

Preliminary Analysis: The FY 2010 Conference Committee Budget

OVERVIEW

Seeking to close a \$5 billion budget gap, the legislative Conference Committee crafted a budget that will require sacrifices across the board. The budget includes cuts that will limit access to health care, reduce public employee benefits, and decrease funding for public education, human services, public health, public safety protection, environmental protection, and virtually every other area of state government. To avoid cutting even further into public services that affect the quality of life of people in the Commonwealth, the Conference Committee budget also includes a sales tax increase (to 6.25 percent), an expansion of the sales tax to alcohol purchases, and a modest reduction in the tax subsidies provided to movie producers. While these tax increases restore only a portion of the tax reductions of the past decade¹, they will help to strengthen the state's long-term fiscal stability.

The Conference budget relies heavily on revenue from the American Recovery and Reinvestment Act (ARRA). This federal stimulus law provides significant aid to states to reduce the budget cuts they would be required to make in response to the national recession. The Conference Report uses about \$1.5 billion of this money to help close the \$5 billion gap. Had those new federal dollars not been available, the state would have had to have cut services even more deeply, or raised taxes more. In addition to the long-term benefits of not cutting more deeply into important investments, such as those in education and preventive healthcare, the ability of states to use the ARRA funds to reduce budget cuts can help to reverse the downward spiral of the national economy. Public spending by state government is important for stimulating economic activity at a time when such stimulus is clearly needed. The reliance on this aid, and on over \$200 million from the State's Stabilization ("Rainy Day") Fund, also means, however, that the state continues to face serious structural budget problems and will have to make additional hard choices in the years to come.

This *Budget Brief* describes the Conference Committee budget and compares proposed spending levels to those in the House and Senate budgets. The Senate and the Conference Committee were constrained by revised revenue estimates that are \$1.5 billion below the tax revenue estimates that were available when the House debated the budget. As a result, the Conference Committee, working within the lower revenue estimates, generally adopted spending levels close to or at the lower Senate numbers -- and sometimes even below. In many areas, this *Budget Brief* also makes comparisons to the FY 2009 General Appropriation Act (GAA) so that readers can see how spending in the coming year compares to the spending that was initially proposed in the current year's budget.

¹ See http://www.massbudget.org/documentsearch/findDocument?doc_id=643

EDUCATION

The Conference Committee report cuts millions of dollars in support for public education from the FY 2009 GAA level. While the House and Senate had very similar budgets for higher education, in both early education and care and K-12 public education, the Conference Committee had to make major funding and policy decisions. By and large, the Conference Committee report adopts the lower funding level when choosing between the House and Senate recommendations.

EARLY EDUCATION AND CARE

The Conference Committee report provides \$537.2 million in funding for early education and care programs, a cut of \$52.9 million from the FY 2009 GAA funding level of \$590.1 million. The Conference Report funding level falls below the early education and care appropriations of \$548.6 million in the House budget and \$547.8 million in the Senate budget.

Specifically, the Conference Report:

- Retains the existing funding structure for the state's 3 subsidized child care program, as was the case in the Senate budget. The House budget, following a recommendation by the Governor, consolidates the subsidized child care into one line item. The Conference Report appropriates \$467.6 million in total for subsidized childcare, less than both the Senate (\$478.1 million) and the House (\$474 million). The lower appropriation is due to a reduction in spending for income eligible childcare in the Conference Report. Like the Senate budget, the Conference Report moves a group of children from the line item which provides guaranteed subsidized childcare, to the income eligible subsidized childcare program.
- Funds the state's Universal Pre-K program at \$8 million, identical to the funding level in the Senate budget. This amount is \$1.8 million below the final House budget appropriation. In the FY 2009 GAA, the Universal Pre-K program was funded at \$12.1 million.
- Funds programs to improve parenting skills for families participating in EEC programs at \$5 million. This amount is \$2 million above the Senate appropriation, but \$2.5 million below the House funding level. These parenting skill programs were funded at \$9.6 million in the FY 2009 GAA.

