



Bulletin

May 31, 2016



MTF's Preliminary Analysis of the Senate Debate

Late last week the Senate completed its FY 2017 budget process. During three days of debate, the Senate added \$61.4 million in new spending and 181 new policy sections to the budget proposal submitted by the Senate Committee on Ways and Means (SWM). The next step in the process is the appointment of a conference committee to resolve the differences.

Final Senate Budget Spending

Table 1. Final Senate Budget Spending Comparison

	FY 2016 Projected	H2	House Final	SWM	Senate Amendm ents	Senate Final	Senate v. House	Senate v. H2
Line Item Spending	\$38,329.7	\$39,553.4	\$39,539.4	\$39,496.7	\$61.4	\$39,558.1	\$18.7	\$4.7
Pre-Budget Transfer	\$3,824.3	\$4,113.5	\$4,113.5	\$4,113.5	\$0.0	\$4,113.5	\$0.0	\$0.0
Off-budget	\$229.4	\$233.2	\$235.7	\$233.2	\$0.0	\$233.2	-\$2.5	\$0.0
Total	\$42,383.4	\$43,900.1	\$43,888.6	\$43,843.4	\$61.4	\$43,904.8	\$16.2	\$4.7
<i>Spending growth over FY 16</i>		3.58%	3.55%	3.44%		3.59%		

The final Senate spending plan is in line with the spending recommended by the Governor and House, though it is the highest of the three. Although the final Senate budget is higher than the House budget by \$16.2 million, it still represents spending growth of 3.59 percent, a figure well below expected tax revenue growth of 4.3%.

Spending by Category

Like the House, the spending added during debate came mostly in the form of local earmarks and local tourism projects. The Senate budget adopted 318 earmarks totaling \$31.4 million and \$30 million in programmatic spending across a number of budget categories that are outlined below.



Table 2. New Senate Spending by Category¹

	Other Spending
Local earmarks	\$31,398,242
Local	\$135,000
Education	\$5,925,000
General Government	\$2,471,509
Health & Human Services	\$6,109,000
Tourism & Economic Development	\$2,925,000
Environment	\$3,470,000
Judiciary	\$1,846,970
Public Safety	\$2,100,000
Transportation	\$0
Other spending	\$5,012,786
Total	\$61,393,507

Temporary Assistance for Needy Families (TANF) - \$4.2 million increase

The Senate made several changes to eligibility criteria for the state’s TANF program, most notable among them is the reinstatement of a separate state disability eligibility standard that is more encompassing than the federal disability standard adopted by the state in 2014. The estimate FY 2017 cost of this change, along with two smaller changes is \$4.2 million.

Charter School Tuition Reimbursement - \$2.5 million increase

The Senate increased the charter school tuition appropriation to \$90 million from the \$87.5 million proposed by SWM. This appropriation is still more than \$40 million short of full funding for projected tuition.

Substance Abuse Services Trust Fund - \$2 million increase

The Senate adopted an amendment to provide \$2 million to the state’s Substance Abuse Services Trust Fund. This trust fund, which provides a flexible source of funding for a host of DPH substance abuse programs received \$5 million in state funds in FY 2016 and \$1 million in the House budget.

Massachusetts Cultural Council - \$2 million increase

In addition to several earmarks added to the state’s Cultural Council line-item for specific programs, the Senate also increased the funding for the Council to \$15 million, a \$3 million increase over the House budget.²

¹ Spending is categorized by the amendment classification given to each amendment prior to debate.

² Both the House and Senate budgets also include earmarks within the Cultural Council accounts so that total funding exceeds the figures in this summary.



Gang Prevention (Shannon) Grants - \$2 million increase

The Senate added \$2 million to the Shannon Grant program, which provides funding to support gang prevention efforts throughout the state, for a total appropriation of \$8 million. This funding level is \$2 million higher than the House and \$1 million higher than the FY 2016 level.

