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House Budget Debate Analysis

This week, the House deliberated on its fiscal year (FY) 2018 budget, completing debate and dispensing with over 1200 amendments in just two days. The House added \$77.7 million in new spending to the original House Ways and Means (HWM) budget plan as well as 79 policy sections. Total line-item spending in the final House budget is \$40.829 billion – approximately \$80 million less in spending than the Governor’s version.

	FY 2017 Current	H1	HWM	House Amendments	House Final	\$ Change v. H1
Line item spending	\$39,617.3	\$40,909.0	\$40,752.3	\$77.7	\$40,830.0	-\$79.0
Pre-budget transfers	\$4,026.6	\$4,300.6	\$4,300.6	\$0.0	\$4,300.6	\$0.0
Total spending	\$43,643.9	\$45,209.6	\$45,052.9	\$77.7	\$45,130.6	-\$79.0

Spending Added During Debate

The \$77.7 million in new spending increases 138 different spending line-items across eight broad categories into which the House organizes all amendments. Of this amount, \$42 million went toward local earmarks, while the remaining \$35.7 million added program funding.

Notable programmatic spending changes include:

- \$5 million in new spending for early education provider rate increases. The House budget now provides \$20M for these salary increases, almost triple the \$7 million in the Governor’s budget;
- \$6.3 million to restore six economic development items not included in the HWM budget but that have received state funding in the past. This funding includes \$3 million for the John Adams Innovation Institute and \$1.5 million for workforce development grants;
- \$4 million in increased funding to four youth programs designed to assist at-risk teens in urban areas with almost half of the money (\$1.7 million) supporting efforts to connect youth with jobs after school;
- \$2.5 million for information technology (IT) costs at the Executive Office of Health and Human Services (EOHHS). This money narrows the \$8.3 million gap between the HWM budget and amount the amount in the Governor’s H1 spending plan; and
- \$2 million for the Massachusetts Cultural Council, bringing the total funding in the House budget to \$12.1 million.

Because most new spending comes in the form of small, local earmarks rather than increases to programmatic spending, just looking at spending by category can be misleading. The chart below delineates both the earmark and non-earmark spending for each category to provide a more complete picture:

Category	Total	Earmarks	Non-earmark
Education & Local Aid	\$16,695,861	\$3,725,000	\$12,970,861
Constitutional Officers, State Administration & Transportation	\$3,228,441	\$460,550	\$2,767,891
Energy & Environmental Affairs	\$6,385,000	\$5,285,000	\$1,100,000
Social Services & Veterans	\$1,964,000	\$2,022,000	-\$58,000
Housing, Mental Health & Disability Services	\$3,075,611	\$1,985,000	\$1,090,611
Public Health	\$6,935,374	\$4,740,060	\$2,195,314
Health & Human Services & Elder Affairs	\$7,582,000	\$4,197,000	\$3,385,000
Public Safety & Judiciary	\$11,779,575	\$8,097,202	\$3,682,373
Labor & Economic Development	\$16,747,707	\$8,122,707	\$8,625,000
Technical	\$3,300,000	\$3,385,000	-\$85,000
Total spending	\$77,693,569	\$42,019,519	\$35,674,050

The 388 earmarks adopted by the House represent 54 percent of all new spending added by the House during the floor debate. This level of earmark spending is fairly typical and similar in number to the 381 earmarks that the House added during debate in FY 2017.

In total, the House added \$20 million more in amendment spending this year than in FY 2017. However, in FY 2017, the House offset increases by reducing GIC spending by \$34 million through an amendment.

Revenue to Support New Spending

While the final House revenue assumptions are not yet available, it is likely that new spending was absorbed through revenues assumed in the HWM budget. The HWM budget had approximately \$80 million more in revenues than in spending, indicating that the spending added through debate was anticipated and accounted for by HWM.

Policy Sections

Because the legislature is obligated to pass a budget each year, proponents of policy changes often look to add policy priorities to the budget as outside sections. The House adopted 79 policy sections during this week's debate. In the last three years, there has been a marked decrease in the number of policy sections included in the House budget compared to prior year budgets.

	HWM	Added by Amendment	House Final
FY 2018	77	79	156
FY 2017	50	91	141
FY 2016	75	78	153
FY 2015	105	176	281
FY 2014	103	94	197
FY 2013	98	110	208
FY 2012	111	82	193

Notable new policy sections include:

- **Employer Assessment** – the House adopted several amendments to the employer assessment proposal in the HWM budget. Most notably, the House sunsets any assessment two years after its effective date, meaning it will expire in 2020. This positive change puts a time limit on any new assessment while a more in depth review of MassHealth cost trends can be undertaken.
- **Conservation Land Tax Credit** – the House adopted an amendment to increase the cap on the state’s Conservation Land Tax Credit by \$1 million per year for the next three years. In 2018, the cap would move from \$2 million to \$3 million.
- **Consolidated Net Surplus** – the House added a section dividing \$20 million of any FY 2017 budget surplus evenly between support for the Community Preservation Act and the Mass. Life Science Center. The Governor’s budget included a similar provision.
- **Veterans Bonus** – the House added a section that would make veterans who served as part of recent military operations eligible for a \$500 to \$1,000 bonus.
- **Nursing Home Room Requirements** – the House adopted two sections that specify how the nursing home licensure process should address standards for the space and number of residents allowed in a room.
- **Community Benefits District** – the House adopted a section creating “community benefit districts” which would allow property owners to elect to form an entity to undertake shared goals. Last session, a similar Senate proposal was ultimately not adopted due to concerns regarding how these districts would work.

Conclusion

The final House budget does not deviate from the general plan offered by HWM in any meaningful way. Most of the amendments that were adopted over the two day debate did not change the House’s spending priorities or introduce new programs. Rather, they were local earmarks. Total spending in the House budget remains less than House 1, but that is because the House underfunds several major programs that will likely require supplemental spending later in the fiscal year. When this underfunding is taken into account, the spending differences largely disappear.

As the budget moves to the next step in the process, the Senate must determine how it will address the employer assessment and tax modernization proposals first offered by the Governor. The House budget reflects a number of concerns that have been raised with both proposals and wisely added language to sunset the employer assessment after two years.