K-12 EDUCATION

In K-12 public education, the Conference Report adopted the Senate approach to Chapter 70 education aid, as well as funding levels for programs such as the Special Education Circuit Breaker and kindergarten expansion grants. Of the 25 programs where the House and Senate differed on funding levels, in 23 of them the lower appropriation was adopted in Conference Committee.

Specifically, the Conference Report:

- Funds Chapter 70 aid at \$3.87 billion in state funds, identical to the funding level in the Senate budget. This amount is a cut of \$79 million from both the final FY 2009 budget (GAA) level and the House budget. This cut is accomplished by reducing state Chapter 70 aid to each school district by 2 percent. Like the House and Senate budgets, the Conference Report uses ARRA funds to provide each school district with enough aid to reach their Foundation Budget. The Conference Report relies on \$167.6 million in ARRA funds. The Conference Report also adopts the Senate's lower inflation factor of 3.04 percent, which is used to determine

each district's foundation budget. Both the House budget and the Governor's budget recommendations used an inflation factor of 4.5 percent. For more information on the issues surrounding the calculation of the Chapter 70 foundation index, please see MassBudget's *Budget Monitor: The Governor's Revised 2010 Budget and the House-Senate Conference Differences*, available online at <http://www.massbudget.org/doc/647>.

- Funds the Special Education Circuit Breaker at \$141.1 million, identical to the funding level in the Senate. This amount is \$43.7 million below the House budget appropriation, and a cut of \$88.9 million from the FY 2009 GAA level. This lower appropriation will reduce the reimbursements that school districts receive for extraordinary special education costs.
- Funds regional school transportation reimbursements at \$40.5 million, an amount in between the House appropriation of \$50.5 million and the Senate appropriation of \$30.5 million. The FY 2009 GAA included \$61.3 million in reimbursements for regional school transportation.
- Funds Extended Learning Time Grants at \$15.7 million, identical to the funding level in the Senate budget. This amount is \$1.7 million below the House budget appropriation, and a cut of \$1.8 million from the FY 2009 GAA.
- Funds Kindergarten Expansion Grants at \$26.7 million, identical to the funding level in the Senate budget. This amount is \$1 million below the House budget appropriation, and a cut of \$7 million from the FY 2009 GAA.
- Adopts the Senate proposal to consolidate three literacy line items into one. This new consolidated line item, which incorporates the Bay State Reading Institute, Reading Recovery and the Silber Early Literacy Program, is funded at \$4.2 million, identical to the Senate appropriation. House budget funding for these separate programs totaled \$5.1 million. In the FY 2009 GAA these programs were funded at \$8.1 million.
- Funds School-to-Career Connecting Activities at \$2 million. This program, which was funded at \$3.7 million in the House budget, was not included in the Senate budget. This program, which helps high school students gain professional experience, was funded at \$4.1 million in the FY 2009 GAA.

HIGHER EDUCATION

The Conference Committee report, like both the House and Senate budgets, uses a combination of state and ARRA funding to ensure that all state and community colleges receive funding equal to their FY 2009 GAA appropriation. The Conference Report funds the University of Massachusetts at the Senate level of \$492.3 million, identical to the FY 2009 GAA, but \$900,000 below the final House budget level. However, the Conference Report includes within the UMass line item an earmark for \$2.7 million for the College of Visual and Performing arts at UMass Dartmouth. In FY 2009, this \$2.7 million item had a separate earmark, meaning that in effect the UMass line item receives a cut of \$2.7 million from the FY 2009 GAA level.

Like the Senate budget, the Conference Report does not include line items for either the Commonwealth College or the Toxic Use Reduction Institute, both at UMass. While line item language requires each of these programs to be funded in FY 2010, no funding level is specified. The House budget included \$4.7 million for these two programs.

The Conference Report provides \$87.9 million in funding for the state's scholarship programs, lower than the funding level in either the House appropriation of \$92.9 million or Senate appropriation of \$89 million. Like

the Senate budget, the Conference Report gives responsibility for the state's McNair Scholarship program to the Massachusetts Educational Finance Authority. The McNair scholarship program provides funding for students attending public colleges with serious physical disabilities. The Conference Report does include a new \$1 million line item, not included in the House or Senate budgets, that reimburses public colleges for waiving college fees for adopted and foster children.