Regional School Transportation - \$2 million increase

The Senate proposes \$61 million for regional school transportation reimbursements, a \$2 million increase over the SWM budget and the FY 2016 level. If this amount of reimbursement is ultimately distributed, it would be the programs highest funding level in over 15 years.

Massachusetts Commission Against Discrimination (MCAD) - \$617,000 increase

The Senate increased funding for MCAD – a state agency that investigates discrimination – by more than 20 percent over the \$2.9 million proposed in the SWM budget and included in the FY 2016 budget. MCAD officials have identified this additional funding as key to reducing their current backlog of investigations.

Adopted Policy Sections

The Senate also adopted a number of substantive policy changes in their budget. In total, the Senate added or amended more than 180 budget sections – compared to 91 adopted by the House. Policy changes include:

Foundation Budget Review Commission

The Senate adopted major changes to the state’s Chapter 70 formula that would, when implemented, increase the state’s annual Chapter 70 obligation by more than \$1 billion. These changes are consistent with the provisions of the charter school legislation that passed the Senate recently and would be effective for FY 2018, subject to appropriation. These changes are in addition to the SWM budget provision that proposes altering the annual consensus revenue process to account for these Chapter 70 changes.

Teacher Evaluation

The Senate adopted two policy sections that prohibit the state’s Board of Education from requiring school districts to use student performance data when evaluating teacher performance.

Ban on Plastic Bags

The Senate adopted an amendment that would prohibit retailers from providing “single use” bags to customers beginning in August of 2018. Under the amendment, stores would be allowed to sell reusable bags to customers.

Single Sales Factor Tax Analysis

The Governor’s economic development legislation proposes changing the state’s method of calculating corporate taxes to a single sales factor apportionment methodology. The Senate budget requires the Department of Revenue (DOR) to do a “dynamic revenue analysis,” which accounts for likely corporate behavior, when estimating the financial impact of this change. Typically, DOR estimates the impact of tax changes using the “static methodology” that does not account for possible behavioral changes.



Retiree Health Care Premiums

When municipal health care reform was enacted in 2012, the law prohibited municipalities from increasing retiree premium contribution ratios for a three year period. That freeze was subsequently extended and is now scheduled to expire on 2016. The Senate adopted an amendment that would further extend this freeze until 2018, thereby disallowing municipalities from adjusting their retirees' contribution ratios for another two years.

Health Safety Net

The Senate budget prohibits the Executive Office of Health and Human Services (EOHHS) from implementing any eligibility changes to the state's Health Safety Net trust fund until April of 2017, a change that prevents EOHHS from reducing the income level used to determine eligibility until that time. The Senate budget makes a \$15 million contribution to the Health Safety Net – \$15 million less than the standard state contribution but more than the Governor, who proposed eliminating the \$30 million state payment to the Health Safety Net in its entirety. The Health Safety Net provides payments to hospitals that provide emergency care to the uninsured and under insured.

MBTA Fare Increases

The Senate prohibits MBTA fares from increasing by more than five percent over a two year period, effectuating what many lawmakers intended to do in the Transportation Reform legislation of 2013.

RealID

Like the House, the Senate adopted an amendment to bring the state into compliance with federal license requirements prior to the federal deadline. The House and Senate RealID provisions, however, adopt different approaches for coming into compliance with the federal law.

Dental Hygiene Practitioner

The Senate proposes licensing Dental Hygienists who would be able to perform a number of dental services currently performed only by dentists. The purpose of the new position, similar to that of a physician's assistant, is to expand access to dental care.

Conclusion

After accounting for spending added during debate, the Senate budget remains a reasonable aggregate spending plan for FY 2017, in line with the other budget versions but reflective of different spending and policy priorities. One note of caution is the continued troubling practice by both branches to underfund several caseload accounts, which will require supplemental spending later in the fiscal year. In general, the Senate's FY17 budget reduces the state's structural gap by limiting both spending growth and the state's reliance on non-recurring revenue to balance the budget - two important actions that demonstrate fiscal discipline. It's imperative that this disciplined approach is retained in the final conference committee budget put before the Governor.