



# Bulletin

MTF

## FY 2017 Senate Ways and Means Budget Preview

The Senate Committee on Ways and Means (SWM) is scheduled to release its budget recommendations on May 17<sup>th</sup>.

Being the final stop in the budget process prior to Conference Committee deliberations can be both advantageous and disadvantageous for the Senate. Going last can make it more difficult for the Senate to set the budget agenda as they follow the spending plans put forth by the Governor and the House. Conversely, the extra time allows the Senate to utilize more current information about state revenues and program spending needs when developing initiatives. For example, the April tax revenues that came in lower than anticipated can help inform Senate budget spending decisions – especially during floor debate.

This brief provides an update on the three fiscal questions the Foundation is using to evaluate the FY 2017 spending plan and presents a quick reference for major budget issues that SWM will respond to on Tuesday.

### FY 2017 SWM Budget – Most Important Things to Watch

#### 1. How will spending growth compare to tax revenue growth?

*MTF Goal: Limit spending growth to less than 4.31 percent. Given H2 and House budgets, final Senate spending should remain under 3.6 percent.*

	H2	HWM	House Final	Tax Growth
Line Item Spending	3.19%	3.01%	3.16%	<b>4.31%</b>
Pre-Budget Transfer	7.56%	7.56%	7.56%	
Off-budget	1.66%	1.66%	2.75%	
<b>Total</b>	<b>3.58%</b>	<b>3.41%</b>	<b>3.55%</b>	

#### 2. How many one-time revenue solutions will SWM use?

*MTF Goal: Ultimately, the state must eliminate the use of non-recurring revenue to balance the budget. While neither the Governor nor the House budget met that standard, they both achieved MTF's FY 2017 goal of at least cutting FY 2016 one-timers in half.*

	FY 2016 GAA	H2	HWM
Cap. Gains Diversion	\$300	\$150	\$150
Tax Amnesty	\$100	\$0	\$0
Land Sales	\$30	\$30	\$30
MassHealth Cash Management	\$116	\$0	\$0
MassHealth One Time Revenue	\$0	\$74	\$74
EOHHS Trust Sweep	\$0	\$13	\$13
Other	\$83	\$0	\$0
<b>Total</b>	<b>\$629</b>	<b>\$266.5</b>	<b>\$266.5</b>

### 3. How much will the Senate deposit into the Stabilization Fund?

*MTF Goal: Deposit all capital gains tax revenue above the statutory threshold into the Stabilization Fund. Neither the Governor's nor the House's budget met that goal, but both did assume a \$206 million deposit in FY 2017 into the Stabilization Fund, the first such deposit since prior to the Great Recession.*

	FY 2016 GAA	FY 2017 H2	FY 2017 House
Assumed excess capital gains	\$300	\$356	\$356
<i>Less excess capital gains diverted to GF</i>	<i>-\$300</i>	<i>-\$150</i>	<i>-\$150</i>
Assumed interest	\$5.6	\$5.5	\$5.5
<b>Total assumed deposit</b>	<b>\$5.6</b>	<b>\$211.5</b>	<b>\$211.5</b>

### Comparing the SWM budget with the Governor and the House

The tables below provide a quick comparison of the major components of both the Governor's and the House's FY 2017 budgets. While the SWM budget will undoubtedly differ from earlier budgets in many ways, these charts lay out some of the key points of comparison.

FY 2017 Budget Comparison: Fiscal Basics			
	H2	House Final	Comment
Line item spending growth	3.19%	3.16%	
Total spending growth (including pre-budget transfers)	3.58%	3.55%	Total spending includes pre-budget transfers and off-budget spending
Total new spending	\$1.52 billion	\$1.51 billion	Figure calculated from estimate of final FY 2016 spending
Use of one time solutions	\$266.5	\$266.5	
Cap gains diverted to GF	\$150.0	\$150.0	
Assumed Cap Gains RDF deposit	\$206.0	\$206.0	Both H2 and House also assume \$5.5 million in interest earned on RDF
FY 2016 Surplus earmarked	\$20.0	\$20.0	Both H2 and House set aside \$10M to Community Preservation Act and \$10M to Mass. Life Science Center
Possible Underfunding of Emergency Assistance	\$0 - \$5M	\$30 - \$40M	Historic EA costs exceed House totals substantially. H2 funding falls short of FY 2016 expected by less than \$5M
Possible Underfunding of CPCS	\$5M - \$10M	\$30 - \$40M	Historic CPCS costs exceed both H2 and House budget totals

FY 2017 Budget Comparison: Spending & Policy			
	<i>H2</i>	<i>House Final</i>	<i>Comments</i>
MassHealth increase	\$739.3	\$756.7	
Creation of DSRIP trust fund	Yes	Yes	
Amount of new hospital assessment	\$250.0	\$250.0	House sunsets assessment after 5 years
Change GIC premiums	Yes	No	
Change TANF eligibility	Yes	No	
Unrestricted local aid increase	\$44.0	\$44.0	
C70 increase	\$72.1	\$95.7	House increase in the form of additional \$30 per pupil aid
Change to C70 definition of low-income	Yes	Yes	
Funds set aside to offset negative impact of low income change	\$0.0	\$10M	House included \$10M account to offset districts who receive less aid under new definition than under prior system
Change to charter school tuition reimbursement	Yes	No	