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Bulletin

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MTF

Governor's 2006 Budget: Continued Lean Times; Medicaid Accounting Change Key to Balance

The fiscal 2006 state budget submitted by Governor Romney in late January proposes only minimal spending growth in the coming year—less than one percent in an apples-to-apples comparison with estimated 2005 spending—reflecting the reality that the Commonwealth will face tight budgets for the foreseeable future. Although the administration believes that a strong economy and management reforms now make it possible both to expand spending in vital programs and to cut the income tax rate to 5.0 percent, the proposed 2006 budget strains to maintain fiscal balance while pursuing those two goals. In particular, the budget's reliance on hundreds of millions of dollars of questionable Medicaid cost shifting and business tax increases undercuts any claims that the state's fiscal difficulties are over.

At the same time, the fiscal foundations of the budget (commonly called "House 1"[1]) are considerably strengthened by a reasonable revenue forecast—essentially identical to the Foundation's projections for 2006 tax receipts—and by the decision to fund in full the additional appropriations that will be required in the coming year for Chapter 70 education aid, debt service, pensions and school building assistance. The budget also wisely avoids using the state's rainy day reserves to support ongoing program costs.

While the budget does provide for some increased spending in the coming year, the proposed additions are modest and, for the most part, directed toward legal obligations such as Chapter 70 school aid, debt service, and court-ordered human services spending. Where increases in discretionary areas have been proposed—such as the $25 million increase in lottery aid to cities and towns[2]—the additional spending more often than not is offset by cuts in other accounts or falls far short of what would be needed to restore the deep cuts of the previous three years, especially considering the impact of inflation. Excluding largely non-discretionary health care, debt service and pension costs, the proposed expenditures for 2006 are actually slightly less than estimated 2005 spending.

From a structural point of view, the administration's proposed level of 2006 expenditures is a reflection of an underlying fiscal fact: The state will be hard pressed to afford any significant spending increases for some time to come. Having over the last three years successfully addressed the severe fiscal

[1] In reference to the bill number traditionally assigned to the Governor's budget when it is filed with the House Clerk.

[2] The $100 million increase in 2006 lottery aid announced by the Governor did not account for the $75 million of supplemental aid authorized in the final 2004 supplemental spending bill for distribution via the lottery formula in fiscal 2005.

crisis that was precipitated by an almost 15 percent plunge in tax receipts in fiscal 2002, the state now confronts a different kind of financial challenge: The annual spending growth needed to meet the state's commitments—especially for health care—exceeds the rate of revenue growth that can reasonably be expected over the long term, even assuming a continued recovery of the state economy. Despite the widespread perception that the hard fiscal times are over, this "growth gap" threatens to produce annual budget deficits for years to come, making it difficult for the state to meet its existing obligations, much less take on new ones.

Given this environment of fiscal scarcity, it would seem almost impossible to accommodate both unavoidable increases in spending and a major tax cut of the kind proposed by the administration (with a revenue impact of $225 million in fiscal 2006 and $450 million in fiscal 2007). House 1 resolves this dilemma by artificially holding down for one year the rate of spending growth in Medicaid—the largest, and most problematic, driver of state costs—and by substantially increasing taxes on business, the third such increase in as many years.

Although the budget's spending recommendations for most of the "difficult-to-control" accounts are quite close to the Foundation's projections, Medicaid is the conspicuous exception. Instead of rising by one-half billion dollars or more as expected, the proposed 2006 appropriation for the massive Medicaid program is actually less than estimated 2005 spending.[3] While a portion of the reduction is attributable to the somewhat slower rate of underlying cost growth assumed by the administration, as well as several modest savings initiatives, the lion's share is due to an extraordinary accounting change: shifting payment of approximately $450 million of 2006 Medicaid costs into 2007 and then permanently funding those costs one year in arrears.

Governor Romney is also proposing a third round of business tax increases under the banner of "loophole closing" that would increase the tax burden on corporations doing business in the state by $170 million in fiscal 2006, and by almost $200 million when fully implemented in 2007. If enacted, these latest proposed increases

Proposed Business Tax Increases: "Taxachusetts" Revisited?

