

Romney's Budget Proposal for FY2006

Gov. Mitt Romney released his budget (House 1) on Jan. 26. His proposal totals \$23.2 billion for the upcoming fiscal year (FY06), which is an increase of 2.4 percent over last year's budget.

While claiming that public education is a major priority of his administration, the governor does not translate that stated priority into reality. For starters, programs and spending levels for our schools, colleges, and the University have not been restored to their levels of a few years ago. Almost two-thirds of Massachusetts' school districts have yet to recover from cuts to their Chapter 70 aid (state funds to schools) — many as high as 20 percent — made in FY04. This will leave school districts and campuses struggling to deal with increasing class sizes, inadequate after-school and remedial programs and not enough faculty and staff to continue to provide high quality education.

In addition, Superior Court Judge Margot Botsford's findings in *Hancock v Driscoll* document many resource needs that are not addressed in House 1.

Pre-K–12

- Chapter 70 – state aid to school districts – received an increase of \$77 million, but when inflation is taken into account, schools will receive only \$22 over last year. In addition, Chapter 70 aid is \$242 million below the FY02 level, adjusted for inflation.
- Most grant programs were funded at last year's level, which is below funding in previous years. Some programs, including the class size reduction and school transportation, are not funded.

Higher Education

- New funding for higher education increases only \$5 million over last year. The proposed budget for higher education is \$299 million, or 25 percent, lower than that of FY01, after adjusting for inflation.
- The governor does not include any of the retroactive money for the previously unfunded higher education contracts.
- The governor has proposed increasing all employees' health insurance premiums to 25 percent from the current 15 percent or 20 percent.

Revenue

- At the same time as the governor under funds education, he proposes taking \$225 million out of the revenue stream for FY06 by reducing the income tax rate from 5.3 percent to 5 percent. This would climb to a loss of \$550 million in FY07.
- However, the governor does propose closing a number of corporate tax loopholes that he says would net \$170 million in FY06.

The governor's budget did not include any revisions to the pension system or to the collective bargaining law.

There have been numerous press accounts of Romney's educational proposals such as a longer school day, merit pay and more authority for principals to hire and fire teachers. These proposals are not included in House 1. Romney is committed to filing an "Education Reform Act of 2005" later in the year.

Below are the some of the details of the governor's proposal.

Pre-K-12 Education Budget

- **Chapter 70 – State Aid to Local School Districts**
The increase in Chapter 70 of \$77 million leaves Chapter 70 \$242 million below the FY02 level, when adjusted for inflation.
Total appropriation for Chapter 70 for FY06 would be \$3.26 billion.
- **Other Local Aid (Lottery and Additional Assistance)**
Romney proposes to increase funding to cities and towns by \$100 million over the amount initially appropriated last year. But with the \$75 million in supplemental funding last year, this year's funding level is only \$25 million higher than the amount distributed last year. Because many communities rely on these accounts to fund their schools, the failure to even restore all the previous local aid cuts will continue to hamper funding of schools by communities.
- **Education Grant Programs**
During the past four budgets, funding for educationally recognized programs such as class size reduction, early childhood education and comprehensive health education has been severely reduced or eliminated. In House 1, the governor continues most programs funded in FY05, but at the reduced FY05 level. Given increased needs and inflation, most programs were actually cut:
 - Class Size Reduction for Low Income Districts – not funded in House 1.
 - Comprehensive Health Education Programs – not funded in House 1.
 - Racial Imbalance Grants (Chapter 636) – not funded in House 1.
 - Full Day Kindergarten – funded at FY04 and FY05 levels (\$23 million).
 - Early Literacy Programs – funded at FY05 level (\$4.1 million and \$1.9 million).
 - Transportation for pupils – not funded in House 1, except for regional school districts funded at FY05 level (\$38 million).
 - School Breakfast Programs – funded at FY04 and FY05 levels (\$2.3 million and \$2 million for universal eligibility).
 - METCO – funded at FY05 level (\$15.6 million).
 - "Circuit-breaker" program for funding Special Education costs – funded at FY05 level (\$210.6 million).
- **Alternative Education Grant Program**
A small pilot program for disruptive students had funding, and then it lost funding. This year, House 1 proposes a small program of \$1 million.

- **Early Childhood Education**

The funding for early education now located in the Department of Education, which currently funds the Community Partnership Program and the Mass. Family Networks, has been transferred under this budget proposal to the new Department of Early Education and Care. The governor proposes funding the programs at \$73.9 million – down from \$74.6 million in FY05.

