking effect throughout FY18, as well as \$62.3 million for Adult Community Clinical Services (ACCS), which is the Department of Mental Health's (DMH) redesigned adult community based service.

Behavioral Health

It is a priority of the Baker-Polito administration to strengthen the behavioral health system in the Commonwealth. House 2 recommends a total \$93.2 million increase to DMH's budget, which includes a significant investment in funding for ACCS to improve community-based services for adults with serious mental illness. The new ACCS model will integrate behavioral and physical health to provide active and assertive outreach and engagement, residential supports to meet specialized needs, clinical coverage 24 hours a day / 7 days a week, skill building and symptom management, family engagement, and include peer and recovery coaches as part of the treatment team.

Children and Families

The Baker-Polito administration has led reforms at DCF since taking office and stabilized the department by significantly increasing the number of social workers, reducing caseloads, approving approximately 180 new foster homes and increasing medical visits for children in its care.

The administration has increased funding by \$132.8 million to support the hiring of approximately 600 new employees to address the critical infrastructure needed to run the agency, including over 300 social workers, 125 social worker technicians, almost 100 supervisors, 30 area program managers, and other support staff, which continues the administration's progress towards meeting a caseload to social worker ratio of 18:1. House 2 provides nearly \$1 billion, including a \$20 million increase over FY18 estimated spending, for DCF, which will support the continued hiring of new staff dedicated to serving the Commonwealth's most vulnerable children.

Transitional Assistance

Over the past two years, the Department of Transitional Assistance (DTA) has renewed its efforts to support economic mobility and employment for clients and their families. House 2 builds on this by including a package of reforms and \$3.8 million in funding to help individuals return to the workforce, ultimately gain and sustain employment, and keep them on a path to long-term self-sufficiency.

This proposal addresses many of the common barriers DTA clients face in returning to work by increasing asset limits, adjusting restrictions on how earned income is assessed in determining need, and eliminating discrepancies between work-required and non-work required grants.

Older Adults

In April 2017, Governor Baker established the Commonwealth's first advisory council to improve public and private efforts to support healthy aging in Massachusetts. House 2 includes significant support for older adults including:

- \$7.4 million increase, \$234 million total, to support over 600 new clients in the state Home Care program, ensuring that clients will not be placed on a waitlist for services
- \$4.7 million increase, \$228.2 million total, for the Choices Program that provides MassHealth eligible elders with nursing facility levels of need with home care support
- \$2.7 million increase, \$31.6 million total, to strengthen the investigation of cases of elders experiencing emotional, physical, sexual, or financial abuse
- \$2.3 million increase, \$16.5 million total, to support a \$12 per elder formula grant, to provide additional funding for local Councils on Aging

Other HHS Highlights

House 2 recommends important investments at DPH, including \$500,000 for a new domestic violence and sexual assault prevention awareness campaign and \$500,000 for Mobile Integrated Health to begin the implementation of a new program that will oversee community paramedic services that deliver

healthcare in an out-of-hospital environment. This will reduce the need for unnecessary and costly Emergency Room visits for patients in the communities served by these units.

House 2 funds the Safe and Successful Youth Initiative at \$7.3 million. This youth violence prevention and intervention initiative operates in cities with the highest incidences of youth crime, and has a record of significant positive impact on crime and victimization rates.

The administration recommends \$25 million to continue fully funding services for the Turning 22 class at the Department of Developmental Services (DDS). In FY18, the Baker-Polito administration led efforts to fully fund the program for the first time in nearly 30 years. House 2 also proposes a \$29.1 million increase over the FY18 budget for services for nearly 1,000 members aging out of the Turning 22 class, including \$4.7 million to support individuals on the autism spectrum, and a \$16.8 million increase to cover changing support needs within the DDS client base.

MassHealth

House 2 proposes a MassHealth FY19 budget of \$15.906 billion gross, \$6.179 billion net, representing an increase of 1.3% gross, 0.5% net over FY18 spending, marking another historically low growth rate for MassHealth for the fourth year in a row and reflecting the administration's continued commitment to a sustainable MassHealth program.

This recent low growth has been made possible by the implementation of major management, program integrity, and reform initiatives that MassHealth has undertaken over the past three years, and also includes a temporary EMAC supplement that will bridge the funding gap through the end of the FY19.

MassHealth projects FY19 caseload to grow by 1.2%, due to major eligibility system improvements. The budget proposal assumes flat rates for most providers and makes critical investments of \$15 million for continuous skilled nursing and \$22 million for personal care attendants (PCAs), raising wages for PCAs to \$15 per hour.