For the third consecutive year, Governor Romney has proposed significant changes in the tax laws affecting corporations doing business in Massachusetts. Although some of the 168 sections of the Governor's bill simplify and modernize the Commonwealth's tax laws, the proposed changes in tax policy and administrative discretion are actually more sweeping than the administration's previous two "loophole closing" packages combined and continue a major reversal of the progress that Massachusetts made during the 1990s in improving its tax climate.

The most far-reaching provisions would give the Commissioner of Revenue unprecedented authority—broader than that available to the IRS or any other state revenue commissioner—to increase the tax liability of many of the state's largest employers, undercutting the predictability that is central to a fair and equitable tax system.

Under the banner of "loophole closing," other provisions expand existing taxes or impose new ones, including extending the sales tax to pre-written or "canned" software that is delivered electronically to the purchaser, applying the deeds excise tax to the transfer of ownership of a business that owns real property in the state, and imposing the corporate income tax on some income of non-profit organizations, and establish several new penalties which would be imposed largely at the discretion of the Commissioner.

[3] After excluding for purposes of comparison $232 million of proposed appropriations for so-called Medicare buy-in costs (the premium costs of Medicare coverage for eligible Medicaid clients) that were previously deducted from federal reimbursement revenues.

would bring the total amount of additional taxes imposed on business since the Governor took office to between $400 and $500 million annually, compared to the $1 billion of taxes paid by corporations in fiscal 2001.

In addition, the Governor's budget includes $45 million for assorted capital projects, including $21 million for a nanotechnology manufacturing center at UMass Lowell, $15 million for various park and recreational facility repairs, and $6 million for two courthouses. While each of these projects may have merit, with such a tight budget the state can ill afford to spend operating dollars on capital investments, and the projects should compete for funding under the capital budget.

On the positive side, the budget's proposal to have all active employees and able-bodied retirees under the age of 65 pay 25 percent of the cost of their health benefits would save an estimated $59 million. Currently, only newly hired employees pay 25 percent, while existing employees making $35,000 or more pay 20 percent and all others 15 percent. The 20 percent rate is scheduled to sunset and revert to 15 percent at the end of fiscal 2005, adding $27 million to state costs in fiscal 2006—on top of the loss of the $59 million savings in the Governor's budget—if no legislative action is taken.

Spending

Under the Governor's House 1 recommendations, budgetary spending will total $25.04 billion in fiscal 2006, an amount that includes $232 million of appropriations for Medicare buy-in costs that were previously deducted from federal reimbursement revenues. After adjusting for the impact of this change, the planned spending is $150 million, or 0.6 percent, above MTF's estimate of projected 2005 expenditures.[4]

Table 1
House 1 Spending
($, Millions)

Spending from budgeted funds:	
Proposed in House 1	
Direct appropriations	$23,217
Uncompensated care transfer	86
Total proposed in House 1	$23,303
Previously authorized	
Pension transfer	1,275
RMV fees for transportation projects	52
Other	22
Total spending from budgeted funds	$24,652
Spending for budgetary purposes from non-budgeted funds:	
Proposed in House 1	376
Previously authorized	15
Total spending for budgetary purposes	$25,043

Note: Excludes estimated $712 million of assistance to MBTA and $488 million of school construction funding to be paid from dedicated sales taxes.

The $25.04 billion total includes $24.65 billion of proposed and previously authorized spending from the budgeted funds and almost $400 million from non-budgeted funds, almost all of which would be devoted to the state Medicaid program and related health care costs.

A look at the detail behind the scant $150 million increase in overall spending from 2005 provides a dramatic illustration of just how tight the state's finances are—and how dependent the modest recommended spending increases are on "savings" from the Governor's Medicaid recommendations (see Table 2).

- The largely unavoidable increases in three key areas—education aid, debt service and pensions—exceed the overall growth in the budget by more than $100 million.
- Other modest increases in human services, corrections, higher education and local aid are more than offset by cuts in other areas of government.