The governor also proposes a number of changes to implement the transition to the new Department of Early Education and Care. As currently proposed, these changes could have adverse consequences for the funding of early childhood education programs in our public schools. For example, the governor proposes to eliminate the Community Partnership Program without making it clear how the new department will ensure continued funding for these important programs in our public schools.

- **MCAS**

The governor increases funding for expanded MCAS testing and funding for test-prep programs targeted to those who have not passed the test:

- Student and School Assessment (MCAS) – increased from \$21.9 million to \$23 million.
- MCAS Low-Scoring Student Support – increased from FY05 level of \$14.1 million to \$20 million, but down from FY02 level of \$50 million.

- **Charter Schools**

- **Spending Limits**

Current law places a cap on the amount of money a school district can lose to Commonwealth charter schools. The cap states that tuition payments to charter schools cannot exceed nine percent of the district's net school spending. Romney's budget eliminates the nine percent cap for any community whose MCAS scores are in the lowest ten percent for two consecutive years.

Romney added a caveat to the line item that reimburses towns for charter schools. The caveat provides that \$12.4 million of the money in this line item would be made available to towns **ONLY** if the elimination of the cap passes.

- **Facilities Funding**

The budget includes a separate line item of \$13.8 million to provide per-pupil "facilities aid" for districts sending students to Commonwealth charter schools.

Higher Education Funding

Romney increases higher education spending by about \$5 million (less than one percent). Moreover, this small increase includes \$21 million for the nanotechnology center at UMass-

Lowell. In addition, he does NOT include the roughly \$31 million for retroactive payments for higher education contracts.

- The budget for higher education actually increases only \$5 million. By segment, the amounts are as follows:
 - University of Massachusetts — \$11 million (2.6 percent)
 - State Colleges — \$2.8 million (1.5 percent)
 - Community Colleges — \$4.9 million (2.5 percent)
- **Health Insurance Costs**

Romney proposes to increase active state employee health insurance premium shares to 25 percent from the current three-tiered plan of 15 percent, 20 percent or 25 percent depending on one's salary and date of hire. This represents an increase of between one-third and two-thirds in active employees' insurance premiums.

Also, Romney's plan would preclude the restoration of the 85-15 employer/employee premium split that was suspended for two years because of the recession.

Under his proposal, retirees who are 65 and retired before 7/94 would remain at 90 percent. Retirees over 65 who retired after 7/94 would remain at 85 percent.

- **UMass-Amherst – Tuition Retention**

Romney's budget reinstates the requirement that UMass-Amherst be allowed to retain tuition from out of state residents. (Previously, this program was only a pilot program)

Employee Rights and Benefits

- **Privatizing /Outsourcing (The Pacheco Law)**

While retaining the appearance of maintaining the Pacheco law, the Romney budget again essentially guts the law in several outside sections.
- **Retiree COLA**

The budget authorizes the granting of a COLA in FY06 for retired teachers and state employees of 3 percent on the first \$12,000 of a person's retirement allowance. Non-teacher local employees would need local approval to effectuate the COLA.
- **Retired Municipal Teachers' Health Insurance**

Retired municipal teachers from 75 school districts receive health insurance through the Commonwealth's group health insurance plan. The premium share by the employer would remain at 90 percent for retirees who retired before 7/1/94 and 85 percent for those who retired after 7/1/94.

- **Retired State Employees' Health Insurance**

There are two levels of contribution for retirees over 65, depending on their date of retirement. Those who retired before 7/1/94 get 90 percent while those who retired after that get 85 percent. (This means 85 percent or 90 percent of a Medicare supplement for those retirees who are covered by Medicare and 85 percent or 90 percent of the insurance cost for those retirees who are not.)

There are three levels of contribution for retirees under 65. For retirees under 65 who are eligible for Medicare coverage (through a spouse or previous private-sector employment), the state makes a contribution of 90 percent toward the Medicare supplement for those retired before 7/1/94 and 85 percent for those retired after 7/1/94. For retirees under 65 who are not covered by Medicare, the state would contribute 75 percent.

- **Health Claims Trust Fund**

Requires local jurisdictions that opt to provide health insurance by self-insuring to subject their claims trust funds to annual audits. MTA supports such disclosure efforts to guard against under funding these trust funds, and it has filed similar legislation.

- **Health Claims Trust Funds Deficits**

Authorizes those jurisdictions with deficits in their health claims trust funds from FY04 to amortize those deficits in equal payments over three years.

- **Labor Relations Commission**

The budget of this agency is level-funded, which is insufficient for this agency to fulfill its important responsibilities.

- **Board of Conciliation and Arbitration**

The budget of this agency is level-funded, which is insufficient for this agency.

NOTE: This is a preliminary analysis of House 1. MTA will continue to review the details of the budget and alert you to any changes.