The FY19 budget proposal also reflects significant Baker-Polito administration policy initiatives, including:

- **Accountable Care Organizations:** As of March 1, 2018, MassHealth will enroll approximately 850,000 members into 17 accountable care organizations (ACOs) across the Commonwealth. These ACOs will assume responsibility for the quality and total cost of care, working with 26 Community Partners (CPs) to coordinate care for members with the most complex behavioral health and long-term services and supports needs. The ACO and CP programs are a major component in the state's five-year innovative 1115 Medicaid waiver approved in November 2016, bringing in \$1.8 billion in new federal Delivery System Reform Incentive Payments.
- **Transition of non-disabled adults from MassHealth to ConnectorCare:** The FY19 budget continues to provide comprehensive benefits for non-disabled adults with incomes 100%-138% of the federal poverty level. Effective January 1, 2019, comparable coverage will be provided through the Health Connector and will generate \$120 million in net savings to the Commonwealth due to higher federal subsidies when fully annualized. This builds upon a proposal first introduced by the administration in FY18 and includes several updates that will ensure members maintain coverage comparable to what they receive today through MassHealth, including dental coverage, and will expand dental benefits to approximately 30,000 additional individuals currently on the Connector.
- **Prescription drug spending:** Prescription drug spending is one of the largest growth drivers in the MassHealth program. The Governor's FY19 budget includes an innovative approach to drug purchasing that will allow MassHealth to maximize value for the Commonwealth and maintain robust access to prescription drugs for its members. House 2 includes several updates to the pharmacy proposal in the 1115 federal waiver, based on feedback from federal and local stakeholders. This proposal maintains the state's strong and continued commitment to ensuring

that members receive medically necessary treatment. The tools include: implementing new negotiation and price transparency levers; instituting a public process when a manufacturer does not offer a cost-effective price; and utilizing new pharmacy management levers on approximately 1-2 % of drugs.

Housing and Homelessness

Since taking office, the Baker-Polito administration has led efforts to address homelessness, find long-term housing solutions, and support the creation of more affordable housing options for Commonwealth residents.

As a result of the administration's ongoing work to find permanent housing solutions for those in need, the total Emergency Assistance caseload has been reduced by 22%, or 1,000 families, since the Baker-Polito administration took office; in January 2015, nearly 4,600 families were living in emergency shelter, and as of the beginning of 2018, there are fewer than 3,600 families in shelter. The administration has been able to reinvest savings into permanent housing solutions.

Investments in the Massachusetts Rental Voucher Program (MRVP) have resulted in stable housing for approximately 1,750 more families since the administration took office. The administration has also worked diligently to reduce the number of families living in hotels and motels from 1,500 in 2015 to fewer than 60 at the beginning of 2018.

In December 2017, Governor Baker joined state and local officials to announce a Housing Choice initiative that encourages municipalities to plan for and build the diverse housing stock the Commonwealth needs to address affordable housing challenges. Across the operating and capital budgets, the initiative will deliver more than \$10 million in incentives, grant funding, and technical assistance per year, enabling Massachusetts to reach a goal of creating 135,000 new housing units by 2025. House 2 recommends \$2.7 million in operating funding for the new initiative.

House 2 continues to invest in several supportive housing programs across secretariats:

- \$97.5 million for MRVP, an increase of \$5.2 million from FY18 spending; this funding will support 214 new supportive housing units, for a total of 620 supportive units, as well as the continued development and implementation of a Voucher Management System, which will help track voucher utilization and costs
- \$64.5 million in subsidies to public Local Housing Authorities and \$45.2 million to support shelter services for homeless individuals
- \$30.1 million for HomeBASE Household Assistance program; since the beginning of FY18, over 800 families moved into permanent housing from shelters and motels with HomeBASE, and 479 families chose HomeBASE rather than entering shelters
- \$15 million for Residential Assistance for Families in Transition (RAFT), a short-term financial assistance program; over 1,700 families have received RAFT support since the start of FY18
- \$9.3 million to provide veterans with shelter services and other supportive housing solutions at 11 transitional homes, 4 emergency shelters, and outreach services at 16 centers for veterans across the Commonwealth
- \$6.5 million, an increase of \$1 million, for DMH's Rental Subsidy Program, a collaborative program in which DMH provides mental health services to clients and the Department of Housing and Community Development provides state rental assistance

- \$4.6 million for the Alternative Housing Voucher Program that provides vouchers to 520 non-elderly disabled adults
- \$2 million for Unaccompanied Homeless Youth Services grants to support homeless youth and fund prevention programs
- \$1.5 million for the Chronic Homelessness Social Innovation Financing program, to support a pay-for-success contract designed to expand permanent supportive housing for up to 800 chronically homeless individuals

House 2 provides \$2.6 million, a \$1.9 million increase over FY18 spending, to support continued expansion of the housing court that the Baker-Polito administration first funded in its FY18 budget proposal. The expansion has provided each county in Massachusetts with a dedicated court to expedite issue resolution and help keep individuals and families in stable housing arrangements.