[4] The projection of 2005 spending is based upon estimates published by the administration as part of House 1, adjusted for authorized expenditures from appropriations carried forward from 2004.

- The proposed authorizations for state health care programs (including Medicaid, employee health benefits, senior pharmacy, and uncompensated care) are more than $100 million below estimated 2005 spending, in sharp contrast to an average increase of roughly nine percent a year over the previous five years. Absent the shift of some Medicaid costs in 2007 noted earlier, 2006 health care appropriations in the budget would have to increase by another $450 million (50 percent reimbursed by the federal government), necessitating additional revenues or further spending reductions.

Table 2
Major 2006 Spending Changes
($, Millions)

Major programs	
Debt service	$115
Education aid	92
Pensions	58
Total	265
Other increases	121
Health care	-107
Rest of government	-128
Total	$150

The recommended spending increases in House 1 do not come close to the amounts that would be needed to restore any significant portion of the deep cuts between 2002 and 2004, or to reshape state spending priorities which have been dramatically altered over the course of the fiscal crisis. Adjusting for inflation, total state spending under the proposed 2006 budget is $230 million, or 1.1 percent, less than in fiscal 2001 (see Table 3). Behind this decline is a huge 25 percent inflation-adjusted rise in health care spending (as well as significant increases in pensions and debt service) offset by major cuts in the rest of state government. These reductions total a staggering $2.1 billion, or 15 percent, including a 28 percent cut in non-school aid to cities and towns and a 33 percent drop in state support for public higher education.

However, the state's lawmakers will have little ability to provide for any significant increase in

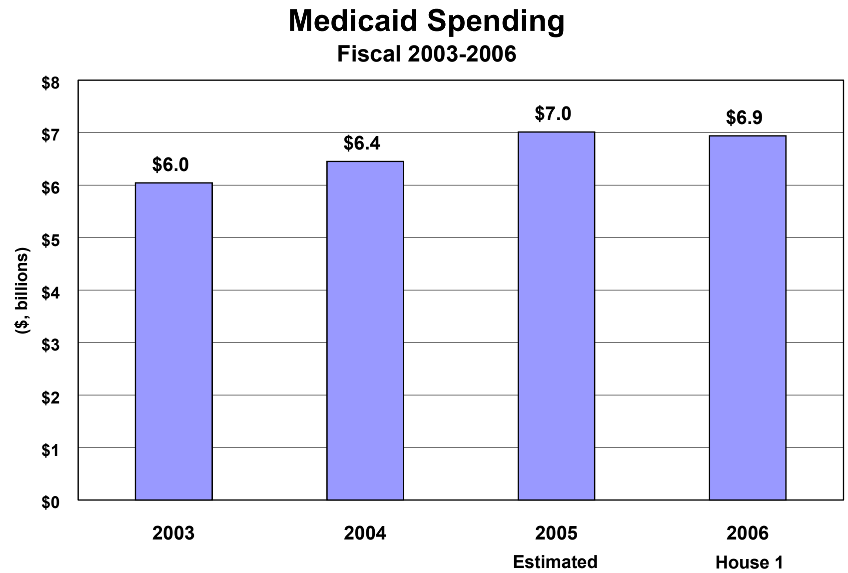
Table 3
Fiscal 2006 Spending
($, Millions)

		Change from FY05		Change from FY01			
				Nominal		Inflation-Adjusted	
	FY06	Amount	Percent	Amount	Percent	Amount	Percent
Health care	$7,818	-$107	-1.3	$2,261	40.7	$1,386	24.9
Human services	4,584	83	1.8	322	7.5	-349	-8.2
Education aid	3,730	92	2.5	276	8.0	-268	-7.8
Criminal justice	1,858	24	1.3	149	8.7	-120	-7.0
Debt service	1,793	115	6.9	362	25.2	136	9.5
Other local aid	1,356	6	0.4	-185	-12.0	-427	-27.7
Pensions	1,275	58	4.7	258	25.4	98	9.6
Higher education	922	8	0.8	-187	-16.8	-361	-32.6
All other	1,476	-128	-8.0	-282	-16.0	-558	-31.8
Total	$24,811	$150	0.6	$2,974	13.6	-$234	-1.1