ENVIRONMENT & RECREATION

The Conference Committee budget largely adopted the funding levels recommended by the Senate in its budget. The Conference Report also recommends consolidating some accounts largely within the Department of Conservation and Recreation (DCR).

- In the Department of Agriculture budget, the Conference Committee provides \$12 million in funding for the regional food banks. This is the level recommended in the House and Senate's budgets and the amount appropriated in the FY 2009 GAA. The Conference Committee mirrored the House and Senate proposals in not funding the Agricultural Innovation Center which received \$1.5 million in the FY 2009 GAA.
- The Conference Committee merged DCR funding for beaches, pools and seasonal employees into a single account. The Conference Report provides \$13.1 million to this consolidated account, the same level recommended by the Senate. This amount is \$1.5 million less than the House budget and \$2.7 million less than the FY 2009 GAA.
- Funding for urban and state parks is also merged in the Conference Report, a recommendation included in both the House and Senate budget proposals. The Conference Committee provides \$46.7 million for parks which is \$100,000 higher than the Senate's recommendation but is \$1.4 million below the House's budget recommendations and \$9.1 million lower than amount provided for state and urban parks in the FY 2009 GAA.
- The Conference Committee adopted the House's recommendation to merge the two accounts funding snow and ice removal and lighting maintenance on DCR's parkways. The Conference Report provides \$5.8 million for these activities which is the same level recommended by the Senate but \$300,000 less than the House's proposal. While the Conference Report's funding level is \$1.8 million more than the FY 2009 GAA it is \$1.4 million lower than total funding for these activities after the Legislature approved almost \$3 million more in funding for snow and ice removal on the parkways.

HEALTH CARE

The Conference budget puts \$12.793 billion into health care programs, including \$10.213 billion for MassHealth (Medicaid) and health reform programs, \$645.2 million for mental health services, \$513.2 million for public health, and \$1.422 billion for state employee health benefits. MassHealth and health reform spending is less than either the House or Senate budget totals, and is \$177 million less than total funding in the FY 2009 GAA. Mental health funding in the Conference budget is also less than in either the House or Senate proposals, and is \$40.3 million (6 percent) below funding in the FY 2009 GAA. Public health services receive \$513.2 million in the Conference budget; although this amount is \$39 million above the totals recommended by the Senate, public health programs will still be deeply cut: the Conference budget is 14 percent below funding in the FY 2009 GAA. The recommended funding for state employee health benefits falls just about half way

between the House and Senate proposals, and also includes compromise language for costs to state employee for their health insurance.

Highlights of the Conference budget health care funding include:

- The Conference budget puts \$9.162 billion into the MassHealth (Medicaid) program, an amount almost identical to the total recommended by the Senate, and just under the amount recommended by the House. While this is 6 percent more than funding in the FY 2009 GAA, because of rising health care costs and increasing caseloads due to the recession, this funding level will still require significant cuts in the MassHealth program – most likely in the form of reductions in reimbursements for providers. Included in this total is \$68 million for the Children’s Behavioral Health Initiative (Rosie D.) which received \$25 million at the beginning of FY 2009, \$14.2 million for the Children’s Medical Security Plan, \$17.2 million for Healthy Start, and \$324.5 million for the MassHealth Essential Program. There is no funding for the Community First Initiative. In addition, the Prescription Advantage program is level funded at \$40 million.
- The Commonwealth Care Trust Fund receives only \$591.7 million in the Conference budget, a level below the House recommendation and above the amount recommended by the Senate. This trust fund is the source of funding for the state’s Commonwealth Care Insurance program, and for the health safety net (formerly called uncompensated care). There is also language in the budget that cuts approximately 28,000 legal immigrants out of the Commonwealth Care program. This restriction had been in the Senate budget proposal.
- The Conference budget follows the Senate’s lower funding recommendation for children’s mental health services, allocating \$72.2 million. Funding in the FY 2009 GAA was \$76.2 million, so this year’s budget is a 5 percent cut. The Conference budget funds adult mental health services at a level below both the House and Senate recommendations, including only \$374.4 million in total. This is a 4 percent cut from funding in the FY 2009 GAA.
- Even though the Conference budget recommends funding public health services at a level between the House and Senate recommendations, the FY 2010 budget will still result in broad cuts in public health programs. There are still likely to be significant cuts in: youth violence prevention, which receives \$3.5 million (63 percent below the FY 2009 GAA); smoking prevention, which receives \$5 million (61 percent below the FY 2009 GAA); and family health services, which receives \$4.8 million (38 percent below the FY 2009 GAA). Early intervention services are also cut deeply, although there is an important change in the funding for these services for developmentally delayed infants and toddlers. There is language that will require insurers (including MassHealth) to cover a larger portion of early intervention costs. Nevertheless, the \$25.6 million included in the Conference budget will likely result in greater restrictions on eligibility for these services.
- The Conference Committee chose compromise language in the funding of state employee health benefits. The House had recommended that new retirees pay 20 percent of their health insurance, but the Conference budget keeps the current 15 percent share as recommended by the Senate. As for the costs borne by current employees, the House recommended increasing the cost-share for all workers to 20 percent. The Senate, on the other hand would have increased the share paid by state workers to 25 percent. The compromise language included in the Conference budget would have employees hired before July 1, 2003 pay 20 percent of their health care costs, and employees hired on or after July 1, 2003 pay 25 percent. This is a five percentage point increase for all current employees.

HUMAN SERVICES

The Conference Committee budget allocates \$1.260 billion to the Department of Developmental Services (DDS). This allocation matches the Senate budget but falls 1.3 percent short of the House proposal. In FY 2009, \$1.272 billion was appropriated for DDS. The Committee's budget funds several programs at a level that is in between the House and Senate allocations.

Notably, the Committee funded:

- Respite family supports at \$46.5 million. This appropriation is \$8.9 million below the House proposal but \$4 million above the Senate budget. In FY 2009, the program received \$56.1 million.
- Community-based Day and Work programs at \$120 million, a level that is \$2.7 million below the House proposal but \$3 million above the Senate budget. In FY 2009, the program received \$129.2 million.
- Community-based residential supports at \$697.7 million, a level that is \$81.4 million above the House but \$2.3 million below the Senate. In FY 2009, the program received \$571.6 million.

The Conference Committee budget allocates \$786.3 million to the Department of Children and Families (DCF). This allocation is 1 percent above the House but falls 1.1 percent below the Senate. In FY 2009, \$836.5 million was appropriated for DCF.

- While the House and Senate budgets allocated \$301.7 million for the primary account that funds services for children and families within DCF, the Conference Committee budget falls \$1.5 million short of that amount. Like the Senate budget, the Conference Committee indicates that \$5.6 million in ARRA funds will be allocated to the family services account. (These services include stabilization, unification, adoption, guardianship, and foster care services.) This allocation is still higher than the Governor's revised proposal of \$292.1 million. This account received \$313.8 million in FY 2009.
- Like the Senate, the Conference Committee allocated \$155.3 million for social workers within the DCF, \$2.3 million more than the House included in their budget. This account received \$157.3 million in FY 2009.
- Like the Senate the Conference Committee allocated \$223.6 million for Group Care services, \$500,000 less than the House recommended. This account received \$229.6 million in FY 2009.

The Conference Committee budget allocates \$886.6 million to the Department of Transitional Assistance (DTA). This allocation is below both the House and Senate recommendations by \$20.2 million and \$9.6 million respectively. In addition, the Conference Committee budget is \$13.1 million below the Governor's revised budget. DTA received \$901.1 million in FY 2009.