The Baker-Polito administration has also provided over \$1.1 billion in capital budget support to develop affordable housing options throughout the Commonwealth.

Public Safety

The FY19 budget proposal builds on the administration's ongoing investments to enhance public safety across the Commonwealth.

In April 2017, the administration oversaw a transition to improve patient care at Bridgewater State Hospital (BSH). Since this time, significant enhancements have been made to support BSH patients and establish a therapeutic environment, and the FY19 budget includes \$59 million to fully fund the new clinical contract.

The State Police created the Division of Homeland Security and Preparedness in June 2017 to consolidate and enhance counter-terrorism, opioid interdiction, and criminal intelligence operations that were previously spread throughout other divisions. The FY19 budget includes \$3.8 million in new funding, \$15.9 million total, for this division.

House 2 includes \$7.7 million for a new State Police class of 100 recruits, marking the third new State Police class funded since the Baker-Polito administration took office. The FY19 budget also includes \$10.7 million to train and employ a new class of 200 officers and instructors at the Department of Correction, and \$150,000 for 18 new parole officers.

The administration recommends a \$3 million in new funding for a total of \$12.8 million for MASAC, to strengthen the overall treatment and aftercare services provided at MASAC at Plymouth through the addition of aftercare support navigators and the implementation of a Medication Assisted Treatment Reentry Initiative that is specifically tailored to meet the unique needs of the individuals who are civilly committed at MASAC at Plymouth. The proposal adds additional substance abuse counselors to provide more robust discharge planning as well as aftercare recovery navigators who will work with individuals both as an internal coach during their commitment as well upon discharge to help engage with community treatment and services

House 2 includes \$1.75 million in new funding for the Office of the Chief Medical Examiner (CME), which is facing an increasing caseload, due in part to the opioid epidemic. This additional funding will be used to reduce caseload burdens, improve turnaround time for completion of death certificates and autopsy reports, and more efficiently deliver services. These improvements will align the agency with national best practices and help achieve its goal of securing full accreditation by the National Association of Medical Examiners. House 2 also includes an increased retained revenue account for the CME, allowing the office to collect and keep a higher volume of fees.

Other important House 2 public safety funding includes:

- \$6 million in funding for the Shannon Grant Program, which provides funding to cities and towns to address community gang and youth violence problems
- \$5.6 million for the Juvenile Justice Pay for Success Program, a pay-for-success contract designed to help approximately 1,000 young men leaving the juvenile justice system or on probation avoid reoffending
- \$3.1 million for Municipal Public Safety Staffing grants to assist cities and towns in maintaining public safety and emergency response core services by helping them address staffing shortfalls
- \$250,000 in new funding to support doubling the daily pay rate for National Guard soldiers and airmen performing active state duty, consistent with legislation Governor Baker filed in December 2017

Judicial System

The administration recommends \$236.9 million to fully fund the Committee for Public Counsel Services, which provides public defender services to individuals who cannot afford representation in the Commonwealth.

Other House 2 investments in the judicial system include:

- \$3 million in new funding to support ongoing efforts to increase starting salaries for Assistant District Attorneys to help District Attorney offices continue to attract and retain talented employees
- \$1.6 million for the Massachusetts Office of Victim Witness Assistance, which will support a new Western Massachusetts office in Northampton
- \$848,000 increase for the family and probate courts to hire new staff in western counties to help alleviate pressure on overburdened courts due to recent spikes in cases related to substance misuse and children's needs
- \$500,000 in new funding for the Hampden County District Attorney's Office to support additional staff, including assistant district attorneys, to support the office's ongoing work to fight crime and drug trafficking in Hampden County

Energy and Environmental Affairs

House 2 funds \$241.9 million across environmental agencies to support the Baker-Polito administration's work to preserve the Commonwealth's environmental resources and invest in clean energy.

Since taking office, the Baker-Polito administration has spent over \$150 million to protect public health and safety, local infrastructure, small businesses, and the Commonwealth's abundant natural resources from the effects of climate change. House 2 funding, coupled with the largest procurement in clean and renewable energy in the Commonwealth's history, pursuant to the energy diversity legislation signed by Governor Baker in 2016, will enable Massachusetts to build resilient communities and achieve our 25% greenhouse gas emissions reduction target by 2020.