Note: For purposes of comparison, fiscal 2006 health care spending excludes $231.8 million of recommended Medicaid appropriations for Medicare buy-in costs that in prior years were deducted from federal reimbursements; education aid in all years has been adjusted to exclude school building assistance costs to be funded from dedicated sales tax receipts beginning in fiscal 2005.

2006 spending above the overall amount proposed by the Governor, since in developing their versions of the budget they will have to contend with the same underlying structural pressures on the Commonwealth's finances. The administration's tax forecast sets a prudent upper limit on the amount of revenues that will be available in 2006, and most of the growth in tax receipts will be needed to fund obligatory increases in costs.

Figure 1



If lawmakers rely on a lower forecast of 2006 revenues, as has been reported, or reject the administration's problematic Medicaid funding proposal, it will be extremely difficult for the legislative budgets to accommodate even the modest spending increases proposed by the Governor. At the same time, with the economy in recovery and revenues expected to grow at a rate that is only slightly below the long-term average, it would be particularly imprudent for lawmakers to draw on the state's stabilization reserves—which will be needed to weather the next economic downturn—to fund 2006 spending.

Medicaid

As described above, the Governor's budget depends on a change in Medicaid accounting that produces a one-time reduction in appropriations of approximately $450 million. In effect, those costs are shifted to the fiscal 2007 budget. As a result, the proposed 2006 Medicaid budget of $6.9 billion is nearly $70 million or one percent below projected 2005 spending, a startling contrast to the program's recent spending growth, which averaged over nine percent between 1999 and 2005. After adjusting for the accounting shift, underlying cost growth is projected to total only 5.6 percent in 2006, a potentially over-optimistic assumption in an environment where the cost of private health insurance is still increasing at double-digit rates.

The proposed Medicaid budget makes no provision for the Governor's proposal to extend health care coverage to the uninsured, in part by expanding Medicaid enrollment, and takes no steps to address the problem of below-cost provider reimbursement rates. At the same time, a number of unresolved issues concerning federal funding add an extra layer of uncertainty to the state's health care finances.

Accounting Shift Using the administration's own projection of a 5.6 percent increase in underlying costs, the 2006 Medicaid budget would be expected to total about $7.4 billion if there were no changes in the program's accounting. The difference between this figure and the actual proposed budget—about $450 million—represents a one-time budget reduction achieved by shifting into fiscal 2007 costs that otherwise would have been paid in fiscal 2006.

Almost all state programs—with the conspicuous exception of Medicaid—pay for the goods and services they purchase in a fiscal year from the revenues collected in that fiscal year. Since the bills for some of those purchases (especially those late in the fiscal year) come in after the official June 30 ending date of the year, departments are required to settle late-arriving bills after June 30, during a so-called "accounts payable" period that begins July 1 and ends September 15. Only after the close of this period can the state comptroller prepare his official tally of spending and revenue for the fiscal year.

For fiscal 2005, the administration projects that the Medicaid program will receive late-arriving bills and pay during the accounts payable period approximately $350 million for services provided to MassHealth participants. For fiscal 2006, however, the administration has proposed an appropriation that will only pay for bills received by June 30, and assumes payments for fiscal 2006 bills received after that date will be paid from 2007 appropriations. As a result, the 2006 appropriation will, in effect, cover less than a full year—about 11 ¼ months—of Medicaid costs.