- The Conference Report approves \$91.6 million for the Emergency Assistance program which provides housing and services to homeless families. This level, which is the same as the total recommended by the full Senate, is \$4.4 million more than the amount appropriated in the FY 2009 GAA but is \$2.3 million less than the House recommendation and still well below the \$113 million the state expects to spend on assisting these families in 2009. The Conference Committee also reconciles differences in eligibility requirements for families receiving assistance through the program. Current law allows families that live at or below 130 percent of poverty to qualify for assistance. The House budget maintained eligibility at this current level while the

Senate lowered it to 100 percent of poverty. The final budget splits the difference and lowers eligibility to families living at or below 115 percent of poverty. The budget does allow families, exceeding the 115 percent limit and who are already receiving services prior to June 30, 2009, to continue receiving services for six months.

- Like the Senate, the Conference Committee allocated \$308.1 million for grant payments to families that qualify for Transitional Aid to Families with Dependent Children (TAFDC), a level that is \$2.4 million below the House allocation for this item. This account received \$302.7 million in FY 2009.
- Like the Senate, the Conference Committee allocated \$23 million for the Employment Services Program, \$1.5 million less than the House allocated. This account received \$27.7 million in FY 2009.

The Conference budget does not follow the Senate's recommendation to consolidate elder funding, instead allocating funding to each of the separate programs as in previous years. Together, elder home care programs (including purchased services, case management and the Community Options program) receive \$189.9 million in the Conference budget, an amount just above the Senate recommendation, and 3 percent below funding recommended by the House. Funding in the FY 2009 GAA totaled \$202.3 million, so this year's proposal is a 6 percent cut, and there are predictions that hundreds of frail elders will lose these community-based services.

INFRASTRUCTURE, HOUSING & ECONOMIC DEVELOPMENT

The Conference Committee report includes major policy changes for transportation and infrastructure, dedicating a new funding source for public transportation and maintenance of state roads. The Conference Report includes substantial cuts to the state's housing, workforce and economic development programs.

In the area of transportation, the Conference Report creates the new Massachusetts Transportation Fund (MTF) and provides \$275 million in funding. The MTF, which was included in both the House and Senate final budgets, will provide funding to the MBTA, Regional Transportation Authorities and the state's Turnpike Authority (or successor agency). The MTF is funded through 0.385 percent of sales tax revenue² as well as any revenue collected from tolls, fares or fees collected from the MBTA, Regional Transportation Authorities and the Turnpike Authority.

Of the \$275 million transferred to the MTF:

- \$100 million is transferred to the Turnpike Authority;
- \$160 million is transferred to the MBTA; and
- \$15 million is transferred to Regional Transportation Authorities.

The fund is to be used to for debt service, infrastructure and maintenance requirements.

Aside from the new transportation fund, the Conference Report:

² Budget language requires that in years where 0.385 percent of sales tax revenue is less than \$275 million, money will be transferred from the General Fund to the MTF to ensure that it receives an additional \$275 million annually.