Building on the administration's leadership to mitigate and adapt to climate change through Executive Order 569, *an Integrated Climate Change Strategy for the Commonwealth*, House 2 includes \$2 million in new funding for municipal technical support, climate science, and targeted investments in environmental justice.

In March 2017, Governor Baker filed legislation that will allow Massachusetts to join 46 other states in the U.S. Environmental Protection Agency's National Pollutant Discharge Elimination System. House 2 includes \$1.4 million to fund implementation costs of this program which supports the Baker-Polito administration's commitment to protect water quality in the Commonwealth.

Since taking office, the Baker-Polito administration has made significant investments to address hunger and food insecurity in communities across Massachusetts. Over the past three years, over \$50 million has been provided to the Massachusetts Emergency Food Assistance Program, and FY19 funding of \$17.7 million will support nearly 20 million healthy and nutritious meals for individuals dealing with food insecurity.

House 2 also includes \$625,000 to support a new environmental police class of ten officers who will oversee protection of the Commonwealth's natural resources, marine recreation, and hunting and fishing industries. Additionally, House 2 maintains \$450,000 in funding for the School of Marine Science and Technology at UMass Dartmouth, as well as full support for the Commercial Fisheries Industry Based Survey at \$400,000. This funding has greatly enhanced the science behind the management and regulations of the Commonwealth's fisheries.

To support the Department of Agricultural Resources' role in implementing a hemp safety program as part of the Commonwealth's new marijuana law, House 2 proposes \$1.2 million in new funding for employees, start-up costs, and testing expenses.

House 2 allows the Department of Conservation and Recreation (DCR) to retain and reinvest up to \$20 million of revenues into stewarding its over 450,000 acres of parks, forests, beaches, bike trails, and watersheds. DCR will also continue to partner with the Department of Energy Resources on the statewide tree-planting program, Greening the Gateway Cities. Since 2015, over 10,300 trees have been planted throughout the Commonwealth's urban environmental justice neighborhoods.

The FY19 budget also continues funding for staff investments made in FY18 that support safe drinking water, permitting and compliance, and dam safety.

Transportation and the MBTA

Since taking office, the Baker-Polito administration has prioritized investments to improve the performance and reliability of the Commonwealth's transportation system.

The Governor and Legislature formed the Fiscal Management and Control Board (FMCB) in 2015 to provide comprehensive reform and fiscal sustainability at the Massachusetts Bay Transportation Authority (MBTA) following the serious challenges the system faced in the winter of 2015. Since its first formal meeting on July 21, 2015, the FMCB has held more than 115 public meetings.

Under the FMCB, the MBTA has made significant progress on reducing its annual operating deficit, including reducing the projected FY18 operating budget deficit from \$335 million to a projected \$50 million. The Board has also slowed the annual operating expense growth rate at the T from 5% between Fiscal Year 2000 and FY15 to zero percent between FY16-FY18.

House 2 invests \$584.8 million in the Massachusetts Department of Transportation, including the MBTA and Regional Transit Authorities, a 8% increase over FY18 spending.

Operational transformations at the Registry of Motor Vehicles (RMV) have significantly reduced customer wait times. In the month of December 2017, on average, approximately 86% of customers were served in under 30 minutes, and between September and December 2017, approximately 90% of customers were served in under an hour. The FY19 budget proposes \$2 million in funding for the implementation of the new ATLAS system which will further increase business process efficiency at the RMV.

The MBTA is projected to receive nearly \$1.032 billion from the sales tax transfer this year, an increase of \$25.1 million over FY18. This funding is in addition to \$127 million in operating budget support, in combination with \$60 million in capital funding that will be included in the FY19 capital budget.

Good Government Solutions

In the face of ongoing threats to digital infrastructure around the world, the Baker-Polito administration elevated the Commonwealth's technology services into a new secretariat, the Executive Office of Technology Services and Security (EOTSS), in August 2017. The FY19 budget proposal includes \$102 million for EOTSS, which is \$11.1 million over FY18 estimated spending on technology services at the secretariat. This funding will help modernize cybersecurity efforts, streamline state IT services, and improve delivery of technology support to state employees and the populations they serve.

House 2 proposes to limit excessive sick time payouts for retiring Executive Branch and Higher Education employees by placing a 1,000 hour cap on accrued time. This proposal would bring Massachusetts in line with other states and private sector employers. The administration has previously filed similar proposals in both 2016 and in its FY18 budget proposal