The administration characterizes this accounting shift as a correction that will bring the Medicaid budget back to a July 1-June 30 "cash basis." Historically, the Medicaid program has had a checkered record in the timeliness of its bill payments. Indeed, in the fiscal crisis at the beginning of the previous decade, the state had to resort to borrowing to settle almost $500 million of unpaid Medicaid bills. For most of the 1990s, Medicaid appropriations for a fiscal year have only paid for bills received by June 30, and bills arriving after June 30 were charged to the next fiscal year. However, over the last three years, appropriations have in increasing amounts exceeded what was needed to pay the bills received through June 30—a result of over-budgeting according to the administration—and have been used to pay bills received during the accounts payable period.

This increase in payments during the accounts payable period can be viewed as progress in paying Medicaid bills in the same fiscal year in which the services are delivered—the norm in other state programs—and the accounting shift as a reversal of that progress. Regardless of the relative merits of the two approaches, the bottom-line impact of the change is a one-time "savings" that the administration relies upon to help balance its budget.

Demands for Expanded Spending The House 1 Medicaid budget assumes a modest increase in enrollment of 13,000, or 1.3 percent, in fiscal 2006, following an expected increase of 29,000 in 2005. In November 2004 the Governor issued a call for expanded health insurance coverage that included enrolling all of the estimated 106,000 uninsured residents who are currently eligible for Medicaid but not enrolled, a move that would require hundreds of millions of dollars in additional spending.

The Governor's budget contains no proposals to expand eligibility for Medicaid, and discontinues funding for 3,000 elderly and disabled legal immigrants whose eligibility was temporarily restored over the Governor's veto in fiscal 2005. Restoring eligibility for this group and another 7,000 legal immigrants who were made ineligible by budget cuts in fiscal 2004 would cost about $15 million.

At the same time, the proposed budget offers no solutions to the longstanding problem of below-cost Medicaid reimbursement rates, while two "cost-saving" provisions would exacerbate the impact on provider finances. A proposed nursing home rate freeze would defer an estimated $43.5 million in rate increases to fiscal 2007—on top of the accounting shift discussed above—and a $92 million reduction in state contributions to the uncompensated care pool would increase to $330 million the projected gap between uncompensated care costs borne by hospitals and payments they receive from the pool. Below-cost Medicaid and uncompensated care reimbursement rates create incentives for providers to shift costs to other payers, adding to the rising costs of private insurance premiums.

Federal Funding Uncertainties Financing for Medicaid and other health care spending is made more difficult by a series of unresolved questions concerning federal funding. The financial impact of the new Medicare drug benefit will not be known until the formula for so-called "clawback" payments to the federal government is made final. The payments, as well as reduced rebates from drug manufacturers, offset savings to the state from lower spending on pharmaceuticals for residents who are eligible for both Medicaid and Medicare. The budget assumes a bottom line cost of $77 million. At the same time, the budget projects savings of $18 million from proposed changes to asset transfer rules and disabled eligibility, but approval of the required federal waivers is uncertain.

Also remaining to be determined is the extension of the waiver that allowed federally funded health care safety net payments to hospitals and other providers—so-called intergovernmental transfers and disproportionate share hospital payments—leaving $600 million in federal funding for providers at risk. The state secured a commitment to continue the payments for at least one more year, but new mechanisms to support the payments for fiscal 2006 will have to be developed. The payments are in addition to federal reimbursements for the Commonwealth's on-budget Medicaid spending, that is, they are on top of the roughly $3.5 billion in Medicaid reimbursements that are built into the state budget. Nevertheless, the payments are a key part of the state's strategy for financing its health care safety net, and their loss would have a major impact on the state's ability to provide care for its low income, elderly and disabled residents.

Compounding the threat to safety net payments is the Bush administration's proposed budget, which reportedly would reduce the Commonwealth's Medicaid reimbursements by $1.2 billion over the next decade. In 2003 the administration proposed converting Medicaid from an entitlement program to a block grant—providing a short-term increase in funding in return for shifting all of the liability for rising enrollments and costs to the states—an idea that could be revived as the pressure mounts to curb growing federal deficits.

Local Aid

House 1 recommends a total of $5.09 billion of state assistance to cities and towns in 2006, an increase of $98 million, or 2.0 percent, over estimated 2005 spending. This amount includes proposed spending for Chapter 70 education aid, lottery aid, additional assistance and other "cherry sheet" accounts, as well as reimbursements, such as the special education "circuit breaker," and categorical grants for purposes ranging from MCAS support to community policing.