- Funds Regional Transportation Authorities (RTA's) at \$44.7 million, identical to the funding level in the final Senate budget. This appropriation is \$12.2 million below the final House budget funding level and \$13.2 million less than the FY 2009 GAA. However, with the \$15 million transfer from the new transportation fund, RTA's will be funded at \$59.7 million, \$1.8 million above the FY 2009 GAA.
- Funds summer jobs for at-risk youth at \$4 million, identical to the funding level in the final Senate budget. This appropriation is \$4 million below the final House budget funding level and \$4.1 less than the FY 2009 GAA.
- Funds the Massachusetts Office of Travel and Tourism and the state's Sports and Entertainment Commission at \$8.7 million, identical to the funding level in the final Senate budget. These appropriations are \$3.7 million below the final House budget funding levels and \$28.4 million less than the FY 2009 GAA. The reason for the steep decline from the FY 2009 GAA is due to the elimination of earmarks for funding of local tourism projects around the state.
- Funds Workforce Training Grants at \$10 million, identical to the funding level in the final Senate budget. This appropriation is \$11 million less than both the final House budget funding level and the FY 2009 GAA. This program provides grants to employers for worker retention and training.
- The Conference Report adopts the Senate's proposed funding levels for a number of affordable housing programs. These final levels, which are lower than the FY 2009 GAA, raise questions about how the state can continue to maintain existing levels of service for individuals and families who rely on these programs. The Conference Report mirrors the final Senate proposal by providing \$65.3 million in funding for public housing authority subsidies. This funding is \$1.2 million below the FY 2009 GAA and \$6 million below the final House budget proposal. Vouchers provided to individuals with disabilities are funded at \$3.4 million which is \$500,000 below the FY 2009 GAA and the final House proposal. The Residential Assistance to Families in Transition receives \$5 million which is \$500,000 less than both the House proposal and the FY 2009 GAA.
- Rental assistance provided to low-income families through the Massachusetts Rental Voucher Program (MRVP) receives \$30 million in the Conference Committee's budget, a reduction of \$3 million from the FY 2009 GAA and almost \$6 million below the House budget request. Outside Section 129 of the Conference Report requests that MassHousing continue to provide \$5 million in MRVP funding in FY 2010 that it committed to in FY 2009 when the Governor made cuts to the program through his 9C Authority.
- The Conference Report eliminates a number of programs that were funded in the FY 2009 GAA. It includes in Outside Section 129 a request that quasi-public housing agencies provide the same level of funding for some of these programs in FY 2010 that they provided in FY 2009 when the Governor made his 9C cuts in October 2008. The Conference Committee follows the Senate's recommendation to eliminate the Soft Second Loan Program, which provides assistance to first-time home buyers who are low-income. In its budget the House recommended providing \$2.5 million for this program while the FY 2009 GAA approved \$5.8 million. Section 129 of the Conference Report requests that the Massachusetts Housing Partnership continue to provide \$2 million to support the Soft Second Program through FY 2010. The Conference Report also eliminates funding for interest subsidies to private developers of affordable housing which neither the House nor the Senate recommended funding in their final budgets. This program which received \$4.5 million in the FY 2009 GAA was eliminated when the Governor made his 9C cuts and MassHousing agreed to fund the subsidies. The Conference Report has requested that MassHousing continue funding this program in FY 2010.

- The Conference Committee budget eliminates the Individual Development Account program that received \$700,000 in the FY 2009 GAA but that neither the House nor the Senate recommended funding in their FY 2010 budget recommendations.

LAW & PUBLIC SAFETY

The Conference Committee report cuts millions of dollars in support for law and public safety from the FY 2009 GAA level. The Conference Committee also includes major consolidations of line items for the state's court system, and brings on budget, funding for seven county sheriff's offices.

Specifically, the Conference Report:

- Funds private counsel compensation at \$125.4 million, identical to the funding level in the Senate budget. This appropriation, \$24 million below the House appropriation, is \$15 million less the FY 2009 GAA appropriation. This line item provides compensation to lawyers assigned to low-income clients.
- Consolidates funding for the Chief Justice of Administration and Management, identical to the organization in the Senate budget and the Governor's budget. The Conference Report funds the Chief Justice for Administration and Management at \$196.2 million, \$400,000 less than the Senate appropriation and \$3.8 million less than the House funding level.
- Consolidates funding for the state's court systems, following a recommendation made in the Governor's budget. Through this consolidation each individual court system (i.e., the district court system, the housing court system, etc.) receives on funding source. In previous years, each individual court within a court system received its own line item.
- Funds Quinn Bill reimbursements at \$10 million, identical to the funding level in the Senate budget. This appropriation is \$15 million below the House budget and \$40.2 million less than the FY 2009 GAA. The Conference Report also limits future eligibility for Quinn Bill reimbursements, which fund pay increases for police officers who receive degrees in criminal justice.
- Funds the Charles E. Shannon grant program at \$6.5 million, identical to the funding level in both the House and Senate budgets. This program, funded at \$13 million in the FY 2009 GAA, provides grants that support gang prevention programs.
- Does not include funding for the state's Local Law Enforcement Assistance program, which was funded at \$5.3 million in the House budget. This program, which received \$21.3 million in the FY 2009 GAA, provides community policing grants to cities and towns across the state.
- Moves the seven county Sheriffs department budgets under the control of the state to provide efficiency and consistency. This change was initially proposed in the Governor's budget.
- Funds community corrections programs at \$155.3 million. This appropriation is \$2.8 million below the House budget funding level, but \$2 million above the funding level in the Senate budget. These programs were funded at \$169.5 million in the FY 2009 GAA.