Rate of Proposed Growth In announcing its 2006 local aid recommendations, the administration highlighted the $177 million, or 4.2 percent, increase in proposed appropriations for the three major aid accounts—Chapter 70 education aid, additional assistance, and lottery aid to cities and towns. However, this comparison did not take into account $75 million of supplemental 2005 aid authorized in the final appropriation bill for 2004, to be allocated among communities based on the distribution formula for lottery aid. Taking that added 2005 spending into account produces a lower $102 million, or 2.4 percent, increase for 2006 (see Table 4). After factoring in the slight decline in proposed spending for other local aid accounts, the total 2006 aid increase is $98 million, or 2.0 percent. (This comparison does not include a $92 million, or 23 percent, increase in school building assistance that will be funded off-budget under the reforms adopted in 2004.)

Education Aid Since most of the proposed new dollars support Chapter 70 education costs, the distribution of the additional dollars is heavily weighted toward cities and towns with insufficient local resources to meet the funding requirements of the education reform law. In fact, almost two-thirds of the proposed increases in the three main aid accounts would go to 21 largely urban, poorer communities in the state.

At the same time, 150 communities would see an aid increase of less than 1.5 percent.

Table 4 Fiscal 2006 Local Aid Recommendations ($, Millions)	2005 Estimated Spending	2006 House 1 Proposed	Change	Percent Change
Major aid accounts				
Chapter 70 school aid	$3,183	$3,260	$77	
Additional assistance	380	380	0	
Lottery appropriation	661	761	100	
Subtotal	4,224	4,401	177	4.2
2005 supplemental aid	75	--	-75	
Total - major accounts	4,299	4,401	102	2.4
Other local aid	689	685	-4	
Total	$4,988	$5,086	98	2.0

The Supreme Judicial Court's dismissal of the *Hancock* school funding suit—which threatened huge, court-ordered increases in state spending for local education—clears the way for the Commonwealth's leaders to work out the direction that future financial assistance to schools should take (beyond that required to sustain local spending at the "foundation budget" levels required by education reform).

There appears to be a growing consensus that any significant increases in school funding should be targeted in ways that will help improve student—and school—performance. Given the current fiscal environment, it will be difficult to find even modest amounts of additional resources to pay for such initiatives.

BUDGET SUMMARY[1]