LOCAL AID

The Conference Report includes \$936.4 million in unrestricted general government aid. This amount falls in between the final House budget's appropriation of \$1.094 billion and the final Senate budget's appropriation of \$864.9 million. This funding level results in a 28.2 percent cut in unrestricted local aid from the FY 2009 GAA funding level of \$1.315 billion. Under the new distribution, the majority of cities and towns receive a local aid cut of 29.2 percent from their FY 2009 GAA level.³

The Conference Report adopts the Governor's proposal to consolidate the two existing sources of unrestricted local aid, Additional Assistance and Lottery Aid, into one new aid source: unrestricted general government aid. The consolidation of the sources of unrestricted local aid does not affect the aid distribution formula in FY 2010.

The Conference Report also:

- Funds Payment in Lieu of Taxes (PILOT) at \$27.3 million, identical to the funding level in the final Senate budget. This amount is \$3 million below both the final House budget appropriation and the FY 2009 GAA funding level. PILOT reimburses cities and towns for costs associated with state owned land.
- Funds municipal regionalization incentives at \$1 million. These funds will assist with planning and other costs associated with cities and towns offering joint services and combining staffing. This new item, which was funded at \$2 million in the final Senate budget, was not funded in the final House budget.
- Provides municipalities with the option of levying a 75 cent tax on meals. If adopted by every city and town, this provision is estimated to generate \$85 million in local revenue.
- Provides municipalities with the option of increasing the local option lodging tax to 6 percent, from the current 4 percent. For Boston, the maximum lodging tax is increased to 6.5 percent, from the current 4.5 percent. If adopted by every city and town, this provision is estimated to generate \$40 million in local revenue.
- Eliminates the property tax exemption for telecommunications poles and wires, codifying a recent Appellate Tax Board Decision. It is estimated that eliminating this exemption could generate \$26 million.
- The Conference Report does not include the Senate proposal requiring municipalities meet to certain cost standards for their health insurance plans for public employees.

REVENUE

The Conference Committee Report includes a number of new tax revenue provisions that generate approximately \$880 million. The largest source of this new revenue is a 1.25 percentage point increase to the state's sales tax, for a new rate of 6.25 percent. This sales tax rate increase is estimated to raise \$759 million in

³ For towns where the 29.2 percent cut from their FY 2009 GAA aid amount exceeds 10 percent of their total FY 2009 local aid (included Chapter 7 aid) the cut is capped at 10 percent.

new revenue. Unlike the Senate budget, the Conference Committee report does not exempt meals from the statewide sales tax increase.

In addition to the sales tax increase, other revenue provisions include:

- Eliminating the sales tax exemption for alcohol purchases. Currently, alcohol is subject to its own taxes, but is not subject to the sales tax. The elimination of this exemption is estimated to generate \$78.8 million.
- Modifies the states film tax credit so that salaries exceeding \$2 million would not be eligible expenses under the credit. This change, which is estimated to generate approximately \$25 million in revenue, was first proposed in the Governor’s revised budget recommendations.
- Imposes a 5 percent excise tax on satellite broadcast services. This new excise tax, included in the final Senate budget, is estimated to generate \$25.9 million in new revenue.
- Funds additional auditing staff at the Department of Revenue. First proposed in the Governor’s budget, this staff increase is expected to generate \$26 million in additional revenue.
- Increases a number of legal and court fees. These increases, first proposed in the final Senate budget, will affect a number of court costs including those related to filing for divorce, changing names and adoption.

Aside from new tax revenue and fees, the Conference Report also relies on \$214 million from the state’s Stabilization Fund and transfers \$31 million from various trust funds, such as the state’s Science, Technology, Engineering and Mathematics Grant Fund, to the General Fund.