($ Millions)	Actual 2001	Actual 2002	Actual 2003	2004 Actual[3]	2005 Estimated	2006 Governor Proposed[5]	Difference from 2005 Est.	Pct. Diff.
Investment in Children	**$5,759.1**	**$5,966.9**	**$5,825.5**	**$5,534.8**	**$5,846.1**	**$5,980.2**	**$134.1**	**2.3%**
Education Local Aid[2]	3,454.0	3,679.6	3,617.6	3,428.9	3,637.7	3,729.6	91.9	2.5%
Higher Education	1,109.1	1,037.1	982.3	860.6	914.7	922.4	7.7	0.8%
Services to Children	573.6	631.8	646.0	677.1	712.1	731.1	19.0	2.7%
Youth Services	118.3	122.5	122.8	124.9	133.1	146.9	13.8	10.3%
Child Care Services	504.1	495.9	456.7	443.3	448.4	450.2	1.8	0.4%
Criminal Justice and Law Enforcement	**$1,708.6**	**$1,752.6**	**$1,674.6**	**$1,746.0**	**$1,834.0**	**$1,857.8**	**$23.8**	**1.3%**
Corrections	799.3	824.6	769.5	827.7	848.6	860.2	11.7	1.4%
Judiciary	588.7	580.0	566.5	583.7	628.7	629.6	0.9	0.1%
Police	205.3	230.8	230.6	224.7	241.3	248.7	7.5	3.1%
DAs	81.4	81.4	75.8	77.1	79.3	82.6	3.3	4.1%
Attorney General	33.8	35.7	32.2	32.7	36.2	36.6	0.4	1.1%
Local Government	**$1,541.0**	**$1,523.1**	**$1,295.7**	**$1,242.4**	**$1,350.6**	**$1,356.4**	**$5.8**	**0.4%**
Assistance to the Poor	**$5,893.6**	**$6,652.0**	**$7,004.8**	**$7,432.3**	**$8,115.7**	**$8,166.5**	**$50.8**	**0.6%**
Medicaid & Other Health Care	4,860.0	5,572.6	5,925.8	6,367.2	6,995.6	7,060.7	65.1	0.9%
Cash Assistance	646.1	682.6	688.8	685.6	710.4	699.1	(11.3)	-1.6%
Housing Assistance	158.4	142.6	109.9	94.5	108.0	117.0	9.0	8.3%
Elderly	229.1	254.1	280.3	285.0	301.7	289.7	(12.0)	-4.0%
Assistance to the Sick and Disabled	**$2,032.2**	**$2,054.2**	**$1,986.1**	**$1,963.1**	**$2,087.0**	**$2,149.5**	**$62.5**	**3.0%**
Mental Retardation	916.1	966.1	986.4	1,013.4	1,086.0	1,122.1	36.1	3.3%
Mental Health	602.3	607.6	597.3	590.4	598.7	619.9	21.2	3.5%
Public Health	513.7	480.6	402.4	359.3	402.3	407.5	5.2	1.3%
Transportation	**$260.4**	**$215.2**	**$222.1**	**$216.2**	**$242.7**	**$227.3**	**($15.4)**	**-6.3%**
Regional Transit	41.2	49.3	42.4	53.2	48.8	49.2	0.4	0.8%
MDHighways	155.4	98.8	115.4	97.4	129.3	112.1	(17.2)	-13.3%
Registry	63.8	67.1	64.3	65.7	64.5	66.0	1.5	2.3%
Economic Development	**$403.5**	**$373.7**	**$315.5**	**$398.5**	**$399.0**	**$323.7**	**($75.3)**	**-18.9%**
Business and Labor	158.4	142.3	127.3	208.4	151.2	133.2	(18.0)	-11.9%
Environment	245.1	231.5	188.2	190.0	247.8	190.5	(57.3)	-23.1%
Central Costs	**$3,127.0**	**$2,903.6**	**$3,017.4**	**$3,093.2**	**$3,760.0**	**$4,002.6**	**$242.6**	**6.5%**
Employee Benefits[2]	1,695.3	1,527.4	1,567.0	1,511.7	2,082.0	2,209.3	127.4	6.1%
Debt Service	1,431.8	1,376.2	1,450.4	1,581.5	1,678.0	1,793.3	115.3	6.9%
Other	**$1,111.8**	**$1,083.6**	**$942.1**	**$920.9**	**$1,026.1**	**$979.0**	**($47.1)**	**-4.6%**
Total	**$21,837.2**	**$22,524.9**	**$22,283.8**	**$22,547.4**	**$24,661.1**	**$25,042.9**	**$381.8**	**1.5%**
Excl. Medicare Buy-in Costs						**$24,811.1**	**$150.0**	**0.6%**
Adjusted for MBTA and SBA[4]	$22,837.6	$23,574.5	$23,351.3	$23,633.0	$25,762.4	$26,011.5	$249.1	1.0%

1. Amounts are adjusted to include certain off-budget authorizations, primarily for health care and pensions.
2. Does not include workers' compensation and unemployment insurance which are budgeted in agency accounts.
3. For purposes of comparison, 2001-2004 amounts exclude school building costs which were moved off-budget beginning in fiscal 2005.
4. In 2001, expenditures (and supporting sales tax revenues) for operating and debt service assistance to the MBTA were moved off-budget; in 2005, state assistance for school building construction was similarly moved off-budget.
5. Includes $231.8 million of Medicare buy-in costs carried as offset to revenues in prior years.